



# **TRINCOMALEE CONSULTATIONS**

## **Regional Cooperation for Economic Prosperity and Maritime Security in the Bay of Bengal**

**February 16<sup>th</sup> & 17<sup>th</sup>, 2017  
Colombo, Sri Lanka**

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# **TRINCOMALEE CONSULTATIONS**

Regional Cooperation for Economic Prosperity  
and Maritime Security in the Bay of Bengal

**Trincomalee Consultations: Regional Cooperation for Economic  
Prosperity and Maritime Security in the Bay of Bengal**

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# Concept Note for Trincomalee Consultations

## Enhanced Regional Cooperation for Economic Prosperity, Connectivity and Maritime Security in the Bay of Bengal

### Background

Bay of Bengal is regarded as the largest bay in the world and forms the northern part of the Indian Ocean (IO). It is bordered by India and Sri Lanka to the west, Bangladesh to the north and Myanmar and Andaman Nicobar Islands to the east. Nepal and Bhutan are two landlocked countries in the Bay of Bengal. Thailand and Malaysia are connected to the Bay of Bengal across the Andaman Sea. This bay occupies an area of 2,172,000 square kilometers. A number of large rivers and tributaries flow in to the Bay depositing sediments, which contains commercially exploitable minerals as well as hydrocarbons. The sediments from these rivers form the Bengal Delta and the Submarine Fan, a vast structure that extends from Bangladesh to south of the equator, which is up to 16.5 k.m. thick and contains at least 1,130 trillion tonnes of sediment.

Major and minor ports in the Bay of Bengal are:

<b>India:</b>	Chennai, Kolkata, Tuticorin, Vishakhapatnam (major ports) Kakinad, Pondichery, Paradip, Dhamra, Gopalpur (minor Ports)
<b>Bangladesh:</b>	Chittagong, Mongla
<b>Myanmar:</b>	Yangon, Sitwe, Kyaukpyu
<b>Sri Lanka:</b>	Trincomalee, Hambantota

Port of Trincomalee is the biggest natural deep water harbor in the Bay of Bengal and is considered as one of the finest harbors in the world with an average depth of 25 meters. Even mega container ships carrying over 18,000 TEUs with a draught of 19 meters could use this port safely. However, facilities are yet to be developed to derive its full potential.

The Bay of Bengal is centrally located from the oil producing Middle East to the Philippines Sea. It lies at the center of two key regional blocks, ASEAN and SAARC. It influences China's southern landlocked region in the north. The Bay of Bengal is strategically important to the economic development of the Bay of Bengal community, particularly India, the regional military power. The IO is fast becoming the key ocean in the world with its geo-economic and geo-strategic significance. As the Bay of Bengal occupies a strategically important location in the northern Indian Ocean, it should play a more important role in developing connectivity, be that by sea or air.

Country Name	Population (2015)	GDP (US \$) 2015	GDP growth rate 2015	Trade Volumes-2015	
				Merchandise Trade (% GDP)	Trade % GDP
Bangladesh	161 million	\$195.1 billion	6.60%	36.8	42.1
Bhutan	774,800	\$1.962 billion	3.30%	89.4	116
India	1.311 billion	\$2.074 trillion	7.60%	31.8	..

Japan	127 million	\$4.123 trillion	0.50%	30.9	36.8
Malaysia	30.33 million	\$296.2 billion	5.00%	126.9	134.4
Myanmar	53.90 million	\$64.87 billion	7.00%	33.7	..
Nepal	28.51 million	\$1.962 billion	3.30%	34	53.2
Singapore	5.535 million	\$292.7 billion	2.00%	221.1	326.1
Sri Lanka	20.97 million	\$82.32 billion	4.80%	35.9	48.5
Thailand	67.96 million	\$395.3 billion	2.80%	105.5	..

Source:<http://databank.worldbank.org/data/reports.aspx?source=2&series=NE.TRD.GNFS.ZS&country=LKA> +

### Objective

This project aims at enhancing regional cooperation for improving political and economic relations, maritime security, including Blue Economic concepts and increasing connectivity among the countries in the Bay of Bengal by creating a forum to study, discuss and explore potential for cooperation, and make recommendations.

### Target Groups

The Target Groups of the project include relevant legislators, policy makers, civil society leaders, private sector, the academia and all other stakeholders.

### Participants

The proposed consultations are recommended to be track 1.5 dialogues, where government officials and non-governmental actors could engage in frank and free discussions. The Participants would be:

**Government officials:** Dealing with Trade and Commerce, Shipping, Aviation, Tourism, Blue Economy, Navy and Coast Guard and Marine Conservation authorities.

**Business Community:** Maritime Logistics, Ports, Aviation, Fisheries, Energy, Tourism, BOP, Light and Heavy Industries, oil and gas and any other ocean based or ocean related industry.

**Academics and Scientists:** Dealing with Oceanography, Meteorology, Environment, Marine Biology and Ecology, Fisheries and Aquaculture, Biotechnology, Blue Technology, Offshore oil and gas exploration and Ocean Energy.

**Civil Society:** NGOs, which have a stake in relevant areas.

Any other subject matter experts as necessary.

# **Address by Chief Guest**

**Hon. Austin Fernando**

**Governor of Eastern Province, Sri Lanka and Adviser to the President**

Chairman Bernard Goonetilleke, Mr. Paskeralingam, Excellencies, Senior Advisor Prime Minister, Mr. Milinda Moragoda, Delegates, Ladies and gentlemen, as you are perhaps aware I do not belong to the group called ‘economists’ or ‘experts’ on international affairs since I am a retired Sri Lanka Administrative Service officer – SLAS- like the IAS of India. Therefore, I believe the subject matter for this Consultation could be more relevant to my friends Bernard Goonetilleke or Siri Palihakkara, great diplomats produced by Sri Lanka in recent times, and others including greats who have come here from abroad.

I stand here as a person holding a position which is administrative and political. Perhaps, my being stationed in Trincomalee and your Consultation being ‘Trincomalee Consultations,’ would have been the reasons for inviting me as the Chief Guest. I need to thank Bernard Goonethilleke and Pathfinder Foundation for having honoured me by inviting to address a gathering of great intellectuals and seasoned professionals.

In this regard, I wish to first revisit the plans on-line by the Government of Sri Lanka towards development. As our Prime Minister emphasized in Singapore on July 18<sup>th</sup> last year, the government plans for economic and infrastructure projects among others, to reshape the country’s urban landscape with two airports and two sea ports. Among them aimed to be completed within the 15 years is the Trincomalee Port Development Project. My concern as the Governor of East is naturally on it.

I consider Trincomalee Port development has your concerns on economic development and security governance. The economic concerns are on the factors of economic development existing in my Province and around Trincomalee. These concerns are based on demand and supply of factors motivating and sensitizing development.

The demand arises from what the investors expect from a development zone, mostly as inputs. They require land, manpower, stability, access, ports, communication facilities, cooperative administration etc. and marketing feasibilities. These factors are mostly supplied by Mother Nature, law and order organizations, developed and developable resource availability, governmental and sub-governmental administrative structures, private sector etc. and instruments such as trade arrangements with the large market around us- especially located in Bay of Bengal precincts.

Bay of Bengal is an Indo-Pacific mid-point. It provides service and market interconnectivity to Asia’s fastest growing economies- e.g. India, China, Indonesia, South Korea. It is located on energy routes from Middle East that pass through the Asia’s prosperous growth region. We have to be mindful of the fact that Asia-Pacific now contributes 40% of global GDP, two-thirds of global growth. Asia alone is expected to contribute to it over 40% by 2030.

Any development effort has to balance these demand and supply factors rooted in the growth environment. It may be required to address the SWOT Analysis of each of these factors, so that the gap filling exercise of demand and supply could be done professionally and scientifically.



Let me delve a little on them with focus on Trincomalee. Trincomalee has one of the largest natural harbours in the world that has vast development potential. Since handing over by the British in 1957, it is underutilized. It needs modernizing as destabilization in the East due to terrorism prevented modernization. Reflecting to the present, the difference between Hambantota and Trincomalee is that the former has well developed infrastructure like Mattala Air Port and Hambantota Magampura Port, but still vehemently clamouring for investment. In Trincomalee the port area development had been appallingly slow. The road for investments is wide open and fresh interventions are required for Trincomalee, which has been identified by our Prime Minister who has initiated action to develop.

I am happy to note that some of the countries represented here have however recently shown keenness to engage in such activity. Any exercise to make Trincomalee the Hub of the Indian Ocean will not cease with maritime activity, but also bring prosperity to the hinterland. It is now limited to wheat milling, cement production, petroleum product development, minor fishery development and tourist service delivery. There is expectation of joint development of balance oil tank farm with Indians, which if executed may make a visible impact in the Trincomalee business environment.

The Hambantota development plans now pursued mainly by the President and Prime Minister could be complemented by Trincomalee development actions. Both will compete to gain from the Bay of Bengal business environment. Therefore, I foresee integrated involvement with the President and Prime Minister's planning would be more appropriate.

Trincomalee has vast extents of land in the hinterland available for development. It can stretch to Polonnaruwa, Anuradhapura and Batticaloa Districts, if required. Quite recently when there were protests in Hambantota against alienation of land for Chinese investments, President Maithripala Sirisena offered land from Polonnaruwa, and I think it was not for humour, but a factual reality. I think if integrated farm product value addition is an investor's choice with small farmer participation, the land and agriculture administrations could assist such efforts.

It is true that there had been previous efforts of coal power generation and industrial development zone proposals by Indians and lately for coal power by the Japanese in Trincomalee District that did not take-off. I am personally aware that other priorities of state also contributed to this outcome.

The investors can commit with confidence due to the stable law and order status and the enthusiasm of the government for regional development. The law and order organizations have brought overall normalcy. Even in civilian security status the improvements are tremendous, as anyone who visited Trincomalee a few years back and now would sure to vouch. This improvement and predictability of security will attract investment. It is well orchestrated by the recent infrastructure development and business enhancement in the tourism sector. Free in / out movement of foreign and local tourists is evidence of such improvement which can be extended to other investment areas.

For the effects of endowed natural resources, the best examples are found in the clean sea coasts and blue seas, internationally marketable Pulmoddai mineral sands. It appears that integrating shipping of processed mineral sands in Pulmoddai has low priority now, regrettably leaving possibilities for untoward business deals, thus losing or misdirecting valuable foreign earnings. Potential small scale farmer development through integrated processing industries like milk or fish or paddy in the hinterland will cause value addition and enrichment of farmers.

Tourism business is established around Trincomalee and to the South, due to attractive natural resource endowment. The Batticaloa tourist area can be reached by road in less than one and half hours from Trincomalee, while travel time to Anuradhapura is less than two hours, thus making Trincomalee also a Tourist Hub. The untapped tourism potential is great. I may mention a few: Improvement of Adventure Sports Centres, Camping Sites, introduction of Cruise Liners/ Luxury Vessels using Trincomalee Port, whale-watching, Eco Lodges, Elephant Safari in Trincomalee District and in Minneriya Habarana areas, House Boats in the vast lagoon areas, Home Stay Units, Ayurveda Hotels, Tourist Bungalows, infrastructure for domestic tourism, organizing Travel Agencies, establishment of Tourist related training etc. These do not require multi-billions and could be undertaken with very much less.

Of course, what we lack is efficient and organized port activities, air transport facilitation by domestic aviation industry focusing tourism, and higher level of technological inputs for integrated agriculture that would include livestock, fishery development and tourism. These are opportunities. I believe focus should not be limited to bringing such inputs, but developing technology by human resources enhancement, which can be an industry in itself, that can serve the Eastern Province and adjacent Provinces.

Since Bay of Bengal status is a concern to us I may first consider why Maritime Security Governance is important to us. It is first because we are an island and as we have a fairly large maritime economic zone around us, integrating economic development with security. This zone is a prerequisite of development. It may be for fishing, other valuable minerals in the ocean, shipping lanes which serve the whole region. In addition, security actions in Indian Ocean by several –especially located in Bay of Bengal or distantly, are material for the protection of our sovereignty, for which there are many maritime law enforcement actions. I need not discuss them at this forum where naval experts are present. Stability of the country for economic development is influenced by such external inputs too.

Due to the economic and strategic importance of the Indian Ocean Region it has become an area of geopolitical and geo-economics competition for major powers. If we look at this region's long-term economic prospects, it is likely be driven by the ability of countries such as Bangladesh, Sri Lanka and Myanmar to take advantage of the opportunities offered, especially by India and China.

As David Brewster has said “A rising India is looking towards much greater economic interaction with its eastern neighbours. China is also aggressively pushing to create new connections between its landlocked southern provinces and the Indian Ocean. Indeed, we're now witnessing a scramble by China, India and Japan to build 'connectivity' throughout the region, meaning tens of billions of dollars are being invested in new ports, roads, pipelines and railways. Some of those projects are intended to stitch the region together while others will better connect the region to the world.”

This is the predicted effect of Bay of Bengal regional economic behaviour. Therefore, any Bay of Bengal country attempting to gain by such is normal and appropriate and the interest taken by the government to develop Trincomalee can be considered a great development initiative.

The connectivity factor between countries in the Region and ensuing economic development is the reason for the need for its advancement between such countries and their markets in the west. On the other hand, developing infrastructures to efficiently involve in energy trade also becomes important as development expands. This connectivity should be by sea or air and even by road, as observed in the context of the

Chinese initiations. Sri Lanka being located strategically in the Bay of Bengal could play a vital role in enhancing connectivity.

The Trincomalee Port could be developed to support sea connectivity. But if development of the East is to be focussed it is necessary to develop domestic aviation facilities. The government has recently opened the Batticaloa Domestic Air Port and hope to expand its service, most likely to reinforce tourism developments. Taking the distance and time taken by foreigners to visit the East from Bandaranaike International Air Port, it will be essential to develop air travel for tourism, as much as sea transportation for trading. The latter will assist development decentralization and sharing of development initiatives to an area that was neglected for long, and it will have positive political fallout too. However, it will click if tourism products with eastern Sri Lankan identity are introduced, because a foreign tourist will not visit the East if there is no novelty offered there.

We considered domestic airport development when I was Secretary Defence for tourism and other purposes at the beginning of the millennium, but did not move on. Even now it is worthwhile to consider development of Hingurakgoda Air Base bringing Polonnaruwa District too to the tourism loop and to develop connectivity from there to Trincomalee. Or, integrated expansion of Sri Lanka Air Force Base at China Bay could be the answer, which requires negotiation with the defence authorities.

In today's strategic maritime context too, Trincomalee harbour would be ideal for functioning as a commercial hub and as a centre for a Regional Maritime Security Architecture focusing Bay of Bengal. However, this issue is related to international power politics, Conventions and Treaties and Agreement reached between India and Sri Lanka between Prime Minister Rajiv Gandhi and President JR Jayewardene in 1987, and purportedly discussions held even quite recently.

Right now, a Master Plan for development of Trincomalee is undertaken by Surbana Jurong Private Limited, basing on shipping, manufacturing and tourism. In fact, the Prime Minister along with officials from the Urban Development Authority, Regional Development Minister and the Navy Commander met a selected group of officials in Trincomalee to initiate action. The plan is said to cover transportation, infrastructure, environmental and implementation proposals. I think that Surbana Jurong must have done a fair amount of work on this matter. I expect sharing your deliberations here would assist them for development planning.

In addition, there are written and unwritten practices that have affected our economy and security that is related to the sea around us. It is common to other Bay of Bengal countries too. On the other hand, it is material for maritime safety, disaster response and upgrading of marine environment protection and resource management.

Learning from maritime regions is connected to marine scientific research and hydrographic surveys, which will be important material for present and future generations. I may quote the example of £8 million Monsoon Project by releasing under water robots in Bay of Bengal. The project aims to predict monsoon rainfall by studying ocean processes in the Bay of Bengal. The attention on research may be highlighted at this consultation for the sake of economic, political, security and futuristic humanitarian reasons.

Since this consultation focuses on economic and security activities, I believe it is important to be concerned with how to deal with issues that affect both these areas of operations. Why should not we be concerned when our President is reported to have said according to a Press Trust of India report that "he believed on the basis of the ancient

Maritime Silk Road, the Belt and Road Initiative will open up a new era for bilateral ties?” We should not forget that this was the stance taken by HE Mahinda Rajapaksa when he was the President. It is a positive status.

Security is an important prerequisite for economic development. Economic development and security cannot be divorced entities. We as a country according to economists and certain multilaterals have surpassed the threshold of a developing nation and are focused through different criteria for international assistance. Yet, our economic development could be blurred if we are not alert to regional security and economic concerns, for which the Bay of Bengal area as a whole could be sometimes vulnerable. Experts here and from neighbouring countries will endorse this view, I am certain.

Therefore, we should be mindful of events that affect maritime security. This is why we are concerned of piracy. Terrorism, has had an impact on Sri Lanka since 1980s, and became a part of the global space too. For us it was through importation of arms, ammunition and all explosives that made Sri Lankans vulnerable. It had costed us economically, politically, socially, historically, psychologically and in many other ways. Our experiences with maritime terrorism had affected our economy for decades and though we have essentially got over it by now, we cannot lie low or be lethargic.

Irrespectively, the most significant development of the last few decades was the explosive growth in global maritime trade as stated earlier, consequent to larger globalization, technical and technological developments, enhanced international trading instruments and other mechanisms. We hear there are several in the pipeline with Singapore, India and China.

Increasing the importance of the seas is manifold. For example, China launched the MSR and the Belt and Road Initiative. Although China has long claimed that its interests in the Indian Ocean region are purely economic, it's openly commented that the MSR could have a major impact on the strategic balance in the Bay.

Chinese President Xi Jinping in September 2014 obtained the green light from Sri Lanka and Maldives for the MSR, enhancing competing influence in the region. The Indian Prime Minister Narendra Modi considered launching a new initiative designed to compete with China's MSR, known as Project Mausam. This shows the existence and importance of competing counter mechanisms at sea. It is the very reason that countries should use this dynamism for competition for the greater good rather than to be monopolistic for selfish gains. This could happen only by greater cooperation in the region. I believe this Consultation will approach this factor too.

These are major international issues. Next, coming to practical operations I want to be careful in usage of words when I mention what is called “illegal fishing” since there are different interpretations. For example, our Sri Lankan fishermen in the North and East and the South Indian fishermen do not see eye to eye on this issue. Our complaint had been that bottom trawling and other nasty systems destroy our ocean resources. Many dialogues we have had, i.e. political or occupational or diplomatic, had been photo opportunities than finalizing a solution. They mostly culminated with blame games. Fishing issues could be similar with Chinese or any others' fishing trawler operators, who may be exploiting valuable oceanic resources, sometimes by being bossy and rough! Of course, the reverse also is heard against our authorities. May be all these are conventional international behaviour games!

Another area had been drug smuggling from various sources brought through normal ships, giving the impression that Sri Lanka is the “Asian Hub” for drug transfers. Though

we may not be the worst in the region we possess a part of the human smuggling problem, which has affected distant countries like Australia.

Though oil spills are not the often-heard issue in the media, marine pollution, unsafe/sub-standard shipping etc. have been concerns for us. Thinking of maritime natural hazards, though we are not that prone to cyclones or tsunamis, such events have not been sympathetic when we were hit as we saw in 1978 with a cyclone and in the Boxing Day Tsunami in 2004, which affected many others in the region.

Whether it is for economic viability or security concerns we have to be concerned of the existing political influences and realities. Though one may comment that we should not talk politics, I do not think we could divorce politics with maritime related development and security. Therefore, without harping on this very sensitive subject I may request the participants to be apolitical, as far as possible.

Towards positive result achievement we may have to find ways to supplement bilateralism with multilateral approach to development, security cooperation and diplomacy. These are not easy solutions due to internal and external biases and threats. Perhaps, intra-government / intra-national information sharing (intra- department, as well as government and private institutions), enhancement of Track 1 (State-State) intelligence-sharing, joint exercises (military-military relations), joint patrols etc. may assist. In addition, relations building between State with non-State actors, Track 2 (non-State with non-State) cooperation have to be developed. For example, state-of-the-art scanners at ports could ensure safe / secure cargo passage with minimal delays at minimal cost. Thus, a shift from a current, as I see "defence community" to a projected "networked security community" may be the answer. Added inputs could be development of state-of-the-art ports to match future potential enhancement, as well threats that may emerge, infrastructure building, automation, worker re-training, cultural shift at strategic and operational management and worker levels, competitive tariffs, incentives, value-added services.

Before I conclude let me mention that my expressed views need not necessarily be that of Sri Lankan Government or any political authority. If there were similarities it is coincidence and if not everything is mine. However, I believe that these background scenarios may be of use to develop relations, institutions, and dynamic systems in maritime development and security status. If my presentation served your purposes, I am happy. Thank you for the patient attention given to me.

# Address by Guest of Honour

**Mr. Santosh Jha**

**Joint Secretary, Policy Planning Ministry of External Affairs,  
Government of India**

I am delighted to join you this morning at the opening session of the Trincomalee Consultations. At the outset let me thank the organisers for giving me this opportunity. For me personally, it is always a happy experience to return to Colombo where I spent over 3 memorable years between 2007 and 2010 working at the Indian High Commission. On a lighter note, the only complaint I can have is that the conference is not being held in Trincomalee which perhaps offers better recreation possibilities and has amongst the best sea beaches in the world. But I stand duly compensated by the fact that I can meet many friends and acquaintances in Colombo, some of them here in this room.

One thing that strikes you the most when you first come to Colombo is how central the Oceans have been to our consciousness and how much impact they can have on the future we all seek for ourselves – Not just in narrow terms of prosperity and security, which are of course critical and important, but also in ways our lifestyle, our history and culture has evolved and how it will define our future trajectory in more ways than one.

In India, too, this appreciation of sea waters around us has always been present in the Southern part of the country. But this cannot be said with certainty about northern India where a more continental mindset had preoccupied us and reflected in our policies for several decades since our independence.

Admittedly, this may have been a product of distortions imposed by the colonial era and their after effects. This made us look inwards not just in terms of our orientation to the Oceans but in many other ways which does not require repetition in this gathering. Ocean waters were seen more as frontiers not so much as bridgeheads to foster inter-linkages even if our history indicated otherwise. This applied equally to the Indian Ocean as well as to its two bays – the Bay of Bengal and the Arabian Sea. Preoccupation with land borders continued to determine even our security postures although our changing economic profile increasingly pointed to a different reality.

Fortunately, this is undergoing a change, slowly to begin with, but more decidedly in the last two years. Partly this is because of the imperatives created by the new challenges we confront in this space – not only the myriad non-traditional threats that have emerged but also the changing dynamics among players in the region and entry of new ones, including those that are non-resident powers. More importantly, as our economic growth has acquired a new pace in recent years, our stakes in securing maritime routes across the Indian Ocean region for our rising trade and energy supplies has also grown. The possibilities of tapping into the blue economy of the oceans as one more potential driver for our developing economy have also given the oceans a new salience. That all this has coincided with the rising profile and prospects of other actors in this space have naturally enabled new forms of collaboration and cooperation to be forged. All of these points to greater stakes and deeper interests and the need for taking on greater role and burdens enabled by our own growing capabilities.

The growing consciousness of our maritime space is also directly linked to rising centrality of our immediate periphery in our foreign policy many of them being littoral states and in case of Sri Lanka and Maldives are Island nations. This is reflected first and

foremost in our neighbourhood first policy, which is a triangulation of fostering stronger contacts, building greater connectivity and forging closer cooperation. Each of the relationships in our neighbourhood has been prioritized and has progressed significantly in recent years. There is a new level of attention given to them as reflected in high level exchanges, some after a gap of several years. They have become more outcome-oriented and consultative while retaining the principle of shared prosperity and security as well as of non-reciprocity. Our strong intent for cooperation has been demonstrated by tackling long-pending and intractable issues such as the maritime and land boundary problem with Bangladesh. Our commitment to make available our capabilities in times of distress has been manifest in our assistance to Nepal during the disastrous earthquake, supply of water to Maldives or support extended to Sri Lanka during landslides and floods last year. Our development cooperation has also expanded both in terms of range, quality, overall quantum of commitments and pace of implementation. Most important, emphasis on connectivity as a pathway for economic progress and prosperity and for building greater trust and stability has emerged in sharper focus than before.

As we have progressed our neighbourhood policy, there is also greater appreciation that this can be leveraged better if we were to integrate our engagement amongst those in South Asia with the larger Indian Ocean region. This is reflected first in the expanded interpretation of what constitutes our neighbourhood, which now extends from the Persian Gulf to the Malacca Straits, including the islands and waters that constitute this space. The geographies just beyond this space have also risen in our calculations as reflected in the renewed emphasis in our erstwhile “Look East” policy now named as “Act East” Policy articulating a different level of prioritization. This along with the new “Think West” policy towards West Asia and Gulf region, and the vision of “SAGAR”, which defines our Indian Ocean strategy, represents the trident that is now interconnected and interlinked to our “neighbourhood first” policy. That all of these have building security and economic linkages with connectivity as its common theme also shows this growing integration in our strategy across these regions. There is obvious merit in this as progress in one region can provide fillip to moving forward in another. Greater cross-regional linkages can also work to keep the momentum going from one to another.

Our Act East Policy in this context is of particular relevance as it is central to our eastward orientation and also ties in with our broader Indo-Pacific strategy. Over the years, our approach to the region has evolved maturing into a broader strategic engagement not just with the ASEAN and its related frameworks like the ARF, EAS and ADMM+, but more recently also with countries further to the east – from Japan, South Korea and China to Australia and Pacific Islands. The growing trade, investment and economic relationship with the region have created the case for building stronger connectivity and integration between South Asia on the one hand and South-East and East Asia on the other.

It is in this sense that the Act East policy and the Neighbourhood First policy intersect and this naturally brings the Bay of Bengal region even more into the equation, a subject of our deliberations in this meeting. The countries around the Bay of Bengal are home to 1/4<sup>th</sup> of the world’s population. More than half a billion people actually live on the rim that directly borders it. About 31% of the world’s coastal fishermen live and work in this Bay. Just the five southern states of India and Sri Lanka have a combined GDP of US\$ 500 billion. The potential of the region is obvious even to a casual observer.

This explains our recent push for BIMSTEC seen during the BRICS-BIMSTEC outreach which also featured a BIMSTEC leaders retreat in Goa in October last year. With 5 South Asian countries and two ASEAN members, all located in the Bay of Bengal, BIMSTEC has the potential of fulfilling our vision for building a maritime and ocean economy ecosystem in the region and to be the connect between South Asia and South-East Asia.

We have created a solid framework to move forward in this regard. This includes the decision to push ahead with a Master Plan on Connectivity; advancing the Agreement on Transit, Transshipment and Movement of Vehicular Traffic; fast tracking the FTA and agreement on Trade Facilitation; initiating talks on a Coastal Shipping Agreement; expanding energy trade cooperation; and starting an annual Disaster Relief exercise.

With individual countries in the region, too, we have initiated various projects bilaterally. Bangladesh and Myanmar offer possibilities of building physical connectivity to the east which have implications not only for our relationship with the ASEAN, but also to the economic future of India's North-Eastern and Eastern states. We have accorded higher priority to key infrastructure projects with Myanmar that could accomplish this objective, including the Kaladan multi-modal transport project that links to Sittwe Port, and the completion of the Trilateral Highway that would extend to Thailand. Interest has also been evinced in CLMV countries to extend this further to Vietnam, as borne out during our interactions with Indo-China recently.

With Bangladesh, the conclusion of the land boundary agreement has created the positive environment enabling us to take forward an ambitious agenda of rail and road connectivity, inland waterways, coastal shipping and energy cooperation. Further inland, energy, rail and road corridors with Nepal and Bhutan offer their own possibilities. The BBIN arrangements are yet another aspect of growing linkages with these countries though in a new sub-regional form. Along with BIMSTEC, this underlines our commitment to regional cooperation especially when progress on some other mechanisms, such as SAARC seem to have temporarily halted.

Our main Island neighbor in the region is Sri Lanka, where too, a number of activities from port and airport development to strengthening of railway and energy infrastructure are either executed or in different stages of implementation. Our levels of trade and investment integration are already amongst the most impressive and create the right conditions for moving further forward. Sri Lanka already is a major transshipment hub for the region, much of which is built on India's growing requirements and this is an obvious connect between us which builds mutual stakes and which must drive our future development strategies especially in the maritime domain.

Our efforts in other regions both to our South and to our West, as I have mentioned earlier, also tie up with what we are doing with BIMSTEC and with our neighbours in the region. In terms of new developments, our support to Indian Ocean littorals such as Mauritius, Seychelles and East Africans or the port and related development we are engaged in Chabahar in Iran will expand the networks and feed into our endeavours in the BIMSTEC region and act as force multipliers.

Our eastward orientation and its success have also created a case for looking first at our own domestic strategy for connectivity. Clearly, India can benefit from its long coastline only if it has good port connectivity to the other littoral states in the greater Indian Ocean region. This explains the unveiling of the Sagarmala or the Garland of the Seas project. Building new ports, modernizing old ones, developing inland waterways into vibrant transport corridors, coastal community and hinterland development are all aimed at a maritime logistics infrastructure that can support India's ongoing transformation. India's eastern seaboard is a particular focus of this and could help create an integrated hub and spoke model in the Bay of Bengal that existed for centuries prior to the colonial era. Consider all this with road and rail development projects in India to improve internal logistical efficiency or the steady development of the Industrial Corridors in Western, Southern and Eastern India and tie it with the prospects of the 'Make in India' programme, and the implications of this for the region and the countries within it is quite evident.



Ladies and Gentlemen

Any effort we make in the direction of forging integration and connectivity to harness the vast economic potential of the region would require an underpinning of frameworks for addressing the many security challenges that we confront increasingly in the region. Here, the integrated approach spanning the Greater Indian Ocean region is perhaps even more relevant. Ensuring free and uninterrupted flow of trade along our ocean space is a vital responsibility. Over a period of time, it must also increasingly become a collective one.

India takes this challenge seriously and has shouldered these responsibilities willingly. We have concluded agreements on white shipping and are cooperating with our neighbours on maritime domain awareness and coastal and EEZ surveillance. Our recent emphasis on Humanitarian Assistance and Disaster Response (HADR) is also part of our strategy to make available our capabilities to other countries in times of distress. Beginning with the Tsunamis, we have emerged as first responders in our neighbourhood even as we have also provided assistance to search and rescue operations in the region. We have also undertaken evacuation operations from Libya, Iraq, Syria to Yemen in recent years, which has benefitted citizens from many countries and not just Indians who lived in these countries.

In terms of regional mechanisms, India participates in mechanisms such as ReCAAP and SOMS on maritime safety. In addition, holding consultations through forums such as the ARF or the Indian Ocean Naval Symposium have helped to promote a shared understanding of maritime issues, enhance regional maritime security, strengthen capabilities, establish cooperative mechanisms, develop inter-operability and provide speedy HADR responses. We hold bilateral exercises with Navies of Singapore, Sri Lanka, France, and Australia amongst others. In addition, we partner the US and Japan for the Malabar set of exercises. We also have exercises between the Coast Guards especially the trilateral one between India, Sri Lanka and Maldives. India has also contributed to anti-piracy patrols in Gulf of Aden and other maritime routes in the region. The Indian Navy has undertaken about 50 anti-piracy escort missions since 2008. This has helped reduce the High-Risk Area and lower related shipping insurance costs.

Even as we focus on building our own strengths, we have made active efforts to contribute to capabilities in the region. Proposed annual disaster relief exercises within BIMSTEC is aimed at such objectives. With some of our maritime neighbours, notably Sri Lanka, Maldives, Mauritius and Seychelles, we have supplied naval equipment, assisted with setting up coastal surveillance capabilities, provided training and extended hydrographic services. We are open to doing this with a wider range of partners, especially in the Bay of Bengal region.

Any discourse on security must also focus on creating a peaceful and predictable atmosphere in the region where decisions are arrived through diplomatic dialogues without the use or threat of use of force. Respect for international law and norms, in particular the UNCLOS is central to any such approach. Guaranteeing freedom of navigation and the right of maritime passage and unimpeded commerce is a fundamental principle in this regard. Settling maritime disputes peacefully and avoiding escalation is another. In this regard, we have demonstrated that when it comes to settling maritime boundaries through international arbitration as we did with Bangladesh, we will respect the international legal regime. This consultative and collaborative approach extends beyond purely security issues to broader economic cooperation in the region and is aimed at genuine “win-win” outcomes for all in the region.

In this context, we may do well to recall the Indian Ocean vision articulated by the Prime Minister of India during his tour of Mauritius in March 2015. These could be guiding points for our consultations here. It has four key elements:

- (i) Build capacities to safeguard India's land and maritime interests, and to make these capacities available to others;
- (ii) Deepen economic and security cooperation with our maritime neighbours;
- (iii) Promote collective action and cooperation to deal with maritime threats like piracy, terrorism and natural disasters.
- (iv) Work towards sustainable regional development through enhanced collaboration for promoting trade and investment, fisheries, tourism and for jointly addressing the challenge of Climate Change;

Before I conclude, let me add one last point. Sitting here in Sri Lanka just north of major cross-roads of global maritime trade, we have to agree that these waters remain relevant not just for countries resident in the region but others, too, who may be dependent on these waters for their maritime trade and transit. There is little doubt that the primary responsibility for peace, security and prosperity in the region must rest with those who are resident in the region. But this should not also preclude us from working with other like-minded partners. It is this realization that has made us partner with countries like USA as reflected in the Joint Strategic Vision for Asia-Pacific and the Indian Ocean agreed to in January 2015. We also have a positive outlook towards working with Japan such as on the Mekong-Dawei initiative that could further connect to southern India and beyond. The positive experience of Japanese efforts in the region allow for building synergies between our respective efforts at promoting connectivity and other related projects in the region. Similarly, studies on the Bangladesh-China-India-Myanmar BCIM corridor too are underway. Having said that, let me reiterate that the driving force behind cooperation in the region must be its prime beneficiaries, which are essentially the countries in the region. And, in our efforts, we must be guided solely by the spirit of cooperation, collaboration and consultation. It is this spirit that must guide us on our way forward. I look forward to concrete suggestions in this regard from consultations today or tomorrow.

Thank You.

# **Speech by Mr. Noriyuki Shikata**

## **Deputy Director General of Southeast and Southwest Asian Affairs Department, Ministry of Foreign Affairs of Japan**

Good Morning,

Distinguished delegates,

Ladies and Gentlemen,

First of all, I would like to congratulate the holding of the first round of Trincomalee Consultations. Let me also express my deepest appreciation to the Pathfinder Foundation for hosting this very important meeting.

Given the strong economic growth of the South Asian region, the Bay of Bengal is becoming more and more important as a major economic route to connect the Indian Ocean and the Pacific Ocean.

Therefore, this first round of consultations is very timely, for it allows relevant policy planners and experts to frankly exchange views on how to strengthen multilateral cooperation to make the Bay of Bengal open and stable.

The Bay of Bengal, like the South China Sea, is located in a strategically important place of the Indo-Pacific, which will become the centre for global growth in the 21st century.

Unless the Indo-Pacific becomes a region of open and stable seas, regional prosperity, peace and stability of the international community will not be realized.

Last August, Prime Minister Abe announced the “Free and Open Indo-Pacific Strategy” as Japan’s new diplomatic strategy.

The key to stability and prosperity of the international community is the dynamism created by the synergy between the “two continents:” rapidly growing Asia and Africa with latent potential, and two free and open seas: the Pacific and the Indian Oceans.

By regarding these continents and seas as an integrated region, Japan will open up new horizons of Japanese diplomacy.

Japan is committed to work together with all the countries concerned to realize the common goal of ensuring open and stable seas, and the prosperity and stability of the Indo-Pacific region.

On the other hand, we need to look at the emerging reality in the region. There are mounting challenges that face the international community, such as terrorism, violent extremism, and threats to maritime security. We must address these imminent challenges together.

Japan believes, in this regard, that the rule of law is essential to secure regional prosperity and peace. In recent years, the international community has been witnessing with great concern the scenes of increasing tensions in the seas of Asia.

Absence of the rule of law means giving way to dominance by force or coercion. To ensure open and stable seas as well as freedom of navigation and overflight, Japan underscores the importance of the observation of international law, including UNCLOS,

which is the “constitution of the oceans.”

Our concrete actions and cooperation based on such a universal law are needed.

At the Shangri-La Dialogue in 2014, Prime Minister Abe proposed the Three Principles of the Rule of Law at Sea.

Namely,

- 1) States should make and clarify their claims based on international law;
- 2) States should not use force or coercion in trying to drive their claims; and
- 3) States should seek to settle disputes by peaceful means.

I believe, now is the time to fully implement these principles.

Many countries concerned, including those in Asia, have shown strong support for these three principles.

The importance of these principles was also confirmed anew at the G7 Ise-Shima Summit in May of last year.

We hope the Bay of Bengal will develop as the region of prosperity under these three principles. At this juncture, let me underline following four important tasks we need to address in order to realize “open and stable seas.”

The first is further promotion of international cooperation.

In order to realize the rule of law in the region, those countries concerned need to value and respect rules and take unified actions.

Japan is strongly determined to actively promote cooperation among the countries, through the multinational frameworks of ASEAN, the South Asian Association for Regional Cooperation (SAARC), the Indian Ocean Rim Association (IORA), the East Asia Summit (EAS) and the ASEAN Regional Forum (ARF).

The second is achieving more “connectivity” in the region.

Japan will intensify her support for building quality infrastructure and build a foundation for economic prosperity.

We will do so by strengthening physical connectivity of seaports, bridges, railways, etc., as well as strengthening institutional connectivity, including facilitation of customs procedures.

From such a point of view, Prime Minister Abe announced the “Partnership for Quality Infrastructure” in May 2015 and the “Expanded Partnership for Quality Infrastructure Initiative” in May 2016.

Japan will steadily implement these initiatives in accordance with the G7 Ise-Shima Principles for Promoting Quality Infrastructure Investment.

We especially underline the following in promoting this initiative:

- 1) improving economic efficiency in view of life-cycle cost;
- 2) ensuring safety and resilience;
- 3) realizing job creation and capacity building;

- 4) paying due consideration for social and environmental impacts; and
- 5) realizing better alignment with economic and development strategies.

Japan will assist the creation of an era in which those countries surrounding the Indian Ocean, India, Bangladesh, Sri Lanka, ASEAN countries, and furthermore, the Middle East and African countries, will be better connected by quality value chains.

The third is the development of human resources, a vital key for economic growth.

Last year, the Government of Japan launched a new Initiative “Innovative Asia” on the basis of “Japan Revitalization Strategy 2016” of Abenomics. We aim to nurture highly skilled professionals from Asian countries while they stay in Japan.

Many people from Asia can be trained in Japan under this initiative, and upon returning home, they are expected to play key roles in pushing for the strong industrial growth of their own countries.

Finally, the fourth is the capacity building of maritime law enforcement. Japan spares no efforts in providing assistance toward efforts made by coastal states in Asia.

We will tackle the underlying cause of piracy, armed robbery at sea, illegal, unreported and unregulated (IUU) fishing, maritime crime and terrorism. To this end, Japan will creatively combine various measures within its assistance menu, including ODA, defence equipment and technology cooperation, and capacity building assistance.

In this context for instance, Japan granted patrol vessels to Sri Lanka Coast Guard last year to contribute to its maritime safety capability. Japan is determined to continue this effort.

Ladies and gentlemen, I would like to conclude my remarks by stressing the following:

Respecting a world in which the rule of law prevails to maintain our peaceful seas and skies as mankind’s common heritage is the only way to serve the interests of all the people concerned. Under this principle, Japan shall make the utmost efforts to more closely cooperate with all the countries concerned.

I am convinced that the Trincomalee Consultations will be a key step forward towards deepening mutual understanding, and strengthening relationship among the relevant countries with a view to promoting stronger regional cooperation to lead economic prosperity and maritime security in the Bay of Bengal.

Thank you very much.

# **The Bay of Bengal and Its Growing Significance**

**Dr. C. Raja Mohan**  
**Director, Carnegie India, New Delhi**

## **Abstract**

After prolonged marginalization in the Asian maritime space, the Bay of Bengal is emerging as a critical strategic theatre. Once considered the backwater of the Indian Ocean, the Bay of Bengal is now viewed as a fulcrum of a wider geopolitical space called the Indo-Pacific or Indo-Asia-Pacific. The paper structured in four parts examines the historic evolution of the littoral, the current economic and political forces shaping its regional centrality, and concludes with the case for a strengthened regional cooperative order for the promotion of prosperity and peace in the Bay of Bengal.

If the colonial era and the maritime age put Bay of Bengal and its littoral societies at the centre of economic globalization and great power rivalries, the partition of the subcontinent and the inward economic orientation of the region in the second half of the twentieth century made the Bay of Bengal a remote strategic theatre. That is changing now with the outward economic orientation of the region and the broader forces shaping the rise of Asia. The economic and political interests of the littoral and those of the great powers, including China, Japan and the United States have begun to intersect in the Bay of Bengal and make it the maritime nexus of the Indo-Pacific. Historic initiatives to link the disconnected spaces of Western China, Eastern India, northern Burma and the archipelagic territories are matched by the potential for growing political mistrust and strategic tensions in the region.

The unprecedented opportunity for economic transformation of the littoral and the new dangers of geopolitical rivalry make it imperative that the littoral states work together to create regional maritime institutions for promoting stability and limiting conflict. The resolution of many outstanding maritime territorial disputes and the tentative steps for political and security cooperation in the region provide the basis for imagining a Bay of Bengal Community that will benefit all the peoples of the region.

# The Bay of Bengal and Its Growing Significance

## Introduction

After prolonged marginalization in the Asian maritime space, the Bay of Bengal is emerging as a critical strategic theatre. Once considered the backwater of the Indian Ocean, the Bay of Bengal is now viewed as a fulcrum of a wider geopolitical space called the Indo-Pacific or Indo-Asia-Pacific. The paper, structured in three parts, examines the historic evolution of the littoral, the current economic and political forces shaping its regional centrality, and concludes with the case for a strengthened regional cooperative order for the promotion of prosperity and peace in the Bay of Bengal. The resolution of many outstanding maritime territorial disputes and the tentative steps for political and security cooperation in the region provide the basis for imagining a Bay of Bengal Community that will benefit all the peoples of the region.

## Historic Evolution

At first look, the Bay of Bengal looks a placid sea, but for the seasonal cyclones that disturb life in the littoral. It is almost a closed sea with just three countries bordering its northern reaches—Burma, Bangladesh and India. The northern waters of the Bay are also far from the main sea lines of communication. The region has not seen any serious great power rivalries or major conflicts in the recent past. This traditional sense of the waters could turn out to be deceptive. The Bay of Bengal might well be poised to reclaim its historic place amidst the changing economic and political geography of its littoral. The bay would be at the very centre of the new conceptions of space such as the Indo-Pacific. It is also an arena where the interests of the great powers and littoral states are beginning to intersect in a more intensive way and make it one of the contested zones in the eastern hemisphere. But first to the past.

Through the ancient times, the Bay of Bengal was the natural connector between the Subcontinent and the abutting regions to the east right up to the southern coast of China. Movement of people, goods and ideas across the Bay of Bengal was extensive and enriched all civilizations along this littoral. The spread of Hindu and Buddhist influences across the littoral was later followed by the spread of Islam. The trading communities along the Subcontinent's coast were instrumental in this. The rise of European capitalism and the revolution in maritime capabilities saw the distant powers dominate the littoral. It involved intensive competition among the European powers for the resources and markets of the region leading to eventual colonization of the territories of the Bay of Bengal and beyond.

The rivalries among the European great powers ended after the Napoleonic Wars in the early 19th century with the triumph of Great Britain. Its Dutch and French rivals accepted the British primacy and the geopolitical accommodations among them endured until the middle of the 20th century. The rise of Japan in the early 20th century as a great power and the growth of Asian nationalism helped unravel the European imperial project in Asia. The 19th century, however, saw the political and administrative integration of the Subcontinent into a coherent territorial entity under the British Raj. This in turn allowed the more purposeful political and strategic direction of the subcontinent's massive material and manpower resources.

While the dominance of the British during the colonial era remains controversial to the day, it is easy to forget that the success of the Raj could not have been possible without significant cooperation from many of the Subcontinent's elites. The 19th century also saw

the globalization of the Subcontinent. Capital and labour from the Subcontinent moved across the world and its armies became the principal instrument for the promotion of political stability from the East Coast of Africa and the Middle East to the South China Sea. The legal and administrative ideas developed in the Subcontinent became valuable in governing many spaces beyond South Asia that came under British control colonial control. The Raj, headquartered in Calcutta through the 19th century, was not a mere post office for the Whitehall in London. The Raj had an agency of its own in shaping the political and strategic realities of the Indian Ocean littoral and the adjacent territories. The extraordinary power of the Raj meant the Bay of Bengal was a tranquil zone that had flourishing commerce and connectivity under the supervision of Calcutta.

The primacy of the Raj in the littoral was threatened briefly in the First World War when the German cruiser *Emden* spread mayhem in the waters of Bay of Bengal. That brief interlude, however, presaged the kind of challenges that would eventually undo the Raj. That threat became quite material in the Second World War, as a rising Japan ousted Britain from Malaya and Burma and knocked at the eastern land gates of the Raj, occupied the Andaman and Nicobar Islands and set up a provisional government of India in Port Blair. It needed all the resources of the Subcontinent and assistance from afar to reverse the Japanese occupation of South East Asia and its ingress towards India. If the Indian Army swelled to more than 2 million soldiers in the Second World War, nearly 800,000 troops had to be deployed to the so called Burma-China-India theatre.

The Subcontinent, which seemed an invulnerable fortress in the 19th century now turned into a frontline against Japan. The South-East Asia Command of the Allied Forces was headquartered in Kandy and led by Lord Louis Mountbatten. The northern littoral of the Bay of Bengal too played a decisive role in ousting the Japanese aggression. With China's eastern seaboard occupied by Japan, eastern Subcontinent provided the base from which the Chinese nationalist government in Chongqing could be supported. That an American General, Joseph Stilwell, worked with Britain and the Raj to support China against Japan should remind us not to take for granted the prevailing great power relations of the day.

The Allied triumph in the Bay of Bengal at great cost and the enormous sacrifices of the people of the Subcontinent would however fade from the memory soon enough amidst the shifting great power alignment, the wave of decolonization and major internal changes in key nations of the littoral. The massive battles in the BCI theatre are now called the 'forgotten war'. The Bay of Bengal would not return to being the British lake. It would simply disappear from the geopolitical and geo-economic view in the second half of the 20th century. It was only at the turn of the 21st Century that the Bay would return to become a critical theatre. The next section looks at the factors that resulted in the marginalization of the Bay and its return to the centre stage.

### **At the Indo-Pacific Junction**

The decline of the Raj and the decolonization of the Subcontinent did not have to inevitably reduce the salience of the Bay of Bengal. Central to that evolution were three factors that were rooted in the politics of the littoral itself. One was the partition of the Subcontinent that resulted in the fragmentation of the region's energies. Undivided India that played a large role in shaping the politics of the Indian Ocean and the Pacific in the 19th century was now focused on coping with the conflicts within. If the military energies of the Raj were focused outward, the exertions of its successor states were unfortunately directed at each other. This tragic turn was further complicated by the impact of the Cold War power politics among the United States, Soviet Russia and China.

The second development of consequence was India's refusal to partner Great Britain and



the West in shaping the post War regional order. India's determination to pursue a non-aligned foreign policy meant that Delhi would have nothing to do with the new security arrangements, like the Cold War alliances like the CENTO and SEATO. Pakistan did join these alliances, but these institutions could not survive the vicissitudes of post-Cold War regional politics in the Indian Ocean and beyond. With the 'India Centre' that provided the basis for regional security until the middle of the 20th century broken up, there was no easy way of supplanting it without an effective participation of independent India. In any event the focus of geopolitical contestation during the Cold War was focused on Central Europe and North East Asia and the waters of the Indian Ocean became less critical for the great powers.

A third factor completed the marginalization of the Subcontinent. It was the choice that most countries in the littoral made on economic orientation. As the ideas of economic autarky gained ground in South and South East Asia after the Second World War, the commercial significance of the Bay of Bengal began to diminish. As Partition erected new borders within the subcontinent, the emphasis on economic self-reliance set up high commercial fences along these borders. The fascination with 'socialism in one country' within the Subcontinent resulted in the disruption of multiple trade and financial links that were forged during the globalization of the region under the Raj. The South East Asian nations, however, changed course in the 1970s by abandoning state socialism and reconnected with the global markets. But with the Subcontinent persisting in its isolationist ways meant the ASEAN had no reason to look west to the Bay of Bengal.

The situation began to change only at the turn to the 21st century. India's economic reforms launched at the turn of the 1990s began to produce substantive growth by the turn of the new millennium. India, however, was not unique. Barring Pakistan and Afghanistan, which are were mired in a terrible conflict, other countries in the region, especially Bangladesh and Sri Lanka have made embarked on a growth trajectory making South Asia the fastest growing region in the 21st century. The opening up of Burma across the littoral and its integration into South East Asian structures has provided the basis for overland and maritime links in the Bay of Bengal.

Meanwhile the interests of interests of major powers too begin to grow in the Bay of Bengal littoral. China, for example, has long sought ocean access for its South-Western provinces like Tibet and Yunnan. The Bay of Bengal remains the closest sea to these two provinces. As part of its West Region development strategy announced in 2000, Beijing has promoted connectivity within and across China for these provinces. These projects included building new road and rail corridors and trans-border energy pipelines. China has also developed new institutional mechanisms like the Kunming Initiative to promote regional cooperation in the Bay of Bengal littoral. Complementing the search for overland connectivity, has been the growing significance of the southern waters of the Bay of Bengal that host the growing maritime traffic from China to the Indian Ocean through the Malacca straits. Fears of vulnerability of its Sea Lines of Communication has seen Beijing put greater stress on naval presence in the Indian Ocean.

And China is not the only one dependent on the Malacca Straits for energy and commerce. The other leading economies in the east, Korea and Japan too are deeply dependent on the few channels connecting the Indian and Pacific Oceans. Japan, which had historic links to Burma and has over the decades invested in the modernization of South East Asian infrastructure, is now keen to promote sub-regional cooperation in the Bay of Bengal. Meanwhile, India's growing commercial engagement with East Asian countries has raised Delhi's stakes in the partnership with the region. The oil producing countries of the Gulf and the mineral rich African states, which had traditionally looked to the

Western world, were looking east to India and China.

This general integration has helped break the traditional tendency to view the Indian and Pacific Oceans as different worlds. The United States that had long dominated both the oceans had surprisingly seen these spaces as unconnected in the past. Today amidst the growing strategic integration of the two regions, Washington has begun to toy with new terminology such as the Indo-Pacific or the Indo-Asia Pacific. Like China, Japan and India, it is also putting some emphasis on the idea of connectivity and corridors across the Indo-Pacific. If China has talked about the Belt and Road initiative, Japan has promoted the idea of a 'free and open Indo-Pacific' and offered its own 'Partnership for Quality Infrastructure'. The United States has talked about an Indo-Pacific Corridor stretching from the east coast of Africa to the western Pacific. All three major powers are also emphasized the importance of multilateral cooperation in the promotion of these corridors.

### **Towards a Bay of Bengal Community**

As the new spatial concept of the Indo-Pacific gained traction, it is not difficult to see the emerging geographic centrality of the Bay of Bengal. Coupled with the new outward orientation of the littoral and its rapid economic growth, the Bay of Bengal is overcoming its fragmentation in the second half of the 20th century and finding ways to reconnect. The historic possibilities to link the disconnected spaces of Western China, Eastern India, northern Burma and the archipelagic territories in the Bay of Bengal and adjacent waters are matched by the potential for growing political mistrust and strategic tensions in the region. The unprecedented opportunity for economic transformation of the littoral and the new dangers of geopolitical rivalry make it imperative that the littoral states work together to create regional maritime institutions for limiting conflict, promoting political stability and facilitating regional integration and economic prosperity.

The initiative and leadership for regional cooperation in the Bay of Bengal must necessarily come from the littoral itself. This is not a tall order. After all Sri Lanka and Bangladesh have a record of leadership in promoting regional initiatives. The former was at the forefront of articulating Indian Ocean regionalism decades ago and the latter was the one that pursued the idea of South Asian regionalism through what is now known as SAARC. After many decades of suspicion, India too is more enthusiastic about developing regional institutions in the Subcontinent and across it. The real challenge, however, is not about developing new institutions, but of making best use of the existing ones.

The SAARC has rightly been criticized for failing to meet the aspirations for South Asian regionalism. But it is a fact that not all provisions of the SAARC charter, for example the one allowing sub-regional cooperation, has not been tapped into in the past. That might now be changing. With the SAARC locked in a stasis, some of the South Asian states are already moving in the direction, for example through the BBIN mechanism involving four nations of the eastern Subcontinent. Some South Asian countries are also involved in developing trans-regional mechanisms like the BIMSTEC, that was established two decades ago. India had also initiated the idea of a Ganga Mekong initiative cutting across the Bay of Bengal. Bangkok had occasionally talked about reviving the idea of Suvarnabhumi. Indonesia has recently has mused about the notion of a maritime nexus of the Indo-Pacific. In multiple ways, the idea of regionalism surrounding the Bay of Bengal is already with us.

In the Subcontinent and beyond there has long been a strong temptation to focus on the

political and strategic rather than economic. This has been at root of the failure of regionalism in South Asia. In other regions, such as the neighbouring South East Asia, the emphasis has been on keeping political differences aside and concentrating on pragmatic cooperation agreements that benefit all members of a regional forum. As political disputes raise their ugly head again in South East Asia, the gains made in the last half century in the region are now threatened. Limiting political disputes must be an important guiding principle for those of us looking at developing a community of cooperative states in the Bay of Bengal.

Fortunately, the littoral has not had the kind of intense territorial disputes that have roiled the waters in the adjacent waters of the South China Sea. Thanks to Dhaka's initiative, the maritime territorial disputes between India, Bangladesh and Burma have now been addressed through international arbitration. This has created a very positive environment for building a regional community in the Bay of Bengal. Given the widespread interest among major powers to promote regional integration in the Bay of Bengal and the availability of multiple sources of funding, the littoral must come up with practical ideas for advancing the agenda on connectivity, commerce and sustainable development of the littoral.

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## **Dr. C Raja Mohan**



C. Raja Mohan is Director, Carnegie India. A leading analyst of India's foreign policy, Mohan is also an expert on South Asian security, great-power relations in Asia, and arms control. He is the foreign affairs columnist for the *Indian Express*, and a visiting research professor at the Institute of South Asian Studies, National University of Singapore. He was a member of India's National Security Advisory Board.

From 2009 to 2010, Mohan was the Henry Alfred Kissinger Chair in Foreign Policy and International Relations at the Library of Congress. Previously, he was a professor of South Asian studies at the Jawaharlal Nehru University in New Delhi and the Rajaratnam School of International Studies in Singapore. He also served as the diplomatic editor and Washington correspondent of *The Hindu*.

# One Belt, many Roads and Beyond

**Mr. Abu Saeed Khan**

## **Abstract**

Multi-terabits of bandwidth keep arriving through undersea cable networks at the shores of Asia. Distribution of such voluminous capacity across the region has been, however, a challenging affair. Because, despite being in the world's largest landmass, the Asian countries largely behave like an archipelago, as they are interconnected through submarine cables. Such exclusive dependence on underwater connectivity compromises competition as well as competitiveness of developing Asia's Internet market. And it has been impacting the entire continent's broadband supply chain.

Hong Kong and Singapore are the only carrier-neutral wholesale capacity hubs in Asia. Their bandwidth prices are, however, higher than the corresponding outlets in Europe or North America. Because, submarine cable is the only way to link these two Asian city states. High costs of deploying and maintaining the undersea cables keep the costs of bandwidth much higher at these two places.

Thus, the bandwidth becomes manifold costlier at all the Asian international gateways. It has prompted the Asian carriers blocking access beyond their gateways. Respective regulators also deny competition accordingly. It hinders the international data center, cloud and content providers to directly deal with the local access providers.

Expensive IP-transit coupled with the lack of carrier-neutral PoPs has been hindering the carriers' access across the continent. Consequently, Asia lags Europe in terms of data center and cloud facilities. Broadband experience also dramatically varies despite the increasing usage of smart devices and massive deployment of highspeed access solutions (HSPA, LTE) across the continent. Thus, the bandwidth consumption also remains highly disproportionate across Asia.

To comprehensively overcome these odds, the United Nations ESCAP has undertaken an initiative called the Asian Information Superhighway (AP-IS). Its objective is to deploy an open-access optical fiber network along more than 140,000 kilometers of Asian Highway. It will interconnect all the 32 countries, from Japan to Turkey, as well as terrestrially plug the Asian networks with Europe's.

ESCAP has outlined a masterplan of AP-IS, which still requires the industries' input to structure the governance and technical specifications of this world's largest intercontinental telecoms transmission network. AP-IS must not be viewed as a rival of the submarine cable networks. Its highly-meshed routes rather promise the existing undersea networks to be phenomenally resilient. This cross-border terrestrial infrastructure will also remove the regulatory barriers from international gateway segment.

Carrier-neutral data centers and cloud establishments across Asia will be business as usual. It will open a new frontier of opportunities for the Asian as well as the western carriers. Internet has been the driver of 3G/4G/LTE wireless and FTTx networks. Fast decreasing cost of network equipment and rapid uptake of smart devices have been overshadowed by the excessive bandwidth prices in Asia. AP-IS will help meet the

predicted data flood that will be caused by the take-up of the Internet, especially through wireless platforms in Asia's populous countries.

This initiative deserves a closer look of the policymakers.

# One Belt, many Roads and Beyond

## Background

After two decades of growing nearly twice as fast as the world economy, global flows of goods, services and finance was approximately \$30 trillion in 2007, peaking at 53% of global GDP. But now the financial flows have fallen sharply and trade in services has posted only modest growth. These flows have finally regained their pre-recession levels in terms of dollar value. Yet they are now just 39% of world GDP.

While flows of goods and finance have lost momentum, the usage of cross-border Internet bandwidth has grown 45-times larger within a decade since 2005. It is projected to grow by further nine-fold within 2020, as digital flows of commerce, information, searches, video, communication, and intracompany traffic continue to surge.<sup>1</sup>

Meanwhile, the Internet value chain has almost trebled from \$1.2 trillion in 2008 to almost \$3.5 trillion in 2015, at a compound annual growth rate of 16%. It will grow annually 11% to \$5.8 trillion by 2020.<sup>2</sup> In Asia Pacific, mobile data traffic will grow seven-fold from 2016 to 2021, a compound annual growth rate of 49%. It will reach 22.8 Exabytes per month by 2021 (the equivalent of 5,711 million DVDs each month), up from 3.1 Exabytes per month in 2016.<sup>3</sup>

Nearly 300 submarine cables spanning over 500,000 miles – being buried in the seabed and beyond the continental shelf – are the primary pipeline of Internet to the continents and to the countries. These transoceanic cable networks are also responsible for \$10 trillion worth of transactional value every day. It is greater than the GDP of Japan, Germany, and Australia combined.<sup>4</sup>

The submarine cable landing stations at the seashores are linked with various modes of overland terrestrial transmission systems to deliver Internet among the consumers via fixed and mobile networks. The terrestrial networks also interconnect the countries across the borders. Such cross-country networks inject competition to wholesale Internet bandwidth trading. Consequently, the individual users enjoy affordable broadband, which creates a vibrant Internet value chain, as stated above.

The countries in mainland Asia are mostly interconnected through submarine cables. Public and private incumbents abuse their ownership of submarine cable systems followed by hindering competition in wholesale bandwidth sales. As a result, Asia remains impaired by the lack of cross-border Internet connectivity and exorbitant bandwidth prices.

Hong Kong and Singapore are the only carrier-neutral wholesale capacity hubs in Asia. Yet, their prices are higher than the corresponding European and North American outlets. Because submarine cable, which is expensive to deploy and maintain, is the only way to reach these two city states.

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<sup>1</sup> Digital Globalization: The new era of global flows. McKinsey Global Institute, March 2016.

<sup>2</sup> The Internet Value Chain: A study on the economics of the internet. A.T. Kearney and GSMA. May 2016

<sup>3</sup> Cisco Mobile Visual Networking Index 2016-2021. February 7, 2017.

<sup>4</sup> FCC Commissioner Jessica Rosenworcel Statement on *Improving Outage Reporting for Submarine Cables and Enhanced Submarine Cable Outage Data*, GN Docket No. 15-206.

One Belt, One Road (OBOR) initiative of China and Asia Pacific Information Superhighway (AP-IS) of UN ESCAP are poised to disrupt Asian incumbents' dominance international gateways. Sri Lanka should exploit both the initiatives and pioneer the fixing of Asia's wholesale telecoms connectivity market.

### **Sri Lanka gains from India's mistake**

Asian countries, despite being located in the world's largest landmass, are interconnected through submarine optical fiber cable networks. A terrestrial cable gets cut in every 30 minutes and a submarine cable gets snapped in every three days somewhere in the world. And the IT downtime costs more than \$25 billion a year to the customers.<sup>5</sup>

Ability to rush the maintenance crew ensures the terrestrial cables' lower downtime than its underwater counterpart. India, due to its geographic location, has been the preferred transit of all submarine cables connecting Asia with Africa and Europe. Altogether 19 submarine cables have landed in five different Indian locations: Mumbai (11 cables), Chennai (4 cables), Cochin (2 cables), Trivandrum (1 cable) and Tuticorin (1 cable).<sup>6</sup> The country needs to maintain these submarine cables besides serving the region.

Most of the submarine cable outages occur at the shallow water. An Indian international long distance operator needs to obtain clearances from as many as six agencies to bring a cable repair ship. They include the home ministry, defence ministry, Indian National Ship owners' Association (INSA) and the Director General of Shipping among others.

India's telecoms ministry wanted to reduce the maintenance time of its subsea cables from five weeks to three days in 2012 and strongly recommended to simplify this process. It also suggested that faster Naval and custom clearances for a repair ship should be treated as an "ambulance on the road". But the Indian customs has its own view.<sup>7</sup>

CS Asean Explorer, is an emergency repair vessel, was operating as a submarine cable maintenance vessel from the port of Cochin since 2003; but for occasional sorties, the vessel was stationed at the port of Cochin during the entire period since 2003. The Department of Telecommunications permitted the vessel to undertake operations at Mumbai, Chennai and Cochin offshore.

The vessel has also signed agreements with the Cochin Port Trust under which the vessel would be entitled to a concession in berthing charges, subject to the condition that the vessel will be berthed at Cochin port for a minimum period of 265 days a year.

But in February 2012, the Cochin Customs authority has directed that the spares, components and consumables on board the vessel, are liable for confiscation and thereby restrained the vessel. Later in July, the Customs authority issued a show cause notice as to why the vessel should not be confiscated.

It has forced the CS Asean Explorer to move out of Indian waters and the vessel immediately became a maritime refugee. Sri Lanka Telecom (SLT) has smartly thrown a lifeline to this salvager of submarine cables. The state-owned telco has formed a venture with Indian Ocean Cables Pvt. Ltd. (IOCPL), a Singapore company, to set up an

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<sup>5</sup> Ciena Corp. and TeleGeography study.

<sup>6</sup> Global Bandwidth Research Service, TeleGeography.

<sup>7</sup> "Telecom Ministry plans to reduce undersea cable repair time to 3 days." The Hindu. December 21, 2012.



undersea cable maintenance base at Hambantota.

The IOCPL permanently berths a cable ship at Hambantota and SLT has built a warehouse to facilitate the work for SEAIOCMA (South East Asia & Indian Ocean Cable Maintenance Agreement). SEAIOCMA is an international consortium for maintaining the undersea cables.

This is how Sri Lanka became the only submarine cable depot in the South Asian region. Prior to this initiative, Singapore was overlooking the submarine cable depot to facilitate international cable systems. This opportunity was realized because of a free port policy declaration and tax concessions offered by the Sri Lankan government for the Hambantota Port.<sup>8</sup>

### **Piecemeal competition is no competition**

India is the first country in South Asia that has privatized its international telecoms unit, Videsh Sanchar Nigam Limited (VSNL), in 2002. Tata Group acquired a 45% stake and VSNL International was launched in 2004. VSNL was completely acquired by the Tata Group and renamed as Tata Communications on 13 February 2008. Reliance Communication and Bharti Airtel have simultaneously emerged as international carriers. The objective was to end the state-owned monopoly and inject competition in this segment. A cartel was formed that has distorted the market instead.

Voice and data traffic of India's 27 local and foreign international long distance operators (ILDO) are processed through the cable landing station (CLS) facilities of Tata, Airtel, Reliance and BSNL. The ILDOs, who don't own CLS, told Telecommunication Regulatory Authority of India (TRAI) that Tata Communication and Bharti Airtel together enjoy a 93% market share.

The ILDOs have alleged that although average cost of submarine cable bandwidth has dropped significantly, the average Access Facilitation Charges (AFC) at the Indian CLS remained unchanged for four years (until 2012). They blamed the AFC at CLS being the significant portion of the total bandwidth charges paid by the Indian consumers.

In March 2012, TRAI has invited a public consultation with disturbing revelations. Tata annually charges US\$628,100 AFC for an STM64 at its Mumbai CLS while Bharti Airtel charges US\$450,600 at its Chennai CLS. The same bandwidth, however, costs less than US\$700 per annum at Tuas CLS in Singapore. Therefore, Tata's and Airtel's AFC in India is respectively 897-times and 644-times expensive than Singapore's.<sup>9</sup>

On December 21, 2012 - the TRAI has asked India's submarine cable majors to charge \$11,444 for each STM64 circuit at any CLS, effective from January 1, 2013.<sup>10</sup> Tata Communication has, however, challenged the regulatory decree and Madras High Court

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<sup>8</sup> "SLT inaugurates S.Asia's 1st Submarine Cable Depot and SEA-ME-WE 5 undersea cable's full landing station construction in SL." SLT [hyperlink](#), March 27, 2014.

<sup>9</sup> "[Consultation Paper on Access Facilitation Charges and Co-location Charges at Cable Landing Stations.](#)" TRAI, March 22, 2012.

<sup>10</sup> "[THE INTERNATIONAL TELECOMMUNICATION CABLE LANDING STATIONS ACCESS FACILITATION CHARGES AND CO-LOCATION CHARGES REGULATIONS, 2012 \(No. 27 of 2012\).](#)" TRAI, December 21, 2012.

has stayed the TRAI's order.<sup>11</sup>

Finally, in last quarter of 2016, the Madras High Court has dismissed Tata's petition and upheld the TRAI Regulation (2012) on AFC. The company is appealing to the higher court.<sup>12</sup> This legal procrastination possibly explains the high price of bandwidth at Mumbai (Table - 1).

<b>Table - 1</b>						
<b>Median Asian IP Transit Prices per Mbps, 10 Gigabit Ethernet, Q2 2013-Q2 2016</b>						
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2015-16</b>	<b>CAGR 13-16</b>
<b>Developed Asia</b>						
Hong Kong	\$7.00	\$6.00	\$4.41	\$3.15	-29%	-23%
Seoul	\$14.50	\$12.00	\$6.00	\$5.00	-17%	-30%
Singapore	\$7.00	\$6.25	\$4.10	\$3.15	-23%	-23%
Taipei	\$16.55	\$12.00	\$8.00	\$5.41	-32%	-31%
Tokyo	\$11.25	\$8.00	\$5.00	\$3.00	-40%	-36%
<b>Developing Asia</b>						
Bangkok	\$10.00	\$9.00	\$9.00	\$10.00	11%	0%
Jakarta	\$13.00	\$12.06	\$10.00	\$9.00	-10%	-12%
Kuala Lumpur	\$12.45	\$11.95	\$11.00	\$8.00	-27%	-14%
Mumbai	\$19.00	\$19.00	\$14.50	\$9.25	-36%	-21%
Notes: Prices represent the median monthly price per Mbps for a full-port commit in the listed city. Data derived from Q2 of each year. Prices are in US\$ and exclude local access and installation fees. 10 Gigabit Ethernet (10 GigE) = 10,000 Mbps.						
Source: TeleGeography, Publication: Global Internet Geography 2016.						

The Indian dominant player's resistance to competition in international gateway is pervasive across Asia. And it is largely instrumental to the differences of Asia's wholesale Internet bandwidth (IP transit) prices, as shown in Table 1 above.

"South Asia's weakness is Colombo's strength," remarked the Journal of Commerce while narrating the port's "emergence as a growing transshipment hub capable of handling the increasing number of mega-ships that have become the workhorses of the Asia-Europe trade."<sup>13</sup> Internet is quite identical to the ocean freight in terms of market

<sup>11</sup> "Madras High Court stays TRAI order on cable landing fee," The Hindu. January 24, 2013.

<sup>12</sup> Un-audited Financial Results of Tata Communications Limited for the Third quarter and Nine months ended 31 December 2016.

<sup>13</sup> "Colombo breaks through as South Asia's next big transshipment port." Mark Szakonyi, Executive

access regulations.

Developing Asian nations procure wholesale Internet bandwidth mostly from Singapore and Hong Kong at a price 3-times that of Europe.<sup>14</sup> Subsequently, the bandwidth becomes pricier once it reaches the international gateway at the purchaser's country. The cost of domestic transmission and other charges get accumulated before delivering the bandwidth through various retail outlets like mobile and fixed broadband networks.

As a result, the consumers of developing Asia get punished with additional costs when they seek to access the international Internet contents. The IP transit in poorer markets like Myanmar and Lao PDR costing more than 10-times that of Singapore is one such example.<sup>15</sup>

Aggregation of international Internet bandwidth in Singapore and Hong Kong “has developed in a hub-and-spoke configuration around these two hubs, although telecommunications carriers and other investors of means have constructed their own direct interregional fiber infrastructure wherever possible.”<sup>16</sup> Singapore and Hong Kong have positioned themselves as regional hubs through consistently adjusting respective policy pertaining to the entire broadband supply chain.

### **Regulatory reforms in Singapore**

Singapore liberalized its telecom sector in 2000 and reformed its regulatory framework as well. Establishing a “Code of Practice for Competition in the Provision of Telecommunication Services” was one of the most important steps it took. Singapore's Info-Communications Development Authority (IDA) determined that the dominant carrier, SingTel, should allow collocation at its submarine cable landing stations.

This requirement was incorporated into the mandated Reference Interconnection Offer (RIO) that SingTel was instructed to prepare, containing cost-based rates for collocation. IDA has, however, left connection services to be negotiated commercially between SingTel and its competitors.

The regulator also kept receiving feedback, on the impact of its newly introduced framework, from industry. Two years later, in 2002, IDA had added connection services to the mandated offerings included (again, at cost-based rates) in SingTel's RIO. In 2004, it further allowed the operators to access the capacity that is owned or leased on a long-term basis on any submarine cable at the submarine cable landing station. IDA also gave operators more flexibility in accessing backhaul and transit services.

IDA has also streamlined the cable landing authorization procedures by setting up a “one-stop shop”. It relieved the submarine cable operators seeking to land their cables in Singapore. Earlier, they were to obtain approval from the Maritime and Port Authority for the wet segment while the Urban Redevelopment Authority and the Singapore Land Authority approved the dry segment of the inward cable systems. IDA has greatly shrunk

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Editor, [JOC.com](http://JOC.com), October 20, 2015.

<sup>14</sup> Internet Geography Q2 2016 edition, TeleGeography.

<sup>15</sup> “*An In-Depth Study on the Broadband Infrastructure in the ASEAN-9 Region.*” Terabit Consulting, August 2013.

<sup>16</sup> “*An In-Depth Study on the Broadband Infrastructure in the ASEAN-9 Region.*” Terabit Consulting, August 2013.

such cumbersome approval process, which used to take months.<sup>17</sup>

### **Regulatory reforms in Hong Kong**

Hong Kong has also comprehensively overhauled its regulation regarding international communication infrastructure. In his Policy Agenda during 2009-10, the Chief Executive of Hong Kong SAR has directed to review the procedure for landing submarine cables in the territory. He also ordered to make the administrative process simpler and speedier for interested parties to install new submarine cables with or without affiliated data centers.

Accordingly, in 2009, the Office of the Communications Authority (OFCA) has commissioned an independent consultant to detect the bottlenecks at the landing of new submarine cables in Hong Kong. At that time, the applicants had to approach various offices namely the Lands Department, Environmental Protection Department, Marine Department, Agricultural Fisheries and Conservation Department, Home Affairs Department and Leisure and Cultural Services Department in Hong Kong.

The consultant of OFCA has identified the need to increase the transparency of the application processes with a view to promote understanding of the application processes. In this regard, OFCA has launched a dedicated web page to provide the industry with the relevant information. The regulator also became the single-point-of-clearance for any new submarine cable to land.

After extensive consultation with the industry, OFCA has also set aside nine plots of land along the oceanfront Chung Hom Kok Teleport site for submarine cable landing station (SCLS) and satellite earth station. To facilitate the industry to gather information on the available lots and source sites for new SCLS, the relevant information was included in the web page of OFCA.

As a result, new entrants can collaboratively build and share their cable stations. If a new cable wants to land in Hong Kong, it can either land in one of the existing cable stations or get the land set aside by OFCA to build their own cable station. Hong Kong has an open licensing regime so there is no limit to the number of new cable licenses that can be issued. In addition, OFCA also provides help in buying backhaul at reasonable costs from existing providers or will provide licenses for cables to build their own backhaul.<sup>18</sup>

### **New avenue to revenue in Bay of Bengal region**

Countries around the Bay of Bengal have recently taken unconventional routes to explore their digital economy. India's two private carriers, Tata Communications and Bharti Airtel, export international bandwidth to Bangladesh across the border of West Bengal. It saves Bangladesh from the risk of disconnection when its only submarine cable, SEA-ME-WE4, suffers outage.

However, the Indian international long distance carriers have not extended their networks to the Northeastern states, otherwise known as the Seven Sisters. It has prompted Bharat Sanchar Nigam Limited (BSNL), India's state-owned carrier, to import international bandwidth from Bangladesh to digitize Tripura and other northeastern states.

Under a deal signed in June 2015, BSNL annually pays Bangladesh Submarine Cable Company (BSCCL) Tk.96 million (US\$1.2 million) for 10 Gbps of international

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<sup>17</sup> [\*“International Sharing: Singapore’s Experience, GSR discussion paper, February 2008.”\*](#) ITU.

<sup>18</sup> [\*“Legislative Council Paper No. CB\(1\)1289/09-10\(04\)”\*](#), March 8, 2010.

bandwidth. India will quadruple its bandwidth intake from Bangladesh in near future.

Underground optical fiber link from Cox's Bazar to BSNL's Agartala node via Akhaura of Bangladesh was commissioned in November 2015. BSCCL began exporting bandwidth to India from early February of 2016. BSNL could, however, consume only 30% of the imported bandwidth due to lack of readiness in its northeast Indian networks.

Therefore, since April 11, 2016 BSNL started the transshipment of imported bandwidth to Kolkata via Shillong and Siliguri. Doug Madory, Director of Internet Analysis at Dyn, has detected that about 50 routes from BSNL in Kolkata goes through Cox's Bazar to reach the global Internet. He has further found that BSCCL has replaced Telia, Tata, Bharti and Vodafon to become the only international bandwidth supplier of BSNL in West Bengal.

It has prompted the landlocked Bhutan to be in the cue. Bhutanese telecoms officials are negotiating a 5 Gbps international internet bandwidth deal with BSCCL. Discussions to obtain terrestrial transit through India from BSNL to the submarine cable facilities of Bangladesh is also in progress.<sup>19</sup>

State-owned Nepal Telecom has also completed the deployment of optical fiber across the Sino-Nepal border. It paves the way to terrestrially link Kathmandu with the Hong Kong data center of China Telecom. Besides, Nepal will remain connected with Singapore through the existing networks of India. Once operational, the China Telecom routing will salvage landlocked Nepal from its exclusive dependency on the Indian carriers. This second international route will also make Nepal's state of connectivity lot more resilient.<sup>20</sup>

In 2014 the World Bank has undertaken a \$107 million road project to link Myanmar, Bangladesh and India. Once completed in 2020, it will be a reliable right of way to plug Myanmar with the SAARC countries. The project will enhance India's Mizoram and other northeastern states' road links with Bangladesh, as well as with Nepal, Bhutan and Myanmar.<sup>21</sup>

The link to Bangladesh will facilitate greater bilateral trade and access to the Port of Chittagong – the nearest shipping port for the northeastern region of India. The link to the border with Myanmar will facilitate connectivity to Myanmar and the rest of East Asia and beyond.

The impacts on trade and employment will be felt at two levels, intra-state and between Mizoram and neighboring states and countries, namely Bangladesh and Myanmar. It will also be the right-of-way for a high capacity optical fiber cross-border telecoms transmission link.

### **Myanmar rising**

China Unicom has built China-Myanmar International (CMI) terrestrial link. This a \$50 million joint venture terrestrial cable project between China Unicom and Myanmar Posts

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<sup>19</sup> "Talks on to export internet bandwidth to Bhutan." The Daily Star. September 27, 2016.

<sup>20</sup> Earthquake rocks Internet in Nepal. Doug Madory, Dyn Research. April 28, 2015.

<sup>21</sup> "\$107 Million World Bank Project to Connect Mizoram with Bangladesh and Myanmar via Roads."

World Bank press release. June 12, 2014.

and Telecommunications (MPT) spans 1,500 km, connects Ruili in China and Ngwe Saung in Myanmar and runs across Mandalay, Naypyidaw and Yangon.

The CMI terrestrial cable seamlessly connects with SMW5 and AAE-1 submarine cable systems. It does not only meet Myanmar's voracious appetite for Internet bandwidth but also adds diversity of cable routes to bolster its international connectivity. Myanmar has crossed Nepal in 2015 and equaled itself to Sri Lanka in terms of international bandwidth consumption in 2016.

### **Dialog's Bay of Bengal Gateway to Europe**

The Bay of Bengal Gateway (BBG) is the only privately owned submarine cable in Sri Lanka. It links Singapore and Penang with Oman via India and Sri Lanka. It is lot more than just another submarine cable. The designers of BBG have bypassed the pirate infested Strait of Malacca. From Singapore, BBG crosses Malaysia using highway, railway and gas pipeline as right of way.

Such diverse transport layers have injected enormous resilience to the Singapore-Malaysia terrestrial segment of BBG network. However, from Penang the cable dives in to the sea to connect Chennai, Colombo and Mumbai before terminating at Fujairah (UAE) and Barka (Oman). At Oman, the BBG cable gets linked with Europe-Persia Express Gateway to begin its terrestrial journey to Frankfurt via Iran, Azerbaijan, Russia, Ukraine, Hungary and Austria.

EPEG averts the risk of Somali pirates at the horn of Africa. Most importantly, it completely avoids the Red Sea, Suez Canal, Egypt and the Mediterranean Sea regions. Such detour plays an important role for traffic re-routing in case of earthquakes and disasters, which have been known to affect multiple systems at once. All these issues have made BBG a lot safer cable in this region. And it can be confidently crowned as Asia's first hybrid submarine cable network.

### **A bigger picture of regional connectivity**

The regional cross-border telecoms initiative is a tricky affair, unless open access is guaranteed. The GMS-IS optical fiber network across the Southeast Asia and the SASEC network to connect Nepal, Bhutan, Bangladesh and India have not been successful. Because, these networks are exclusively owned by the respective country's state-owned incumbent. Therefore, the private carriers have stayed away from both the initiatives.

Currently, less than 15% of the population in developing Asia and the Pacific has access to high-speed Internet and the situation is even worse in least developed and landlocked countries, where inexpensive and reliable Internet is almost non-existent.

To address this issue, the UN ESCAP is leading the AP-IS initiative. It is aimed at connecting each country's backbone networks and integrating them into a cohesive land-and sea-based fiber infrastructure. This would increase international bandwidth for developing countries in the region and lower Internet prices.

ESCAP has targeted to use the seamless 143,000 km of the Asian Highway and another 117,000 km of Trans-Asian Railway networks as the preferred right-of-way to deploy an open access optical fiber telecoms transmission network. Optical fiber integrated in the energy transmission grid will be also used where appropriate.

Cemented by intergovernmental treaties and administered by ESCAP, the AP-IS offers an unmatched opportunity for co-habitation of ICT and transport networks of 32

countries—synchronizing optical fiber conduit rollout with land transportation construction. Aside from cost savings of up to 80%, this ‘dig once – use many times’ approach expands and diversifies the revenues generated by infrastructure construction: a win-win for governments, private sector investors and newly-connected communities.

The foundations for the AP-IS were firmly set as Asia-Pacific countries agreed to set up a working group to develop principles and norms for the regional ICT network at the Fourth Session of ESCAP’s ICT Committee. The countries, including Sri Lanka, have also agreed to develop a Master Plan covering both policy and technical aspects of AP-IS.

Multilateralism is the key strength of AP-IS. Its rail, road, energy and telecoms components not only outsize but also encapsulate the “One Belt, One Road” or OBOR initiative of China. In other words, the objectives of OBOR are inherently embedded in AP-IS. Therefore, the OBOR scheme greatly supplements AP-IS.

### **Tips for Sri Lanka**

Sri Lanka is connected with three bilateral and four international submarine cable systems. They are: SEA-ME-WE3, SEA-ME-WE4, SEA-ME-WE5, Bay of Bengal Gateway (BBG), Bharat Lanka Cable System, Dhiraagu-SLT Submarine Cable Network and WARF Submarine Cable

Dhiraagu-SLT and WARF have linked Maldives while Bharat-Lanka connects India with Sri Lanka. Private mobile operator Dialog owns the Sri Lankan segment of BBG while rest of the six cables belong to state-owned Sri Lanka Telecom (SLT). SLT has wisely avoided the overcrowded waters of Colombo coast and landed its newly arrived SEA-ME-WE5 cable at Matara. Rest of the submarine cables have landed around Colombo.

Sri Lanka had 155 Gbps of international bandwidth until the middle of 2016, according Tele-Geography. Almost 98% of its total international bandwidth is dedicated for France (44 Gbps), India (35 Gbps), Singapore (34.4 Gbps), Italy (28 Gbps) and China (10 Gbps). Dominance of Europe-bound data traffic is very much aligned with rest of Asia’s trend.

Berthing of the cable repair ships to serve the region demonstrates Sri Lanka’s regulatory foresight. Now the country should open its gateways and allow international carriers to trade wholesale bandwidth. Establishment of carrier-neutral data centers, without discriminating the local and foreign investors, should be Sri Lanka’s priority.

The policymakers may take tips from Singapore and Hong King to liberalize the international telecoms gateway. Most of the submarine cables have landed in Sri Lanka’s southern coasts. Therefore, it requires to introduce open access regulation in domestic backhaul as well. Sri Lanka should also blend the optical fiber of its power transmission grid and the railway tracks with the national telecoms backbone. The Malaysia segment of Dialog’s Bay of Bengal Gateway (BBG) cable has traversed the country’s national highway, railway network and gas transmission pipeline. Integration of cross-sector infrastructure with open access regulations is key to attract telecoms investments in Trincomalee and other places.

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## Mr. Abu Saeed Khan



Abu worked in the Association of Mobile Telecom Operators of Bangladesh (AMTOB) as its Secretary General from August 1, 2010 to July 31, 2012. Earlier he was a Strategy Analyst at Ericsson's Southeast Asian head office in Kuala Lumpur, Malaysia during January 2008 to June 2010. Previously, he was Technology Editor for bdnews24.com, Bangladesh's first online newspaper, as well as a research analyst at EMC World Cellular Database (currently owned by Informa) covering the mobile markets of Bangladesh, Pakistan and Nepal.

As a journalist, he influenced various policies pertaining to the telecoms sector of Bangladesh. His reports revealing anomalies kept alerting the authorities and prompted interventions, which saved public funds in telecoms procurements. Abu persuaded Bangladesh government in 2002 to join the SEA-ME-WE4 consortium, which has linked the country with its very first, and by far the only, submarine cable. He has also convinced the government to establish a Class 4 switch, known as ATOB Tandem, in 2003. It significantly mitigated the mobile operators' interconnection problems with the then state-owned monopoly.

Abu challenged the government's introduction of "SIM tax" for each new mobile connection in 2005. He lodged a public interest litigation (PIL) with the High Court Division of Bangladesh Supreme Court and won the case in 2006. But the Appellate Division granted a leave to appeal in March 2007 and finally ruled over the High Court order in August 2012. He has also provided consultancy expertise in telecommunications to local and international organizations. He served on the faculty of regional regulatory training courses offered by The Energy and Resources Institute (TERI) between 2001 and 2004. As a Consultant during 2013-14, he studied the Uzbekistan Communications Infrastructure Program for the World Bank. Its objective was to use the surplus capacity of the optical fiber systems in Uzbekenergo (Public power generation and distribution company) and Uzbek Railways through open access.

ESCAP has engaged Abu to present a paper on "North and Central Asia (NCA) as a hub of cross-sectoral infrastructure connectivity" during an Expert Consultation on Socio-Economic Developments and Programme Priorities on 8 December 2015 in Almaty, Kazakhstan. Abu is now engaged in an original research on how to reduce the internet bandwidth costs across Asia. He has been persuading the construction of a terrestrial optical fiber link alongside the transcontinental system of roads network known as the "Asian Highway". Originally it was dubbed as the Longest International Open-access Network or LION. Later on ESCAP has renamed it as Asia-Pacific Information Superhighway (AP-IS). Abu has a bachelor's degree in Bengali language and literature from Titumir College, Dhaka.



# **Changing US–China Power Balance and the Role of Japan – Sri Lanka – India Co-operation**

**Dr. Satoru Nagao**

**Research Fellow, Tokyo Foundation**

## **Abstract**

Currently, a new dynamic is taking place in Japanese foreign policy. Japan regards Sri Lanka as a maritime security partner. Japan is also promoting maritime security co-operation with India. Why has Japan sought to engage in maritime security in the Indian Ocean? This article presents an analysis based on three questions: What changes are happening around Japan? How are Japanese security and the Indian Ocean related? What is the role of Japan – Sri Lanka – India co-operation? China has expanded military activities around Japan and the South China Sea. Furthermore, changing the US–China military balance is the background of China’s assertiveness. In the Indian Ocean, China has also increased military activities. A need exists to maintain a military balance with China despite its larger military budget than that of Japan. Therefore, a new system is gradually emerging. A network of these several mini-lateral and multi-lateral security initiatives might soon culminate in a collective security system in which Japan – Sri Lanka – India co-operation serves an important role. If Japan and India were to collaborate to establish the maritime communication network system for the entire Indian Ocean in Sri Lanka, then the three countries might easily become aware of events and changes occurring in the Indian Ocean region. To achieve this goal, a Japan – Sri Lanka – India trilateral strategic dialogue must be established, through which Japan and India can share information, better identify Sri Lankan needs, and choose courses of co-operation or support. Now is the time to do so.

**Key words:** Japan, Indian Ocean, Strategy, Defence, Maritime Security

# Changing US–China Power Balance and the Role of Japan – Sri Lanka – India Co-operation

A new dynamic is prevailing in Japanese foreign policy. Although Japan has been a stable supporter of Sri Lankan development for a long time, little actual change has come to maritime security up to the present. Nevertheless, Japan now regards Sri Lanka as a partner in maritime security. As one example, when Japanese Prime Minister Shinzo Abe met President Maithripala Sirisena in May 2016, the media statement reflected Japan's new perception: "Both leaders welcomed the convening of the first round of the Policy Dialogue at the Senior Official Level of the two Foreign Ministries and the inaugural Sri Lanka-Japan Dialogue on Maritime Security, Safety and Oceanic Issues in January 2016 in Colombo, where the two maritime states reconfirmed the importance of maintaining the freedom of the high seas and maritime order based on the rule of law. As a part of strengthening maritime co-operation between the two countries, both leaders also acknowledged the importance of the steady progress of the Project for Maritime Safety Capability Improvement (worth approximately 1.8 billion yen), that includes the provision of two patrol vessels.<sup>22</sup>" Vessels of the Japan Maritime Self Defense Force also called at a port 22 times during April 2011 – June 2016. In light of these examples and others, one can anticipate a new age of Japan–Sri Lanka relations.

Japan has also promoted maritime security co-operation with India. Actually, Japan and India have held joint exercises such as Japan–India Maritime Exercise (JIMEX) and Japan–India–US Malabar Exercises. Japan has also participated in the Indian Ocean Rim Association and Indian Ocean Naval Symposium.

Why has Japan tried to engage in maritime security in the Indian Ocean? This article presents one related analysis based on three questions: What changes have occurred around Japan? How are Japanese security and the Indian Ocean related? What is the role of Japan – Sri Lanka – India co-operation?

## 1. What changes have happened around Japan?

Japanese engagement with Sri Lanka and India has advanced since the 2000s as Japan has begun to confront difficulties with China. Therefore, the China factor cannot be overlooked while assessing Japan–Sri-Lanka – India security co-operation.

China has been expanding military activities around Japan and countries surrounding the South China Sea. For instance, in the East China Sea, a Chinese nuclear attack submarine violated the territorial seas of Japan in 2004. China started naval exercises on the Pacific side of Japan in 2008.

In the air, 40 Chinese fighters, bombers and intelligence planes have started "routine drills" on the Pacific side of Japan. Eight of them flew from the Pacific side to the East China Sea between the main island of Okinawa and Miyako, Japan in September 2016<sup>23</sup>. Since then, the area of these naval and air exercises has been expanding from the first island chain to the second island chain, which forms the defence line of China (Fig. 1).

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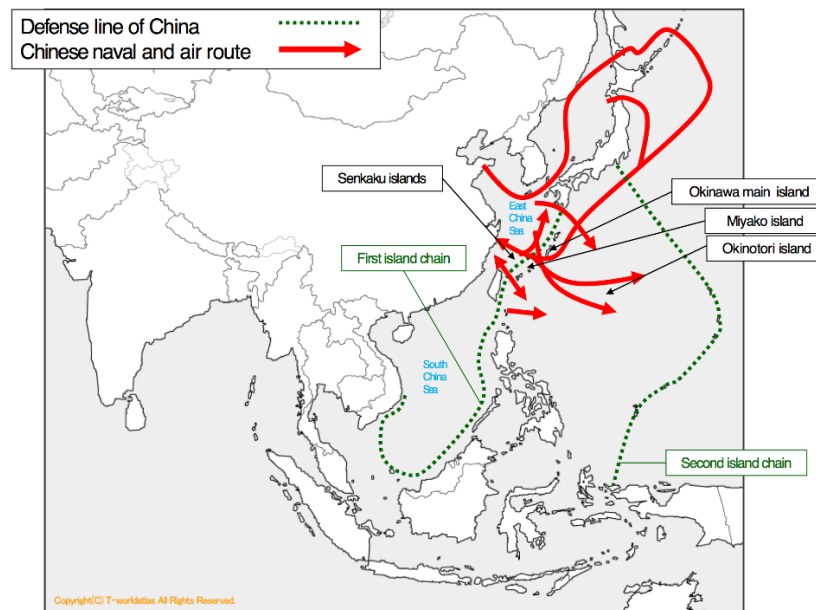
<sup>22</sup> Ministry of Foreign Affairs, Government of Japan, *Media Statement Japan Sri Lanka Summit Meeting*, 28 May 2016

*Web Source:* <http://www.mofa.go.jp/mofaj/files/000160708.pdf> (accessed on 27 November 2016).

<sup>23</sup> "Japan scrambles jets over China flights along Miyako Straits", *BBC*, 26 September 2016 [http://www.bbc.com/news/world-asia-37469983?ocid=socialflow\\_facebook&ns\\_mchannel=social&ns\\_campaign=bbcnews&ns\\_source=facebook](http://www.bbc.com/news/world-asia-37469983?ocid=socialflow_facebook&ns_mchannel=social&ns_campaign=bbcnews&ns_source=facebook) (accessed on 27 November 2016)

As a result, “In FY 2012, the number of scrambles against Chinese aircraft exceeded the number of those against the Russian aircraft for the first time<sup>24</sup> (FY=Fiscal Year).” Incidents of scrambles aircraft against Chinese aircraft during 2015 increased to 571<sup>25</sup>.

Figure 1: China’s naval and air activities around Japan.



Source: Ministry of Defense of Japan, *Defense of Japan 2016* (White Paper), p.54, 56 ([http://www.mod.go.jp/e/publ/w\\_paper/pdf/2016/DOJ2016\\_1-2-3\\_web.pdf](http://www.mod.go.jp/e/publ/w_paper/pdf/2016/DOJ2016_1-2-3_web.pdf) ) (accessed on 26 November 2016).

From the Japanese perspective, the South China Sea situation is also an important matter. Although the Permanent Court of Arbitration rejected China’s ownership claim of 90% of South China Sea in 2016, China is ignoring the verdict and building three new airports on their seven artificial islands in the South China Sea<sup>26</sup>. These facts indicate that China will deploy ballistic missile submarines under the protection of fighter jets launched from these artificial islands and then exclude all foreign ships and airplanes that might identify their submarines<sup>27</sup>. A report written by Japanese Prime Minister Shinzo Abe pointed out that “If Japan were to yield, the South China Sea would become even more fortified<sup>28</sup>”.

<sup>24</sup> Ministry of Defense, Government of Japan, *Defense of Japan 2013* (Annual White Paper), Digest part III ,p.1

**Web Source:** [http://www.mod.go.jp/e/publ/w\\_paper/pdf/2013/04\\_Digest\\_part3.pdf](http://www.mod.go.jp/e/publ/w_paper/pdf/2013/04_Digest_part3.pdf) (accessed on 27 November 2016).

<sup>25</sup> Ministry of Defense, Government of Japan, *Defense of Japan 2016* (Annual White Paper), Digest part III ,p.15

**Web source:** [http://www.mod.go.jp/e/publ/w\\_paper/pdf/2016/DOJ2016\\_Digest\\_part3\\_web.pdf](http://www.mod.go.jp/e/publ/w_paper/pdf/2016/DOJ2016_Digest_part3_web.pdf) (accessed on 27 November 2016).

<sup>26</sup> Prof. Swaran Singh, Dr. Lilian Yamamoto, “Spectre of China’s Artificial Islands”, *Indian Defence Review*, July-September 2015, pp.78-82.

<sup>27</sup> Reiji Yoshida, “Beijing’s Senkaku goal: Sub ‘safe haven’ in South China Sea: Quest for isles a strategic aim: former MSDF rear admiral”, *The Japan Times*, 7 November 2012

**Web source:**

<http://www.japantimes.co.jp/news/2012/11/07/national/beijings-senkaku-goal-sub-safe-haven-in-south-china-sea/#.WDQ774VOKUK> (accessed on 25 November 2016)

<sup>28</sup> Sinzo Abe, “Asia’s Democratic Security Diamond”, *Project Syndicate*, 27 Dec 2012

**Web source:** <http://www.project-syndicate.org/commentary/a-strategic-alliance-for-japan-and-india-by->

Why has China's assertiveness intensified so much lately? In August 2013, then Japanese defence minister Itsunori Onodera's statement at a symposium in Tokyo carries one important point worth taking notice. He reiterated that "China has made increasing advancement into the seas." "When it did not have as much military capability, China tried to promote dialogue and economic co-operation, setting territorial rows aside...but when it sees a chance, any daylight between a nation and its ally, it makes blunt advancements. This is what is happening and what we should learn from the situation in Southeast Asia."<sup>29</sup> This statement denotes clearly that Southeast Asian countries cannot deter China's assertiveness because they have insufficient military power to do so.

It seems that the tendency of China's maritime expansion has been based on military balance, if history is any guide. For example, when France withdrew from Vietnam in the 1950s, China occupied half of the Paracel Islands. China occupied the other half of the Paracel Islands in 1974 immediately after the Vietnam War ended and the United States withdrew from the region. After the Soviet Union withdrew from Vietnam, China attacked the Spratly Islands controlled by Vietnam in 1988. Along similar lines, after the United States withdrew from the Philippines, China occupied Mischief Reef, which both the Philippines and Vietnam claimed<sup>30</sup>.

As background of the current situation, the military balance between the United States and China has also changed after the Cold War. The United States has acquired only 13 submarines while China has acquired at least 42 submarines between 2000 and 2015. Vice Admiral Joseph Mulloy, Deputy Chief of Naval Operations for Capabilities and Resources of the US Navy, reported that China has more diesel-powered and nuclear-powered submarines than the United States in February 2015<sup>31</sup>. As a result, China has been expanding its military activities.

As described above, rising Chinese influence and declining US power are degrading the security situation around Japan. Their military modernization is occurring too rapidly. Japan and countries around the South China Sea are likely to suffer from China's assertiveness in the near future. Therefore, a need exists for us to maintain a military balance with China despite their larger military budget than that of Japan.

## **2. How is Japanese security related to the Indian Ocean?**

Such a situation in the sea around Japan and the South China Sea is a close link with the situation in the Indian Ocean. China has started to increase its military activities in the Indian Ocean. China is concerned about their over-dependence on their Sea Line of Communications (SLOCs) from the Middle East to China through the Strait of Malacca. Therefore, they have tried to make an alternative route via Middle East – Pakistan–China

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[shinzo-abe#Vd6yytDokZJCiwtv.01](#) (accessed on 27 November 2016)

<sup>29</sup> Harumi Ozawa, "Japan Could Be 'Main Player' in Asia Conflict: Minister" *Defense News*, August. 26, 2013

*Web source:*

<http://www.defensenews.com/article/20130826/DEFREG03/308260005/Japan-Could-Main-Player-Asia-Conflict-Minister> (accessed on 25 October 2015).

<sup>30</sup> Ministry of Defense, Government of Japan *China's activities in the South China Sea* (Japanese) 22 December 2015

*Web source:* [http://www.mod.go.jp/j/approach/surround/pdf/ch\\_d-act\\_20151222.pdf](http://www.mod.go.jp/j/approach/surround/pdf/ch_d-act_20151222.pdf) (accessed on 27 November 2016).

<sup>31</sup> "China submarines outnumber U.S. fleet: U.S. admiral" *Reuters*, 25 February 2015

*Web source:* <http://www.reuters.com/article/2015/02/25/us-usa-china-submarines-idUSKBN0LT2NE20150225> (accessed on 27 November 2016).

or Middle East – Myanmar–China etc. However, all these routes must run through the Indian Ocean.

Since the middle of the 2000s, China's military activities in the Indian Ocean have been expanding. In 2012, at least 22 contacts were recorded with vessels suspected to be Chinese nuclear attack submarines patrolling in the Indian Ocean<sup>32</sup>. Since 2014, at least four Chinese submarines and one submarine support-ship have docked at a port in Pakistan and Sri Lanka<sup>33</sup>. Currently, these submarines have been sighted, on average, four times every three months<sup>34</sup>. The activities of these submarines indicate that the area of Chinese influence will expand in the Indian Ocean because these Chinese submarines can attack India's nuclear ballistic missile submarines and SLOCs of many countries, including Japan, at will.

China exports naval and air weapons to countries surrounding India. Submarines, especially, serve an important role for both Japan and India. Pakistan chose to import eight Chinese submarines for their navy. Bangladesh is also set to import two submarines from China. These submarines will, to a great degree, regulate India's naval activities because the Indian Navy must have sufficient ships to maintain regular oversight over the locations and purposes of other countries' submarines.

A weak point in China's strategy, however, is that they have no naval port in this region. Therefore, conforming to the "String of Pearl Strategy", China is investing in the development of numerous ports in Pakistan, Bangladesh, Myanmar, and Sri Lanka located within the Indian Ocean. China can alleviate their vulnerability of not having a naval port in the region if the Chinese navy uses civil-purpose ports as naval supply bases. According to one report, China is planning to deploy a navy ship to Gwadar in Pakistan, which is an important port in China's "String of Pearl Strategy"<sup>35</sup>.

Why has China's assertiveness increased in the Indian Ocean lately? The changing US–China military balance might have affected the situation. The United States became an influential country in this region, especially after the 1970s. The United States dispatched aircraft carrier battle groups several times to respond to conflicts within the region, such as the Indo-China War, the third Indo-Pakistan War, the Gulf War, *Operation Enduring Freedom* after 9/11, and The Iraq War. The United States used the island of Diego Garcia

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<sup>32</sup> Rahul Singh, "China's submarines in Indian Ocean worry Indian Navy" *Hindustan Times*, April 7 2013

**Web source:**

<http://www.hindustantimes.com/delhi/china-s-submarines-in-indian-ocean-worry-indian-navy/story-0Fjrc7s9jIHwg1ybpiTsL.html> (accessed on 29 November 2016).

<sup>33</sup> Vindu Mai Chotani, "India and Japan: Reconnecting in the Bay of Bengal", *ORF Occasional Papers*, 11 January 2016

**Web source:**

<http://www.orfonline.org/research/india-and-japan-reconnecting-in-the-bay-of-bengal/>

<sup>34</sup> Sanjeev Miglani and Greg Torode, "Wary of China's Indian Ocean activities, U.S., India discuss anti-submarine warfare" *Reuters*, May 2, 2016

**Web source:**

<http://www.reuters.com/article/us-india-usa-submarines-idUSKCN0XS1NS> (accessed on 27 November 2016).

<sup>35</sup> Chinese navy ships to be deployed at Gwadar Pak navy official, *The Times of India*, 25 November 2016

**Web source:**

[http://timesofindia.indiatimes.com/world/pakistan/Chinese-navy-ships-to-be-deployed-at-Gwadar-Pak-navy-official/articleshow/55622674.cms?utm\\_source=facebook.com&utm\\_medium=referral&utm\\_campaign=TOI](http://timesofindia.indiatimes.com/world/pakistan/Chinese-navy-ships-to-be-deployed-at-Gwadar-Pak-navy-official/articleshow/55622674.cms?utm_source=facebook.com&utm_medium=referral&utm_campaign=TOI) (accessed on 27 November 2016).

as a hub to deploy military power. Consequently, the United States continues to be the most powerful presence within the region. However, because US naval power has been declining, China has been increasing their own naval activities in the Indian Ocean, as in the oceans around Japan and South China Sea. Therefore, we must find some alternative country to fill the power vacuum in this region.

### **3. What is the role of Japan – Sri Lanka – India co-operation?**

#### **(1) Emerging new security network**

How should that be done? Two strategies might be effective. First, maintaining the military balance is the topmost priority to deter any worst-case scenario. Secondly, great powers around China including Japan should demonstrate to China that responsible behaviour will have mutually beneficial outcomes for all concerned, and that the outcomes are better than those that can be obtained from a forceful attitude. A co-operative system should emerge for these countries in this region to fulfil these two conditions.

For a long time, bilateral alliances led by the United States such as Japan–US, US–South Korea, US–Philippines, US–Australia have maintained order in the Pacific. However, despite the many US alliances, a deep defence relationship is lacking. For example, both Japan and Australia are US allies, but they share no close mutual security relations. This system would function effectively if the United States had sufficient military resources to tackle all the looming difficulties in this region.

However, because US military resources have been declining, the “old” bilateral system is insufficient to maintain peace and order in this region. This changing power balance is best reflected in ‘China’s assertiveness’ in the region, emphasizing the need for an alternative system that can function better in changed circumstances.

Therefore, a new system is currently emerging gradually. Several multinational security co-operation arrangements have been recently formed among Japan–India–US, Japan–US–Australia, Japan–India–US–Australia–Singapore, and other countries. The possibility exists that these several bilateral, trilateral, and other multilateral security networks can culminate in a collective security system in the near future (Fig. 3).

Especially, the first Japan–India–Australia Trilateral Dialogue held in June 2015 was symbolic because it did not include the United States. This Trilateral Dialogue which did not include the United States is an effort to share responsibilities of the United States. In January 2015, the Seventh Fleet Commander of the US Navy described that they would welcome Japanese patrols in the South China Sea<sup>36</sup>. Therefore, in the near future, it is likely that countries in this region will start new trilateral frameworks such as those

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<sup>36</sup> Tim Kelly and Nobuhiro Kubo, “U.S. would welcome Japan air patrols in South China Sea”, *Reuters*, 29 January 2015

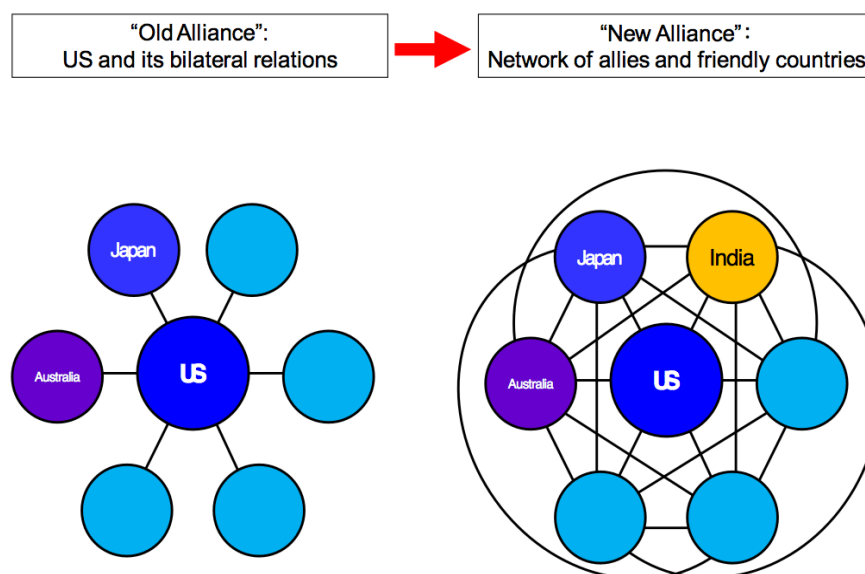
**Web source:**

<http://www.reuters.com/article/2015/01/29/us-japan-southchinasea-idUSKBN0L20HV20150129>

(accessed on 27 November 2016).

including Japan–India–Vietnam<sup>37</sup> and India–Indonesia–Australia<sup>38</sup>. In a worst-case scenario, this alliance system will maintain a military balance with China.

Figure 3: “Old alliance” and “New alliance”.



**Source:** Satoru Nagao, “The Japan–India–Australia “Alliance” as Key Agreement in the Indo-Pacific”, *ISPSW Publication* September 2015, Issue No. 375, (Berlin, The Institute for Strategic, Political, Security and Economic Consultancy (ISPSW)) [https://www.files.ethz.ch/isn/193713/375\\_Nagao.pdf](https://www.files.ethz.ch/isn/193713/375_Nagao.pdf) (accessed November 26, 2016)

However, it is crucially important that the concerned countries not ignore the flexibility of this new system. The new system is not solely limited to allies and friendly countries. It can be extended to others including China and Russia if these countries act responsibly under an agreed set of rules. For example, in anti-piracy measures off the coast of Somalia, not only Japan, India, the United States, and other Asian and European countries but also China and Russia mutually co-operate. These examples demonstrate that this co-operative multilateral security framework has good potential not only for maintaining military balance but also for defusing tensions.

Therefore, in light of negative aspects related to China’s rise, this new system might be effective. Furthermore, in this system, Japan – Sri Lanka – India co-operation serves an important role. An analysis of two related points is presented next: “The importance of India’s role” and “Sri Lanka is important”.

<sup>37</sup> Satoru Nagao, “Assessing the Strategic Importance of Vietnam: Current Security Dynamics for Japan and India” *Defence and Security Alert*, April 2013, Volume 4, Issue 7, (New Delhi, Ocean Media Private Limited), pp.28-31.

**Web source:** <http://www.dsalert.org/int-experts-opinion/international-geo-politics/594-assessing-the-strategic-importance-of-vietnam-current-security-dynamics-for-japan-and-india> (accessed on 27 November 2016).

<sup>38</sup> Ashok Malik, “Australia, India, Indonesia: A Trilateral Dialogue on Indian Ocean”, *ORF Commentaries*, 17 September 2013

**Web source:** <http://www.orfonline.org/research/australia-india-indonesia-a-trilateral-dialogue-on-indian-ocean/> (accessed on 27 November 2016).

## (2) Importance of India's role

In this new security network system, the role of India is extremely important because a high probability exists that India will be the most influential sea power to fill the power vacuum of the Indian Ocean Region in the near future. Six reasons were pointed out by Alfred Thayer Mahan, who analyzed why Britain had been a sea power: 1) "Geographical Position", 2) "Physical Conformation (especially, the length of coast line)", 3) "Extent of Territory (especially the balance between the extent of coastal line and military defence resources)", 4) "Size of Population (for working at sea)", 5) "Character of the People", and 6) "Character of the Government"<sup>39</sup>.

First, India occupies an advantageous "Geographical Position" because India is located at the northern centre of the Indian Ocean. Therefore, is not only able to access Southeast Asia, but also all sides of the Indian Ocean, including the Middle East and East Africa. The history of Cholas, located in Southern India, includes an expedition to Southeast Asia in the 11th century, which underscores the geographical advantage held by India alone. India has a "Physical Conformation" because it has 7517 km of coastline (mainland only, 6100 km). Furthermore, the Indian Navy is the only strong coastal force in the Indian Ocean Region, meaning that India has sufficient "Extent of Territory". Presently, India is acquiring more than 100 warships. Furthermore, in the next ten years, India is planning to increase its warships from 136 to 200<sup>40</sup>. The possibility exists that India will possess three aircraft carrier battle groups and nine nuclear submarines by 2030. In fact, India has the sixth largest population at sea, comprising 55,000 sailors employed in various countries. Consequently, India also satisfies the condition of "Number of Population" to work at sea. Based on the history of the Chola Empire, the possibility exists that the "Character of the People" in India can be sea-power oriented. Furthermore, finally, along with the "Character of Government" point to the fact that the navy share of India's defence budget has increased from 12.7% in 1990 to 15.8% in 2015.

However, India will no longer be held trustworthy by Japan and the United States if India too challenges the status quo and disturbs stability in the region as China has done. However, India's attitude is more responsible than China's. For example, the Permanent Court of Arbitration rejected China's ownership claim in 2016, but China has not accepted the verdict. In India's case, India accepted a United Nations tribunal ruling in favour of Bangladesh regarding the India–Bangladesh sea boundary dispute in 2014.

As a result, it seems that Japan and the United States would wish India to exhibit a more positive role in the Indian Ocean. India's rise helps lower the heavy burdens of Japan and the United States in the Indian Ocean and helps them to concentrate naval and air military resources toward areas around Japan and the South China Sea.

## (3) Sri Lanka is important

What is the role of Sri Lanka in the new system? The perception toward Sri Lanka in Japan's maritime security is noted clearly in a statement issued when Japan's Prime Minister visited Sri Lanka in 2014. The joint statement described it as "the two leaders noted the strategic geographical location of Sri Lanka, in the Indian Ocean sea lanes

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<sup>39</sup> Alfred Thayer Mahan, *Influence of Sea Power upon History, 1660–1783*, Amazon Kindle Edition, location 558.

<sup>40</sup> "Indian Navy to have 200 warships in next 10 years", *The Times of India*, 13 November 2013

*Web source:* [http://articles.timesofindia.indiatimes.com/2013-11-13/india/44028232\\_1\\_ins-vikramaditya-navy-day-ins-khukri](http://articles.timesofindia.indiatimes.com/2013-11-13/india/44028232_1_ins-vikramaditya-navy-day-ins-khukri) (accessed on 27 November 2016).



straddling Asia and Africa<sup>41</sup>” It is noted clearly that “strategic location” is an extremely important phrase included here.

For a long time, its location has affected the history of Sri Lanka (formerly Ceylon). Because of its location, Portugal, the Netherlands, and the UK colonized the islands. For the same reason, then Chinese Premier Zheng came to Sri Lanka on route to his visit to Africa. During World War I, Japan escorted convoys passing between Sri Lanka and Australia. This move proves how important the location of Sri Lanka is to safeguard SLOCs<sup>???</sup> in this region. In World War II, a Japanese aircraft carrier battle group attacked British naval warships including aircraft carriers around Sri Lanka to prevent the approach of British naval fleets from attacking Japan’s interests in the Pacific. These historical observations demonstrate that the location of Sri Lanka is connected closely to the security of the Pacific. One reason why India dispatched its Indian Peace Keeping Force is because of the location of Sri Lanka and India dreaded the possibility that the United States might use Sri Lanka as a naval base at that time<sup>42</sup>. For anti-piracy measures near the coast of Somalia, private security guards get on and off the ships they are guarding near Sri Lanka because of its convenient location. These historical incidents prove that the location of Sri Lanka will affect security not only in the Indian Ocean but also in other areas including Southeast Asia, the Middle East, and the eastern coast of Africa.

Because of this location, it seems that Sri Lanka faces one important dilemma. Currently, China is building a port there. Furthermore, their submarines visit Sri Lanka because of its important location as naval base. If China supports the development of Sri Lanka, then there is little motivation for Sri Lanka to refuse economic support from China. However, from India’s perspective, Chinese activities in Sri Lanka represent an encirclement strategy limiting India’s influence in the Indian Ocean. In addition, China has difficulties with other countries around it, including Japan. Although receiving China’s support is economically beneficial for Sri Lanka, receiving this support has created new difficulties with India and other countries including Japan, strategically.

Under such circumstances, what can Sri Lanka do? There are at least three recommendations. First, as Sri Lanka is increasingly accepting Chinese support, they should also increasingly emphasize co-operation with India.

Secondly, Sri Lanka should enhance co-operation with other countries that are friendly to India. India has not provided sufficient support that Sri Lanka seeks. Furthermore, because of the ethnic Tamil (Sri Lanka) – Tamil (India) connection, Sri Lanka has been concerned about India’s intervention in domestic ethnic issues in Sri Lanka. To maintain its independence, Sri Lanka has great motivation to co-operate with other countries. Consequently, Japan has an important role. Japan has also been a stable supporter of Sri Lanka for years. Furthermore, Japan has a strong will to support India’s rise. If Japan and India mutually collaborate, then the two countries can support Sri Lanka more effectively. For example, if Japan and India collaborate to establish a maritime communication

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<sup>41</sup> Ministry of Foreign Affairs, Government of Japan, *Joint Statement between Sri Lanka and Japan: A New Partnership between Maritime Countries*, 7 September 2014.

*Web source:* <http://www.mofa.go.jp/mofaj/files/000051001.pdf> (accessed on 27 November 2016).

<sup>42</sup> PA Ghosh, *Ethnic Conflict in Sri Lanka and Role of Indian Peace Keeping Force(I.P.K.F.)* (A.P.H. Publishing Vorporation, 1999)

network system in Sri Lanka that would serve the entire Indian Ocean, it would be easy for the three countries to be aware of what occurs in the Indian Ocean. These collaborative projects are preferable to accepting China's support, which would create strategic difficulties. Therefore, under Japan – Sri Lanka – India co-operation, a win-win situation can be created.

Thirdly, to achieve this goal, what kind of systems ought to be established? The joint statement described that “the first round of the Policy Dialogue at the Senior Official Level of the two Foreign Ministries and the inaugural Sri Lanka-Japan Dialogue on Maritime Security, Safety and Oceanic Issues in January 2016 in Colombo, where the two maritime states reconfirmed the importance of maintaining the freedom of the high seas and maritime order based on the rule of law.” It will be useful if such dialogue will promote a more practical Japan – Sri Lanka – India strategic trilateral dialogue. Through such dialogue, both Japan and India can share information, better identify Sri Lankan needs, and choose courses of co-operation or support. Furthermore, the possibility exists that the network of these trilateral security initiatives would culminate and contribute to India initiatives including the Indian Ocean Rim Association and Indian Ocean Naval Symposium as a collective security system in the near future.

#### **4. Conclusion: Japan – Sri Lanka – India co-operation will be vitally important**

To summarize the salient points of the article, from the Japanese security perspective, negative ramifications of China's rise have gained leverage. A background reality is the changing US–China military balance. It is expected that Japan and countries around the South China Sea are likely to suffer from China's assertiveness in the near future. Therefore, countries around China, including Japan, must seek to deter China's assertiveness by maintaining a military balance and by persuading China to show more responsible behaviour. A similar situation has occurred recently in the Indian Ocean. Therefore, countries in the Pacific and the Indian Ocean should co-operate. Under such circumstance, a new system has gradually emerge where several multinational security co-operation arrangements have recently been formed. The possibility exists that the network of these several bilateral, trilateral and other multilateral security initiatives would culminate in a collective security system in the near future. Under this new system, Japan – Sri Lanka – India co-operation has an important role. High probability exists that India will be the most influential sea power to fill the power vacuum in the Indian Ocean Region in the near future. The strategic location of Sri Lanka has affected the security of the entire Indo-Pacific. Because of its location, it seems that the Sri Lanka – India relationship has confronted a dilemma. To support its own development, Sri Lanka wants to accept China's economic support. However, when China is building a port in Sri Lanka and their submarines visit Sri Lanka, these moves create new difficulties with India. Consequently, Japan has a role as a stable supporter for Sri Lanka and a strong supporter for India's rise. Japan can be an important stabilizer for cordial Sri Lanka – India relations and establishment of a Japan – Sri Lanka – India strategic dialogue. Furthermore, through such dialogue, both Japan and India can share information, better identify Sri Lankan needs, and decide how to conduct mutual co-operation or support. Now is the best time to do so.

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## **Dr. Satoru Nagao**



Satoru Nagao is Research Fellow at The Tokyo Foundation, Lecturer in Security at the Department of Political Studies at the Faculty of Law, Gakushuin University, and Research Fellow at the Japan Forum for Strategic Studies. He is also Senior Fellow at Institute of National Security Studies Sri Lanka, Senior Research Fellow of Indian Military Review and teaching at Aoyama-Gakuin University and Komazawa University as Lecturer. Dr. Nagao was awarded his PhD by Gakushuin University in 2011 for his thesis titled “India’s Military Strategy”, the first such research thesis on this topic in Japan. Gakushuin University is a premier institute from which members of the Japanese Imperial Family have also graduated. He was Visiting Scholar at the Center for Strategic & International Studies, in Washington D.C. Furthermore, he was Research Fellow at the Ocean Policy Research Foundation in Tokyo, was a post-doctoral fellow at the Research Institute for Oriental Cultures at Gakushuin University, and was Security Analyst at the Ministry of Foreign Affairs (MOFA); he was also a First Lieutenant of the Japan Ground Self Defense Forces (Japanese Army). Dr. Nagao has authored numerous books and articles on security issues, and he also writes for a column on related topics at Nikkei Business, the journal of one of Japan’s leading newspapers.

# **Strategic Importance of Trincomalee Harbour in the Bay of Bengal Region**

**Admiral Dr. Jayanath Colombage**

**Director - Centre for Indo-Lanka Initiatives**

## **Abstract**

The island Sri Lanka has only one frontier, the sea. The uniqueness of this island was known to travelers, traders, monks and diplomats since ancient times. In the ancient maritime silk route, Sri Lanka was the centre point for ships originating in Red Sea or Persian Gulf, on the way to the far east. Sri Lanka had been an 'emporium', where the traders from the middle east and far east stored their goods for commerce. Sri Lanka had a great maritime affinity and was a place for ship building and repairs in the historical times. Around the seventh century, the east-west trade was shifted to Bay of Bengal. Consequently, there was an increase of shipping in the north-eastern coast around Trincomalee. Lord Nelson of Great Britain stated that the Trincomalee is the "Finest Harbour in the world". With an average, un-dredged depth of 25 meters, and natural shelter provided by many coves, bays and rocky formations, this harbour was selected as the headquarters of British east Indies and allied fleet during the second world war. It was one of the prize possessions of the British until 1957. The LTTE, which fought a bloody and violent war with the government of Sri Lanka understood the value of Trincomalee harbour and identified it be the capital of the separate state they were fighting for. Even in today's trade and maritime security context, Trincomalee has a huge potential to be developed as a commercial shipping hub and as a centre for a regional maritime security architecture in the Bay of Bengal.

**Keywords:** Trincomalee, Sri Lanka, Bay of Bengal, Maritime Trade, Maritime Security. Hub

# Strategic Importance of Trincomalee Harbour in the Bay of Bengal Region

## Historical Perspective

“Study the past if you would define the Future”

Confucius

The Island of Sri Lanka has only one frontier, the sea. Even the early seaborne travelers were cognizant of this fact. This appreciation of Sri Lanka's uniqueness did not happen overnight. It was an awareness built up over centuries of contact with other nations of the world, particularly other maritime nations. The island's insularity from mainland Asia was known by other non-seafaring kingdoms too. It is this awareness that has shaped the history of Sri Lanka.

There were traders, travelers, monks and other diplomats who were travelling to this island for various purposes. Some of these adventurers were hostile and took over parts of the country under their control. Despite the large number of invasions coming across the sea, the whole country was never dominated until the British captured the central capital, Kandy, in 1815. The Portuguese, Dutch and even French had their control over the maritime provinces of this island, but they could not control the whole country. The European colonial powers used the ocean strategically to capture power and maintain dominance over the island; initially for trade purposes and later for war. This was, indeed, the period in which they exercised mastery over the Indian Ocean. Hence it is fair to say that, Sri Lanka always had its politics and foreign relations mainly determined by its strategic position in the Indian Ocean (Sri Lank Navy, 1998).

The island, Sri Lanka can be considered as the southernmost landmass of Asia, since there is no other land mass between Sri Lanka and the South pole. geographical location has often been a key enabler for Sri Lanka to attract many a nation to focus their strategic attention on its position. In this regard, Silva describing the importance of location says; “In a geographical and historical context, the greatest attraction of Sri Lanka was her location in relation to the rest of the world, from where she had functioned as a midway island fortress, situated longitudinally halfway on the eastern meridian and laterally almost on the equator” (Silva, 2013b. p. 20).

## Sri Lanka in the Ancient Maritime Silk Route

In the ancient silk route, this island was the center point for ships originating in Red Sea or Persian Gulf, on their way to the far east. Sea trade between Arab and Chinese merchants dominated the Indian Ocean, (IO) and Gulf of Mannar and sea ports in Manthai (North of Mannar) and Gokanna (Eastern port city of Trincomalee) became key ports in the Maritime Silk Route (Silva, 2013c. p.20). The Coromandel coast, the gateway from Arabian sea to the Bay of Bengal via Mannar strait, served as an important waterway between China and the Red Sea.

Early sailors would have been reluctant to take the sea route around the south of the island as there were natural rock obstacles for sailing ships and the additional distance (Barrier reef, great basset and Little basset light houses). They would have preferred to sail across the gulf of Mannar to Palk strait and in to the Bay of Bengal, although there were restrictions imposed by shifting sand banks on the Adams bridge. However, the ships were relatively smaller and with low draught, navigation was possible. Peri describes the pattern of sailing in these worlds thus: “turning aside from there before the southernmost promontory, you would straightaway come to the great island of Colias, Thaprobane,

mother of Asian born Elephants; above which high up in the heavenly zodiac turns the shining Crab” (Silva, 2013b. p.21). Sailing ships would have hugged the west coast of India, and on reaching the southernmost promontory of the mainland, diverted the course in a northeasterly direction and sailed across Adam’s bridge between India and Sri Lanka. This route was far more protected from the treacherous southwest monsoon and chances of survival and of reaching a coast were far more hopeful.

The sixth century Greek writer Cosmoas Indicopleustes writing about trade in Sri Lanka, stresses the central and important position that the island held as an Emporium, by saying that “as its position is central, the island is the resort of ships from all parts of India, Persia, and Ethiopia and in like manner, many are dispatched from it. From the inner countries, I mean China, and other emporiums, it receives silk, aloes, cloves, clove-wood, Chandana, and whatever else they produce. These it again transmits to the outer ports...” (Silva, 2013c.p 25). Ashley de Vos describes this advantage further:

Under normal circumstances the journey between the Mediterranean to China and back took close to three years. However, by creating an emporium or a series of emporia in Taprobane, the traders were now able to return with their precious cargo in half the time, making it more lucrative and attractive for traders. The reduced time frame meant greater profits for the traders who were willing to pay handsomely for the privilege and the island benefitted enormously from the exchange. This lucrative enterprise underlined the importance of the all-weather ports under its control, located on either side of the island, which could be used alternatively when the northeast and southwest monsoons were blowing (Vos, 2013, p.48).

Likewise, there had been two emporiums in the island. Even the work of Ptolemy in 2<sup>nd</sup> century BC indicates coordinates of the two places of interest for the mariners and traders such as Mantai on the west coast and Talakorai in the east coast. The coordinates set out ‘Talakori Emporium’ above Thiriyaya at the mouth of Yan Oya, a water course joining the sea there. These ports were already in use and had easy access from the east and the west, with the island’s only international highway skirting the premier city of Anuradhapura on its northern boundary, connecting to the silk road of the sea (Vos,2013. p. 49).

A pilgrim monk of the 18<sup>th</sup> century, Fa-Hsien is said to have seen thirty-five Persian ships anchored of the port of Mahatitta, that was en-route to China. Fa-Hsien used the wind to sail from Tamralipti near Calcutta (Present day Kolkata) to Sri Lanka and writes; “.....re-embarked in a large merchant vessel, and went floating over the sea to the southwest. It was the beginning of winter and the wind was favourable; and after fourteen days of sailing day and night, they came to the country of Sinhala” (Silva, 2013, p.21).

### **Sri Lanka Connected to the World Across the Ocean**

In historical times, contacts were established with foreign nations for the purpose of navigation, trading, exchange of religious practices and for political reasons. According to Silva,

throughout the last three thousand years or more, small and large ships from China and Malaysia in the east, from Indian harbours from the north and from Roman and Arabian countries in the west, have arrived in the island’s harbours. Some of these depending on their geographical location, developed as trade settlements like Manthai located in the northwest, which became an international trade emporium on the silk road of the sea (Silva, 2013a, p. 30). The island of Sri Lanka was identified by these visitors in many ways. Some of the most popular names are; Rathnadeepa (The island of gems), Heladiva, Sihaladeepa (denoting the island of Sinhalese), Thambapanni (referring to the copper

sands of its beaches) and Thaprobane, Ceila, Ceylan, Lanka and Ceylon (Silva. 2013b). Further, all four major religions; Buddhism, Christianity, Islam and Hinduism arrived in this island by sea. Religious interests stimulated foreign contacts with then Ceylon from the earliest phase of Buddhism, the most eminent Buddhist mission to Sri Lanka being the visits by Mahinda and Sangamitta, the son and daughter of Emperor Asoka (Silva, 2013b. p.25).

However, Siriweera explains a change in trading pattern “at the turn of the seventh century, [when] the principal arena for the east-west trade had shifted from the Arabian Sea to the Bay of Bengal. Consequently, there was an increased interest in the northeastern coasts, wherein was located Gokanna (Trincomalee) port” (2013. p.82). During the same time the administrative capital of the country was shifted to Polonnaruwa, which was easily accessed from Trincomalee. Suraweera also points to South Indian invasions and claims that, “The south Indian Chola occupation of Polonnaruwa (1017-1070) was partly motivated by the commercial policy of the Cholas aimed at controlling the western sea-board of the Bay of Bengal’ (Siriweera.2013. p. 82).

Adding to the connectivity of this island to the rest of the world, Somasundaram emphasizes that “the commanding position of Sri Lanka at the southernmost point of the mainland of Asia, on the world’s highways between East and West, had drawn to its shores divergent peoples from early times. Due to trade and commerce, it lured the Greeks, the Romans and Arabs; subsequently in the modern era, the Portuguese, the Dutch, the French and the British. While these are in outline the main streams of relations in Sri Lanka with lands overseas, closer to home, its geographical position in relation to India steadily exerted a profound and enduring influence historically, socially and culturally” (Somasundaram, 2003. p. 3). Sri Lanka has thus been a seafaring nation and was the *entrepot* of trade in the Indian Ocean. It can be concluded that the geographical location of this island has always been a major contributory factor in its connectivity across the ocean.

### **Trincomalee as the “Finest Harbour in the World”**

Trincomalee natural harbor, which according to some writers is the ‘second largest natural harbor’ in the world, has an un-dredged depth of 25 meters; this suggests that even the largest ship in the world can enter this harbor, easily making it the shipping hub in South Asia. The most remarkable feature of Trincomalee is the great depth and the shelter it provides with many rocky promontories, bays and coves, which provide ample anchorage and protection. It is in fact the closest deep water harbour to the countries around the Bay of Bengal and even for ships coming across Malacca strait. With a naturally protected inner harbour with numerous coves and bays and a large northeast monsoon protected outer harbour, Trincomalee provides an ideal location for development. It also provides an ideal location for ship building and ship repairs even in the present day.

Another major attraction of Trincomalee is the deep blue waters and rich green vegetation, combined with white sandy beaches and the presence of marine mammals including large schools of Blue Whales always roaming around it. Trincomalee could likewise be a paradise for tourists who love the ocean, nature and history. With one of the first airfields built by the British located in one side of the harbour, China bay, it has the potential for development as a regional aviation hub. Somasundaram stresses this importance by stating that “The Trincomalee Harbour is the most valuable asset of Sri Lanka. It is one of the world’s great natural harbours, placed in a strategic point near the Bay of Bengal” (Somasundaram, 2003. p. 3). Hence, this is a waiting gold-mine to be explored.

Although successive governments have not paid sufficient attention to Trincomalee, the LTTE, which fought a bitter and violent war for nearly three decades, understood the strategic value of this deep-water port. The LTTE declared that Trincomalee would be the capital of their intended 'separate state' named Eelam, and developed a grand strategy to encircle and isolate Trincomalee, with a view to denying the freedom of Sea Lanes of Communications (SLOC) for the merchant as well as naval ships. Had they succeeded, the northern part of the country would have been separated from the rest of the country and the military would not have been able to sustain their campaign against them, as it would have isolated the population and the military in the north. They almost succeeded in their mission, and if not for the turn of events especially after 2005, the LTTE would have been successful in their objective.

### **Trincomalee as the Headquarters of the British East Indian Fleet**

The British dominance of the Indian Ocean Region lasted for the whole of the nineteenth century, to the twentieth century up to 1942; until the Japanese fleet entered the Indian Ocean. With this, the vital importance of Sri Lanka, especially the Trincomalee Harbour, in the Pacific War during World War II was recognized, and was accordingly utilized as a naval base of the allies (Somasundaram, 2003. p .8). With the beginning of the 20th century, the size of the Royal Naval Dockyard of Trincomalee was increased during and after World War I. A large tank farm, one of the largest in Asia, was built close to the dockyard to store fuel oil for any size of fleet along with floating dry docks and maintenance facilities to support any ship of the Royal Navy. By the time the war ended, the British had completed eighty-five tanks while sixteen were still under construction. The balance was completed after the Second World War. Each tank was numbered. Each oil tank could hold 15,000 tons of oil. These facilities were available for any navy (that was allied to the British) to operate within the Indian Ocean area (Somasundaram, 2003).

Further, due to the increase in personnel on shore and from visiting Royal naval ships, the Royal Naval hospital was established. British also deployed coastal artillery in vantage locations in and around the harbour as a defence against enemy ships. They also used Trincomalee as a major staging and forward base, as a transit port, for logistic storing and as a coal and fuel depot. In addition, the British built a Royal Air Force station near China Bay, within the harbour. This air base proved vital to defend Trincomalee against air attacks. When Singapore fell to the Japanese in February 1942, Sri Lanka became a central base for British operations in Southeast Asia, and the port at Trincomalee recaptured its historical strategic importance. Sri Lanka was therefore an indispensable strategic bastion for the British Royal Navy, and it was this that made the island an irresistible military target for the Japanese (US Library Congress, 1942).

Japanese forces were up buoyant after the successful surprise attack on Pearl harbor, and Singapore. The allied and East Indies headquarters were now shifted to Ceylon and Trincomalee there on became the main naval base for the allied fleet. The Japanese understood the strategic value of Trincomalee, which was now serving as the lifeline for Persian Gulf oil, for the allied forces and for shipping, while being the main fleet anchorage of the British Eastern fleet. The Japanese wanted to attack and destroy the allied fleet in the Indian Ocean, yet Trincomalee harbor, which is a large natural harbor, provided good shelter for the allied fleet. (However, it was vulnerable for a large-scale air attack.) When the Japanese carrier fleet, led by Vice Admiral Nagumo was approaching to attack then Ceylon, their main targets were in fact, Colombo and Trincomalee. Still, there was an early warning about the approaching Japanese fleet and the British ships managed to sail out of Trincomalee. Nevertheless, some of the British ships were successfully attacked at sea, though Japanese air craft also suffered heavy



losses due to allied fire and lack of fuel to return back to their carriers. In this manner, the Japanese fleet lost the opportunity for unchallenged supremacy in the Indian Ocean.

By this time, Sri Lanka, with the headquarters of Eastern India fleet located in Trincomalee, remained the only British sea power in the east. Indeed, Sir Winston Churchill considered the information about the Japanese fleet heading for Sri Lanka's port of Trincomalee as the "most dangerous moment" of the war (Airforce, 1942). There is no doubt that Sri Lanka, especially Trincomalee saved the day for the British and the allied forces in the Indian Ocean. Should the Japanese have taken control of most of the Far East and Southeast Asia, they would have joined forces with the axis Powers in North Africa.

### **End of World War II and Independence**

After the end of the world war II, a wave of independence swept the region and Sri Lanka gained freedom from colonial domination in 1948. Thereafter, Sri Lanka entered into a defence pact with the British while the Royal navy controlled the naval dockyard and environs in Trincomalee. The port of Trincomalee and naval facilities were handed back to the Sri Lankan authorities only in 1956. Since the departure of the British from Trincomalee harbour, it has not seen much development to realize its full potential, although it has a long strategic history during the time of ancient Sri Lankan kings, colonizing powers and the allied forces and British. It is surprising as to why this magnificent harbor, which was declared by Admiral Lord Nelson as "the finest harbor in the world", (when he visited this port aboard Her Majesty Ship (HMS) Seashore in 1770), and by the British as "the most valuable colonial possession in the globe, providing the Indian Empire a security which it had not enjoyed before from elsewhere" (Sri Lanka Guide Books, 2011.p 267) has not been developed to date. There are only a flour mill, an oil storage and bunkering facility, a clinker grinding facility which makes cement, a small fishery harbor and a jetty built by the Sri Lanka Ports Authority within this large port. One side of this port is fully utilized by the Sri Lanka navy, which is home to navy's eastern headquarters and majority of the fleet. The Defence Agreement between the United Kingdom and then Ceylon in 1947 illustrated that Sri Lanka was a part of the military (in this sense, naval) posture to contain communism and oppose the USSR. After the British gradually pulled out of the Indian Ocean Region, beginning in approximately 1957, after the Suez crisis, the US Navy replaced the British; especially in defending the vital Middle Eastern region (Somasundaram,2003. p.9). The Joint Exercises Trincomalee (JET) conducted by the allied forces continued to be hosted in Trincomalee till 1957.

### **Indian Ocean in the 21<sup>st</sup> Century: Main Players**

In the 21<sup>st</sup> century, the Indian Ocean (IO) has gained much focus and is fast becoming the key ocean reducing the importance enjoyed by the Atlantic and Pacific oceans. The IO has in fact become an area of Geo-strategic and Geo-economic competition, which has attracted the attention of major naval and military powers. For instance, China's military strategy white paper (2015) talks about safeguarding the security of overseas interests; that the country's armed forces' carrying out of escort missions in the Gulf of Aden and other sea areas are required to secure the Sea Lanes of Communication (SLOC) and that the Peoples Liberation Army Navy (PLAN) will gradually shift its focus to offshore defense with open seas protection. These are clear indications that China is focusing its attention in the IO as they depend on it totally for energy and raw material requirements. The Australian defence white paper (Australia Department of Defence, 2016) indicates that their strategic defence and economic interests are in the Indo-Pacific region and rule-based global order, which support their interests. Further, this white paper

says that “strategic interests in the wider Indian Ocean through maritime south east Asia, within which most of their trade activity occurs, will be most central to their national security and economic prosperity” (2016. p. 41). It is also evident that Japan is focusing more on the IO. Japan has joined with the US and India in conducting tri-lateral exercise ‘Malabar’ and focusing on technology sharing in the under-sea environment in the IO (Daniels, 2016). Japan has also changed its defence posture with constitutional amendments envisaging a more effective military role for Japanese Self Defence Forces. The United States maritime forces, the US Navy, US coast Guard, US Marine Corps which came out with ‘A Cooperative Strategy for 21<sup>st</sup> Century Sea Power’ in March 2015 (USA Coast Guard,2015) have specially focused on the IO by even dividing the former Asia-Pacific region into Indo-Asia- Pacific. Indeed, USA has committed more of their maritime forces including carrier strike groups, amphibious ready group and attack submarines to the IO; the country has even committed their Navy’s most advanced platforms including ballistic missile defence systems, intelligence gathering platforms to the IO.

Further, the main player in the IO, India has renewed their focus not only on the immediate neighbourhood of the country, but across the entire region. Writing the Foreword to the Indian Maritime Strategy published in 2015, the Chief of Indian Navy, Admiral Dhowan clearly indicates the stand of India’s maritime strategy as follows, “India finds its seas to be primary means of extending her connectivity and trade links with her neighbourhood and world at large. There seems to be little doubt that today, the 21<sup>st</sup> century will be the century of the seas for India and that the seas will remain a key enabler in her global resurgence” (2015, p.5). The same document under the Indian Navy’s vision statement 2014 adds, “strengthening itself continuously as a formidable, multi-dimensional and networked force that maintains high readiness at all times to protect India’s maritime interests, safeguard her seaward frontiers and defeat all maritime threats in our area of interests” (2015.p.6). This maritime strategy is indicative of India’s ambitions for the Indian Ocean Region and beyond.

In addition, the Indian Navy has undertaken the development of power projection capability across the ocean and has also shown a keen interest to enhance its Maritime Domain Awareness (MDA) capabilities in partnership with other littorals in the IO. The tri-lateral MDA agreement between India, Sri Lanka and Maldives is aimed at information-sharing on merchant vessels at sea by way of the Merchant Ship Information System (MSIS) and the Automatic Identification System (AIS) (KDU, 2013). There is a keen interest, especially by India to include Seychelles and Mauritius into an expanded initiative on MDA. India has already committed to development of infrastructure facilities in some islands in Seychelles and Mauritius, which include coastal Radar facilities and other coastal protection systems. (Baruah,2016). In addition to the countries already mentioned, ASEAN countries, South Korea and Russia have shown a keen interest in maintaining maritime security in the IO as they too depend on this ocean for energy, and wish to prosper with maritime commerce. The above interest shown by the world super power, regional super powers and emerging super powers has led to a ‘maritime Cold war’ in the IO. Thus, the Indian Ocean Region (IOR) has become heavily militarized mainly as a result of piracy in the horn of Africa and the Arabian sea, which threatens maritime commerce.

The IO features some of the busiest and key strategic shipping routes serving as a conduit for maritime trade between Asia, the Persian Gulf, Africa, Europe and Americas. The maritime trade is increasing and as per the US cooperative strategy for 2016, “oceans are the life blood of the interconnected global community, where sea borne trade is expected to double over the next 15 years” (USA Coast Guard, 2015). Many nations depend on the IO for transportation of their energy requirements, which is essential for their

economic sustenance. The warm waters in the IO indicate a rich diversity of fisheries resources. In fact, the IO possesses some of the world's largest fishing grounds, providing approximately 15% of earth's known catch (Senarathna, 2015).

The uni-polar domination in the world is ending and other powers such as China, Russia, India and Japan have come forward to play a more important role in international politics and economic activities, especially in the Indian Ocean. This is why, the Indian Ocean, together with the maritime area of the Asia-Pacific should be on the high strategic priority list, not only of the Indian Ocean littorals, but for China, USA, Japan, Australia, and ASEAN countries. As pointed out by Mishra, the region has been witnessing a twin factor rise in its importance, as "the rise in trade transmission through the Indian Ocean has increased tremendously over the past decade, besides witnessing a dramatic ascendancy in strategic importance owing to vulnerabilities of geographic choke points and more importantly, an ever-increasing Chinese presence" (Mishra. 2017).

Hence, the Indian Ocean has become the life line of the world economy in this century, while also has becoming heavily militarized mainly as a result of piracy, which prevailed in the horn of Africa and the Arabian Sea (which threatened maritime commerce in a substantial manner). Still, high scale, high intensity warfare between states in the Indian Ocean is assessed to be low. However, maritime security has become multi-faceted and dynamic and threats come not only from the states but also from non-state actors such as pirates, smugglers, IUU fishers and human smugglers. Many navies have enhanced their presence in the Indian Ocean and there is need for an undertaking by the major maritime users of this region; that they would abide by the rule based maritime order.

### **Great Power Rivalry in the Indian Ocean**

Though, Great power *rivalry* does not seem to be an immediate security threat in the IO, the potential for great power *competition* prevails. Maritime rivalry between India and China and USA partnering with India in order to counter Chinese influence add tension to the region. The situation flared up after 2009, when Chinese war ships were compelled to protect merchant ships in counter piracy operations in the IO. China maintains a continuous presence in the region like many other nations; The People's Liberation Army Navy (PLAN) was operating without any bases in the region. PLAN established a logistics facility in Djibouti, like Japan, to support their counter piracy operations. China's economic and defence assistance to countries like Bangladesh, Pakistan, Myanmar, Maldives, Sri Lanka is often seen as military expansionist ambitions by India and USA, where Chinese investment and construction of seaports is also seen as building prospective naval facilities for PLAN. Further, Chinese shipping companies and commercial port operators are active in the IO. In this backdrop, the Chinese 21<sup>st</sup> century Maritime Silk Route (MSR) project is also looked at with suspicion, especially by India, as an attempt to isolate its influence in the region. This suspicion is hampering the efforts of developing countries such as Sri Lanka who is waiting to benefit from the MSR initiative, capitalizing on the geo-strategic location and deep-water ports available; having the objective of becoming the maritime hub of the region. This situation has also led to a naval capability build up by China and India and increased US presence with a stated objective of maintaining freedom of navigation. However, all the navies in the IO are abiding by internationally accepted norms and procedures and have not hampered the rule-based regional maritime order.

Another possible security threat for the IO region is spillover effects from great power rivalry in the Pacific Ocean, especially in the South and East China seas. The spheres of strategic interests in the Pacific Ocean for USA and China overlap in the South and East China seas. The US maintains a significant military presence in Japan and South Korea and there is tension between China and Japan over disputed territorial claims. The border

dispute between nuclear capable South Asian rivals, Indian and Pakistan, could also have spillover effects in the IO region. Many fears are rife that the tension and cross border skirmishes between these two countries could lead to a dangerous situation. Also, the situation in Afghanistan is worrisome for the IO as well.

### **Bay of Bengal and Trincomalee in Today's Strategic Maritime Context**

Bay of Bengal is regarded as the largest bay in the world and forms the northern part of the IO. It is bordered by India and Sri Lanka to the west, Bangladesh to the north and Myanmar, Andaman and Nicobar Islands to the east. Nepal and Bhutan are two landlocked countries in the Bay of Bengal. Thailand, Malaysia, and Singapore are connected to the Bay of Bengal across the Andaman Sea. A number of large rivers and tributaries flow in to the Bay depositing sediments, which contains commercially exploitable minerals as well as hydrocarbons. Sediments from these rivers form the Bengal delta and the Submarine Fan, a vast structure that extends from Bangladesh to south of equator have been deposited for thousands of years. Further, the Bay of Bengal is centrally located from the oil producing Middle East to the Philippines Sea, and it also lies at the center of two key regional blocks, ASEAN and SAARC. It influences China's southern landlocked region in the north. The Bay of Bengal is strategically important to the economic development of the Bay of Bengal community, particularly India, China, Japan and other ASEAN countries. To add to the above, Brewster describes the significance of this region in the following: "The Bay of Bengal region is now rising in economic and strategic importance and indeed may be on the way to becoming a prime zone of strategic competition in the Indo-Pacific. The Bay physically connects the Pacific and Indian Oceans and the region's bright economic prospects are now making it a key economic connector between East and South Asia" (Brewster,2015). Brewster also points out that Japan too is looking to increase its presence in the region. Indeed, over the past few years, Japan has recognized the growing importance of the Bay of Bengal as an economic and physical connection between East and Southeast Asia, the latter of which is also growing in importance for Japan's production lines. South Korea and Malaysia also have increased their presence in the region, especially in Myanmar (Brewster,2015).

Moreover, the Bay of Bengal can be described as the most peaceful region in the Indian Ocean. Maritime boundary disputes in this region have been resolved and states are honouring the new status quo. Relations between India and Bangladesh too have improved in the recent past. Lamba describes these developing relations between India and Bangladesh as follows; "Modi and his counterpart Sheikh Hasina agreed to work closely on the development of ocean-based Blue Economy and Maritime Cooperation in the Bay of Bengal and chart out ways for future cooperation" (Lamba, 2015). China's One Belt One Road (OBOR) initiative could be utilized to develop states in the Bay of Bengal. For a couple of years now, officials from India, China, Bangladesh and Myanmar have been studying ways to build on Beijing's proposals to develop connectivity between the four countries. South Asian countries have not economically prospered even though SAARC has been in existence since 1985. India's look east policy favours the Bay of Bengal region and will provide an opportunity even for SAARC countries to develop regional integration across this region.

### **Conclusion: Trincomalee as a Hub in the Bay of Bengal**

Sri Lanka is located in a unique, geographically advantageous location in the IO. It was indeed a trading nation and was referred to as an 'Emporium' in the ancient trade routes. Sri Lanka harbours and ports have also played a significant role in ancient trade in the

Indian Ocean connecting east and west for centuries, before the advent of European colonial powers in to the region. The colonial powers also used this island as a center for their trade; The British and allied navies used the Island, which was considered as the most valuable colonial possession in the IO and as a key strategic location towards the end of world war II. The IO in the 21<sup>st</sup> century is likewise becoming the key ocean and the life line of global trade and energy supplies. Due to the economic and strategic importance of the region, it has become an area of geopolitical and geo-economics competition for major powers. The Bay of Bengal, which is located in the northern part of the IO can be considered as the most stable and peaceful sea area in the vast IO. Hence potential for prosperity for the states in the Bay of Bengal is very high and it is also the vital connector between the Indian Ocean and the Pacific Ocean.

As the Bay of Bengal occupies a strategically important location in the northern Indian Ocean, it should play a more important role in developing connectivity, be that by sea or air, and Sri Lanka being located strategically in the Bay of Bengal could play a vital role in enhancing connectivity in this region. The Port of Trincomalee could be developed to support connectivity, particularly by sea, as its harbor has played a key role in trade and wars in the Indian Ocean in history. In today's strategic maritime context too, Trincomalee harbour would be an ideal harbour for functioning as a commercial hub and as a center for a Regional Maritime Security Architecture focusing Bay of Bengal. This harbour can accommodate any size of warship including aircraft carriers and nuclear submarines and could be considered as a strategic prize that any power would like to possess. It is unfortunate that no justifiable development has taken place in Trincomalee harbour since the departure of the British in 1957: The British were the last to utilize the true potential of this magnificent harbour, a highly valuable gift from nature.

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## Admiral (Dr.) Jayanath Colombage



Admiral (Dr.) Jayanath Colombage is a former chief of Sri Lanka navy who retired after an active service of 37 years as a four-star Admiral. He is a highly-decorated officer for gallantry and for distinguished service. He served the Sri Lanka navy during the entire spectrum of war with the LTTE terrorism and commanded various ships and four naval areas. He is a graduate of Defence Services Staff College in India and Royal College of Defence Studies, UK. He holds a PhD from General Sir John Kotelawela Defence University (Sri Lanka). His doctoral thesis; 'Asymmetric Warfare at sea: The Case of Sri Lanka' is now published by Lambert Academic Publishing, Germany. He also holds MSc on defence and strategic studies from Madras university and MA on International Studies from Kings college, London. He is an alumnus of Asia Pacific Center for Security Studies (USA-Hawaii). He is a maritime security practitioner/specialist with wide experience in countering maritime terrorism. He has presented and published papers on maritime security, IUU fishing, blue ocean economy, combatting global terrorism and extremism and countering maritime terrorism in various local and international forums. He is a visiting lecturer at Defence Services Command and Staff college (Sri Lanka), Kotelawala Defence University, Bandaranaike Center for International Studies and Bandaranaike International Diplomatic Training Institute on maritime strategy, maritime security, countering maritime terrorism, blue economy, maritime governance and fisheries management related subjects. He was the former Chairman of Sri Lanka Shipping Corporation and an adviser to the President of Sri Lanka on maritime affairs. He is a Fellow of Nautical Institute, London UK. Admiral Colombage is currently the Director of the Centre for Indo- Lanka Initiatives of the Pathfinder Foundation. He is also a member of the Advisory council of newly formed think tank 'Institute of National Security Studies Sri Lanka'.



# **Pre-conditions for the success of Trincomalee as a transport and logistics hub serving the Bay of Bengal\***

**Professor Rohan Samarajiva, Founding Chair, LIRNEasia**

## **Abstract**

At present, Sri Lanka has an important role in the region's logistics system because the port of Colombo has efficient terminal operators and the region's only deep-water harbor. More than 70 percent of the containers that go through Colombo are destined for or are coming from India. This has made the west-facing Colombo India's second largest port. On the eastern side of the island, the Bay of Bengal has been somewhat of a backwater since the Second World War.

As the economies of the states bordering the Bay of Bengal grow, the need for connectivity will be heightened. Greater connectivity will make possible increased economic interactions and thereby further accelerate growth. Six of the states in the region are among the 10 fastest growing economies in the world as based on IMF projections.

The ports of Hambantota and Trincomalee have potential to serve as gateways to the Bay. China will most likely give priority to developing Hambantota as a key link in the alternative to the current routes through the Straits of Malacca and Lombok-Makassar. Especially if India participates in the development of Trincomalee, it can serve the western littoral of the Bay.

Both ports lack adequate connectivity to Colombo and appropriate infrastructure, including supplies of water. With the extension of the Southern Expressway and the diversion of water from the Nilwala River, Hambantota's shortcomings will be addressed. Similar solutions must be implemented for Trincomalee to become viable. In both cases, land for free-port and related operations must be freed up without too much opposition. A degree of competition between the ports is unavoidable. Unless the development of Trinco occurs at a fast pace, the advantages now enjoyed by Hambantota may be difficult to overcome.

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# **Pre-conditions for the success of Trincomalee as a transport and logistics hub serving the Bay of Bengal**

## **Introduction**

Many have spoken of the potential of Trincomalee, one of the great natural harbors of the world. Nations and even non-state actors have fought for its control. But in recent times most actors appear to have given weight to denial of use by others rather than use, causing the potential to remain unfulfilled.

The question addressed in this paper is whether this sub-optimal equilibrium can be changed at this time. The premise for this hope lies in the stirrings of awakening evident in the Bay of Bengal, emerging initiatives by Asian powers and the Sri Lankan government's apparent openness to partnerships to develop its assets. The paper identifies pre-conditions for the success of Trincomalee as a transport and logistics hub and describes actions being taken to address them and what more needs to be done.

## **Sri Lanka in the regional logistics system**

At present, Sri Lanka has an important role in the region's transport and logistics system because the port of Colombo has efficient container terminal operators and the region's only deep-water harbor. More than 70 percent of the containers that go through Colombo are destined for or are coming from India (Wijesinha, 2016). This has made the west-facing Colombo Port India's second largest container port. On the eastern side of the island, the Bay of Bengal has been somewhat of a backwater since the Second World War and the inward orientation of littoral states after independence (Amrith, 2013, p. 1).

The Bay of Bengal is served by ports such as Chennai, Visakhapatnam, Paradip and Haldia in India, Chittagong in Bangladesh, Yangon in Myanmar, and Ranong in Thailand, in addition to ports in Sri Lanka. However, break-bulk comprises the dominant business in many of the ports serving the Bay, indicative of the nature of export trade in the region. With the establishment of major auto manufacturing facilities in southern India, Tamilnadu in particular, vehicles have been added to the mix. With the growth of export-oriented industries in Andhra Pradesh and Bangladesh, ports such as Visakhapatnam and Chittagong have been handling greater container volumes. Governments in the region are making plans for new ports to deal with growing demand (e.g., PTI, 2016).

New ports have been completed in Sittwe by India and in Kyaukphyu by China on the Rakhine coast in Myanmar.<sup>43</sup> The former is part of a larger multimodal transport corridor project intended to serve as an alternative to land transport through the "chicken neck" between Bangladesh and Bhutan. The latter is intended to serve as an alternative for Chinese cargo transport now going through the Malacca and Lombok-Makassar straits. It too requires construction of additional infrastructure across Myanmar to connect the port to the Yunnan Province.

## **Region in transition**

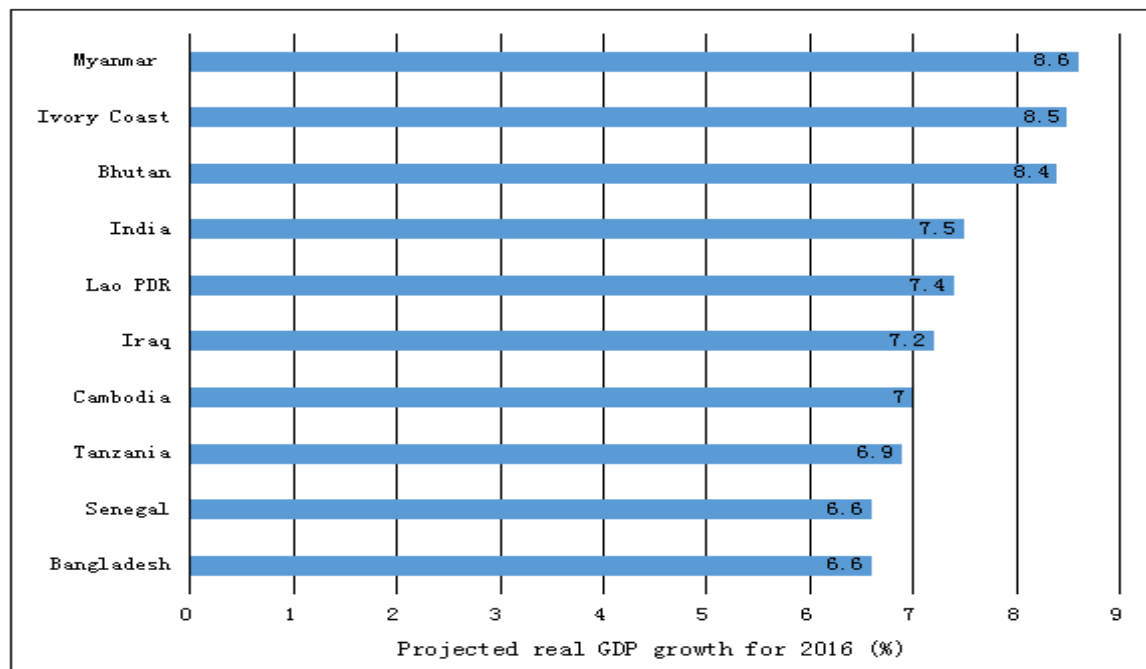
The Bay of Bengal is bordered by three of the 10 fastest growing economies in the world as shown in Figure 1 based on IMF projections. When the adjacent states of Bhutan, Cambodia and Lao PDR are included, six of the 10 fastest growing economies are in the region. Even though not currently among the fastest growing economies, the sheer size

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<sup>43</sup> Several writers (e.g., Yang, 2011) have confused the two ports, claiming that Sittwe was part of China's so-called "string of pearls."

of China and its intentions of gaining access through Myanmar make China a significant actor in the Bay as well. Among the Indian states that border the Bay, Tamil Nadu and Puducherry were high performers, though Andhra Pradesh, Odisha and West Bengal grew at a pace lower than the national rate in 2005-2014.<sup>44</sup> However, with initiatives such as the construction of a new capital for Andhra Pradesh, growth is likely to accelerate even among the laggards.

Figure 1: Ten Fastest Growing Economies



Source: International Monetary Fund World Economic Outlook April 2016. <http://www.imf.org/external/pubs/ft/weo/2016/01/pdf/text.pdf>

The considerable investments needed for building the connectivity infrastructure will cause the littoral states to look for resources. Already China, India and Japan are active in this regard, as evidenced by China’s investments in Kyaukphyu, India’s in Sittwe and Japan’s agreement to finance the Matarbari deep sea port in Bangladesh.

If one of two additional factors come into play, connectivity will increase even faster. The first factor is Myanmar and China reaching agreement on the conditions for the use of Myanmar’s territory to permit China access to the Bay of Bengal. This will not only assist China, but will also benefit the littoral states through the rapid development of infrastructure serving the Bay.

The second factor is the resolution of political issues in the Bangladesh China India Myanmar (BCIM) economic corridor. At a minimum, this will ease the isolation of the North-Eastern states of India. At best, this could result in the linking of the terrestrial Silk Road Belt initiative and the Maritime Silk Road through the Bay of Bengal in addition to the fast-developing economic corridor terminating in the port of Gwadar in Pakistan which has already seen cargo movements (ANI, 2016).

As the Bay returns to its historical position as an engine of prosperity, Sri Lanka may be

<sup>44</sup> <http://statisticstimes.com/economy/gdp-growth-of-indian-states.php>

able to realize the benefits of being its gateway. For example, the now under-utilized Hambantota Port committed to be developed through a Public Private Partnership between the Sri Lanka Port Authority and the China Merchant Port Holdings has the potential become the interconnector of the shipping lanes running north to the Bay and south through the Malacca strait (EconomyNext, 2016). Free zones in Hambantota and/or Trincomalee could become important links in regional value chains (LBO, 2013).

### **Network effects and competition**

Ports, airports and transportation hubs do two kinds of business: they serve the country or region they are located in (e.g., the Port of Dar es Salaam serving Tanzania, Zambia, Rwanda, etc.) and they handle transshipment traffic. Sri Lanka, being an island does not serve a large hinterland like the port of Dar es Salaam. The small Sri Lankan market could not support a world-class port like Colombo (30<sup>th</sup> largest container port in the world, based in 2014 data<sup>45</sup>) if not for trans-shipment business to India (over 70 percent of total volume).

Big ships sailing to other major ports on frequent schedules and direct routes are attractive to shippers. They cause feeder ships to come to the hub in order for shippers in secondary ports to avail the services of the big ships. The density of connections to feeder ports increases the volumes available for the big ships, which offer lower unit costs and reduce transportation time.

Once a hub becomes established, it is difficult to displace, as evidenced by the failure of Kuala Lumpur International Airport to displace either Bangkok or Singapore, the previously established regional hub airports. However, changes in technology (e.g., range of aircraft) and poor policy choices may cause loss of hub status, even if rarely.

The phenomenon is explained by direct network effects. The literature refers to two kinds of network effects, direct and indirect. Direct network effects are those generated through a direct physical effect of the number of purchasers on the value of a product. Additional users increase the value of the product to existing users, as in the case of new telephone users increasing calling opportunities for existing customers. Indirect network effects are mediated by market factors. Here, complementary goods (e.g. toner cartridges) become more readily available or lower in price as the number of users of a good (printers) increases (Liebowitz & Margolis, 1995).

While a hub port does have some advantages due to direct network effects, the fact remains that each hub port is in competition with other hub ports in the region and is therefore constrained in the ability to engage in monopolistic practices. If the value for money offered by Colombo declines, it is possible that the feeder vessels will go a little farther to another hub port or make do with less direct routing. The continuous improvements in efficiency achieved in ports such as Singapore indicate the existence of competitive pressures and/or the countervailing power of the big shipping lines.

Recent work, such as Low & Tang (2012), explore the phenomenon in depth. For the present purposes, it will suffice to recognize the existence of network effects in hub ports and examine the possibilities of complementary functioning for new ports such as Hambantota and Trincomalee. Specialization in break-bulk or vehicle trans-shipment is an option. Hambantota, which has the necessary space, commenced vehicle trans-shipment several years ago. Whether Trincomalee can take that business away from Hambantota will depend on how quickly the latter can consolidate its position through

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<sup>45</sup> <http://www.worldshipping.org/about-the-industry/global-trade/top-50-world-container-ports>

direct network effects.

Colombo is constrained by the fact that it is crowded in by the city that has grown around it. The new ports may leverage their advantage which is available adjacent land to enable the operation of free zones, which allow the performance of functions beyond unloading a container from one ship and loading it on to another. Examples are repacking of less-than-container loads and the packaging of retail items to meet the requirements of different countries.<sup>46</sup>

Whether there is space for two secondary ports serving the Bay of Bengal is the crucial question. Hambantota may benefit from relationships between China Merchant Port Holdings and Chinese shipping lines.<sup>47</sup> Networks economics suggests that fast implementation will be a major factor in the success of the secondary port.

### **Challenges for Trincomalee**

A port does not succeed in isolation. It is about connection, to the main sources and destinations of cargo, to other ports and to the hinterland that it serves. To the extent these links are robust and efficient, the port will succeed.

Trincomalee is a natural harbor, one of the few in the Bay of Bengal. History provides ample evidence of its value to maritime affairs in different eras. At height of ancient Lanka's international engagements in the 12<sup>th</sup> Century CE, the Port of Gokanna, possibly within or inland of present-day Trincomalee, served as the principal port of the Polonnaruwa Kingdom and facilitated the many interactions with the Kingdom of Bagan, in today's Myanmar.

After the fall of Singapore in 1942, the Eastern Fleet of the British Navy was headquartered for a short time in Trincomalee, though most ships were moved to Addu Atoll in the Maldives and to Kilindini near Mombasa in Kenya as the war progressed. The location of the South-East Asia Command Headquarters in Kandy indicates that the domestic connectivity between the two cities was considered adequate for the requirements of that time.

Much has been made of the strategic importance of Trincomalee. But little has been done to leverage that importance since the Second World War except in terms of denial as illustrated by the ongoing saga of the oil tank farm of Trincomalee built during the Second World War.

The side letter to the "Indo-Sri Lanka Agreement to Establish Peace and Normalcy in Sri Lanka" of 1987 included specific language on the oil tank farm, which the Sri Lanka government had previously sought to develop in collaboration with an American company: "The work of restoring and operating the Trincomalee oil tank farm will be undertaken as a joint venture between India and Sri Lanka."<sup>48</sup>

Due to many difficulties experienced in implementing the 1987 Agreement, the provisions regarding the oil tanks remained a dead letter for 15 years. In 2002, after the cease-fire agreement with the LTTE came into effect, the government of Sri Lanka sought to restart the envisioned restoration and operation of the oil tank farm with the participation of an Indian partner as stipulated in the side letter. Surprisingly, interest in

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<sup>46</sup> E.g., <https://advantis.world/freezone/services/free-zone/value-added-services>

<sup>47</sup> E.g., <http://www.lloydsloadinglist.com/freight-directory/news/Cosco-and-China-Merchants-complete-Turkish-terminal-acquisition/64818.htm#.WJnv3Tt942w>

<sup>48</sup> [http://www.satp.org/satporgtp/countries/shrilanka/document/papers/indo\\_srilanks\\_agreement.htm](http://www.satp.org/satporgtp/countries/shrilanka/document/papers/indo_srilanks_agreement.htm)

the activity was lukewarm. The Lanka Indian Oil Company (LIOC), the local affiliate of the state-owned Indian Oil Company (IOC), agreed to take possession of the oil tanks only when bundled with one-third of the petroleum distribution market which was hitherto a government monopoly. The potential of the oil tank farm that was described then (Sunday Times, 2002), is yet to be realized.

In the 15 years since the leasing of the oil tank farm, only 15 of the 99 tanks that were in use in 2002 have been renovated (Balachandran, 2016). Unable to resolve differences with LIOC (Balachandran, 2017), the Sri Lankan government oil company has commenced construction of new storage tanks close to Colombo (Wickremesekera, 2017). LIOC commenced bunkering operations in Trincomalee only in 2015, 13 years after entering the market (Wettasinghe, 2015).

### **Problems and remedial actions**

A discussion of who is to blame for the non-realization of Trincomalee's vaunted potential is unproductive. It is more productive to understand what held back entities such as Prima and LIOC that were given the opportunity to develop Trincomalee's potential in recent times and to outline what remedial actions may be taken. The fact that major studies are already underway to define solutions is ground for optimism.

### **Security**

Trincomalee is a strategic location, both in terms of control of the Bay of Bengal and also in terms of managing the ethnic tensions within the country. The LTTE leadership, which was almost exclusively drawn from the Jaffna peninsula, relied on the areas south of Trincomalee for troops. Thus, control of Trincomalee was critical to the outcome of the conflict. The positioning of heavy artillery in Sampur on the other side of Koddiiyar Bay that at one point fired as far the parking lot of the Singapore-owned flour mill in Trincomalee was just one indication of the LTTE's appreciation of Trincomalee's strategic significance (Jeyaraj, 2006).

Threats against a strategic location are to be expected. The government fell short in providing adequate security to Trincomalee. Absent security, investment decisions may have been affected. This suggests that any long-term plans for the development of Trincomalee as a regional transport and logistics hub must necessarily include a robust security component.

### **Land connectivity**

Unlike in the 1940s when Lord Mountbatten managed to command the Eastern Fleet from the pleasant climes of the hill country, Trincomalee's domestic connectivity is inadequate for present-day requirements. Given the pre-eminence of the Colombo Port, the success of a new port such as Trincomalee as a transport and logistics hub will depend on the quality of its connectivity with Colombo.

It is unlikely that Colombo's position as one of the largest container ports in the region will change, short of dramatic changes in India's shipping policies and/or egregiously bad policy actions on the part of the Sri Lanka government (Samarajiva, 2015). It will attract the largest ships and benefit from the most attractive sailing schedules. That means that all secondary ports, including Trincomalee, will require efficient connectivity to Colombo.

Today, domestic connectivity comprises a sub-optimal rail line and a poor-quality highway link. The limitations of the road connectivity were well understood during the

conflict when it served as a major supply route from Colombo to the front (Samarajiva, 2006). LIOC's efforts to obtain terminal and storage facilities in the Western Province during the initial negotiations and the slow pace of investment in Trincomalee may be explainable in terms of problems of connectivity.

Economic activity is concentrated along the West Coast, with 42 percent of the GDP in the Western Province, 10.8 percent in the Southern Province and 10.7 percent in the North-Western Province (Central Bank of Sri Lanka, 2015). It is logical for a company which has the retail distribution of petroleum products as its principal line of business to be concerned about being confined to the downloading of supplies and storage in the Eastern Province, which has only 5.8 percent of the GDP and 7.6 percent of the population.

The government has commenced construction of an expressway that would bypass the most congested parts of the current road connecting Colombo and Trincomalee.<sup>49</sup> However, no action is evident on modernizing the railway, which appears more suited for cargo transport. Even when the expressway reaches Dambulla in the middle of the country by the end of Phase Four of the Central Expressway Project, problematic elements such as the roadway over the earthen dam of the Kantale Reservoir will remain. It may be necessary to start constructing bypasses at least for those roadways early.

More ambitiously, there may be merit in considering land connectivity in the form of a "dry canal," or a seamless container rail line. This is not to necessarily advocate a dry canal, but to use the construct as a benchmark to assess the adequacy of the existing incremental approaches.

On the positive side, the Asian Development Bank is in the midst of scoping out a Colombo-Trincomalee Economic Corridor,<sup>50</sup> which is likely to address the key aspects of improving land connectivity.

### **Air connectivity**

Currently the 255 km distance from Colombo to Trincomalee takes around six hours by car and eight hours by train. As evidenced by the difficulties experienced in attracting adequate tourist business to the newly developed resorts on the East Coast, enterprises located in Trincomalee are likely to be hindered in conducting business because of delays and discomfort of travel from Colombo or the international airport.

It would be advisable to upgrade the existing China Bay Airport, ideally by clearly demarcating the civilian and military areas to facilitate regular flights to and from Colombo. It is likely that air connectivity will be addressed both in the ADB study and in the Trincomalee Metro Area Master Plan being developed by Surbana Jurong for the Government of Sri Lanka (Lee, 2016)

### **Energy**

The Sri Lanka Ministry of Power has just announced that all human settlements in the country have been connected to the national grid. The considerable progress made on supply of household electricity has not been matched by a commensurate upgradation of transmission and generation. This has resulted in problems of quality of service, especially in outlying areas, and in the highest-cost electricity in the region. The recent cancellation of the long-delayed Sampur Coal Powered generating plant that was to be

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<sup>49</sup> <http://www.ceprda.gov.lk/>

<sup>50</sup> <http://www.sasec.asia/index.php?page=event&eid=236&url=colombo-trincomalee-ecd-workshop->

constructed through a joint venture between the Ceylon Electricity Board and the National Thermal Power Corporation of India is likely to delay the resolution of these shortcomings (Siyambalapitiya, 2016).

Depending on the size and requirements of the industrial zone planned for Trincomalee, there is merit in considering a clean energy plant in the Sampur location on the other side of Koddigar Bay or elsewhere to serve its needs and also supply the national grid. The resources already mobilized for upgrading transmission networks in anticipation of the Sampur coal-powered plant (Colombo Gazette, 2016), will be useful in this regard). Given difficulties of balancing the increasing contributions of renewables to a small grid, it appears necessary to also build an undersea cable to connect the Sri Lankan grid to the South Indian grid (Samarajiva, 2014).

## **Water**

Unlike Hambantota, Trincomalee is not located in an arid zone, defined as having less than 50 inches of annual rainfall.<sup>51</sup> But this does not mean that adequate water supplies exist for a major port and industrial zone. The current water supply to Trincomalee comes from a reservoir built primarily for irrigation, located 38 km away. It was recently upgraded so that more than 12 hours of supply could be provided for Trincomalee.<sup>52</sup> Drawing additional water from that source may cause tensions with agricultural constituencies.

Noting the difficulties being experienced in Hambantota, there is merit in initiating early action on supplementing water supplies. Again, the ongoing master planning work will hopefully permit appropriate solutions to be implemented.

## **Social infrastructure**

A logistics hub and an industrial zone would require the presence of a significant number of managerial personnel, foreign and Sri Lankan. It has been found that the lack of good-quality schools and medical facilities makes it difficult to persuade such people to relocate. There is merit in seeding the development of high-quality social infrastructure by, for example, providing government land on lease. Once a critical mass of managerial personnel is formed, it may be expected that market dynamics will do the rest.

The ongoing Surbana Jurong consultancy to develop the metro area master plan will address these issues and allow early action (Lee, 2016).

## **Land**

The port enhancement does not require the taking over of any private land, given the historical use of land close to water by government. If private land is required for an industrial zone, care will have to be taken because of the sensitive nature of population distribution of the area. The Muslim population of the Trincomalee District (approximately 40 percent) is concentrated in the southern side of the Koddigar Bay, where the coal-powered plant was to be located. The 31 percent Tamil population lives mostly on the northern side. The Sinhala majority areas are inland. As with the entirety of the Eastern Province, the ethnic groups are intermixed.

Issues such as the expropriation of land for the Sampur coal-powered generating plant

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<sup>51</sup> <http://unesdoc.unesco.org/images/0014/001484/148495eb.pdf>

<sup>52</sup> <http://www.water-technology.net/news/newssri-lanka-completes-water-supply-project-funded-by-french-government>



were made more complicated by these ethnic factors. Some felt that locating a polluting coal powered plant in the Muslim-majority area was unacceptable. Early and informed planning with adequate consultation is essential to avoid protests and resultant delays.

### **Concluding comments**

When conclusions are drawn from maps and anecdotes, it seems obvious that Trincomalee is ideally positioned to serve as a maritime gateway to the Bay of Bengal region. But the very fact that this natural harbor whose virtues were extolled by luminaries from Winston Churchill to K.M. Panikkar (allegedly) has been underutilized since the end of the Second World War suggests that some pre-conditions were missing.

The paper identifies seven lacunae in the areas of security, domestic land and air connectivity, energy, water, social infrastructure and land. It describes ongoing action to remedy them and presents ideas for filling the lacunae. These actions require the engagement of both the central government and provincial governments, the mobilization of public-private partnerships and effective implementation. The paper also discusses the challenges of establishing Trincomalee as secondary port along with Hambantota which will also serve the Bay of Bengal.

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## Professor Rohan Samarajiva



Professor Rohan Samarajiva is founding Chair of LIRNEasia, an ICT policy and regulation think tank active across emerging economies in South and South East Asia. He was its CEO until 2012. He serves on the Boards of Communication Policy Research south, Research ICT Africa and the Lanka Software Foundation. He is a member of the Data Privacy Advisory Group of UN Global Pulse, the Study Group on Incentives for Investment of the Sri Lanka Prime Minister's Office, and on the Steering Committee on Infrastructure Development of the Ceylon Chamber of Commerce.

Before setting up LIRNEasia, Samarajiva was Team Leader at the Sri Lanka Ministry for Economic Reform, Science and Technology, responsible for infrastructure reforms, including the design of the USD 83 million comprehensive ICT development initiative, *e Sri Lanka*. He has served as Director General of Telecommunications and as a founder director of the ICT Agency of Sri Lanka. He was Honorary Professor at University of Moratuwa (2003-2004), Visiting Professor of Economics of Infrastructures at the Delft University of Technology in the Netherlands (2000-2003) and Associate Professor of Communication and Public Policy at the Ohio State University in the US (1987-2000). He serves on the editorial boards of five international academic journals.

His current research interests include infrastructure reforms and big data for development. His most recent co-authored book (2013) is *Information lives of the poor: Fighting poverty with technology*, published in English, French and Myanmar. In 2011, he edited a special issue of *Information Technology & International Development* on "Mobile at the Bottom of the Pyramid: Informing policy from the demand-side." He writes on economic policy and governance issues in Sri Lankan and South Asian publications. He was shortlisted for the 2009 Bastiat Prize for Online Journalism by the International Policy Network.

# **Development of Trincomalee Harbour as a hub for Bay of Bengal Region**

## **Building a shipping hub- a synopsis**

**Mr. Rohan Masakorala**

**CEO- Shippers' Academy Colombo**

### **Abstract**

A commercial ship owner or a ship operator looks at two key components when deciding to call a port, the first one is the unit cost per ton/ box of cargo and the maximum freight recovery of a full voyage per ton or a box.

Given the two main factors, then comes the other considerations, which includes

1. Catchment area and its location for strategic positioning of voyages and route planning,
2. Volumes
3. Energy availability at competitive cost
4. Diverting time from shipping lanes and access to markets
5. Port infrastructure and turnaround time/productivity
6. Maritime laws, security and freedom of business
7. Ship related other services

In this context, South Asia still lags behind global mega maritime hubs, except for Port of Colombo that has established to be a transshipment hub for containerized cargo due to location and feeder connectivity. Containerized cargo is one segment of the global shipping industry, which accounts for 40% merchandise traded, but rest of the shipping industry and types of ships that carry cargo are much greater and bigger in volumes. The port of Trincomalee has a real growth potential as it can be developed to be a regional hub to service the Bay of Bengal trade and logistics needs. It will be a relatively low cost investment to operate terminals due to the natural depth and protected harbour basin. The location is ideal to develop into an industrial/service port and a cruise ship turnaround port and to be a key node for regional security. The port may be also attractive to container feeder vessels if other connectivity measures for mother vessels at transshipment hubs can be economically offered.

The Bay of Bengal area accounts for around 15% India's container volumes as the major activity takes place in the west coast, most of India east coast is bulk and other types of ships whilst, Bangladesh, Myanmar and Thailand are the rest of main ports providing services along the coast, which is dominated by feeder services. Given the regional growth and India projected to be the 3<sup>rd</sup> largest economy by 2040 with a regional population of over 2 billion, the Bay of Bengal is poised to increase in maritime related activity. Providing infrastructure for bulk and general cargo distribution for shipping in port of Trincomalee will have tremendous opportunity to service the eastern coast of India and the region in general, other services such as bunker storage, dockyard and passenger services, maintenance of ships on anchor and manage ship rig layups. In addition, it would be an ideal location for regional coast guard headquarters.

# Development of Trincomalee Port as a hub for Bay of Bengal Region

## Summery

This paper highlights on possible development opportunities for the port of Trincomalee and is discussed through the sub topics listed below. The paper focuses on the merits and de-merits of converting one of the most natural ports in the world to be a commercially viable port and a logistics hub for investors, operators and users of the shipping and logistics industry and to contribute to the national economic growth of Sri Lanka and the region. The objective of this discussion is to look at all possibilities and opportunities in transforming a rather neglected underdeveloped region of the country by using a natural asset to create economic benefit to a lagging province of the country and the region through connectivity of maritime traffic and activity. One of the highlights of this paper is that it discusses development through demand side rather than a great emphasis on location only.

- Brief overview of the region & building a shipping hub
- Maritime hub- attracting the global shipping industry
- Developing Trincomalee into a regional hub -the opportunities
- Some challenges & conclusion

## The Region

Indian subcontinent has around 20 major ports including the ports of East Asian nations which borders of the Bay of Bengal region, in addition there are close to 200 minor ports servicing trawlers and other smaller ocean crafts mainly servicing the fisheries communities. The draught of most ports is in the range 6 meters to 10, whilst some have up to 14 meters, and 4 -6 major ports have capability to handle deep draught vessels catering up to 18 meters. The major ocean traffic is concentrated on the east-west shipping route and the western Indian coast, whilst Colombo is the main transshipment port for containerized cargo.

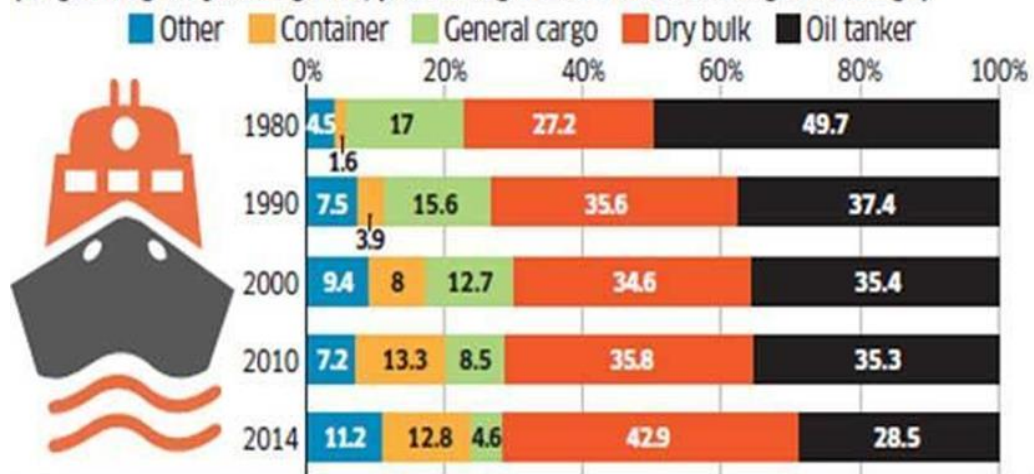
A commercial ship owner or a ship operator looks at two key components when deciding to call a port, the first one is the unit cost per ton/ box of cargo and the maximum freight recovery of a full voyage per ton or a box.

Given the two main factors, then comes the other considerations, which includes,

1. Catchment area and its location for strategic positioning of voyages and route planning,
2. Volumes & traffic for vessel deployment
3. Energy /services availability at competitive cost
4. Diverting time from shipping lanes and access to markets
5. Port infrastructure and turnaround time/productivity

In this context, South Asia still lags global mega maritime hubs, except for Port of Colombo that has established to be a transshipment hub for containerized cargo due to location and feeder connectivity. Containerized cargo is one segment of the global shipping industry, which accounts for 40% merchandise traded, but rest of the shipping industry and types of ships that carry cargo are much greater and bigger in volumes. The below chart shows the shipping industry fleet distribution.

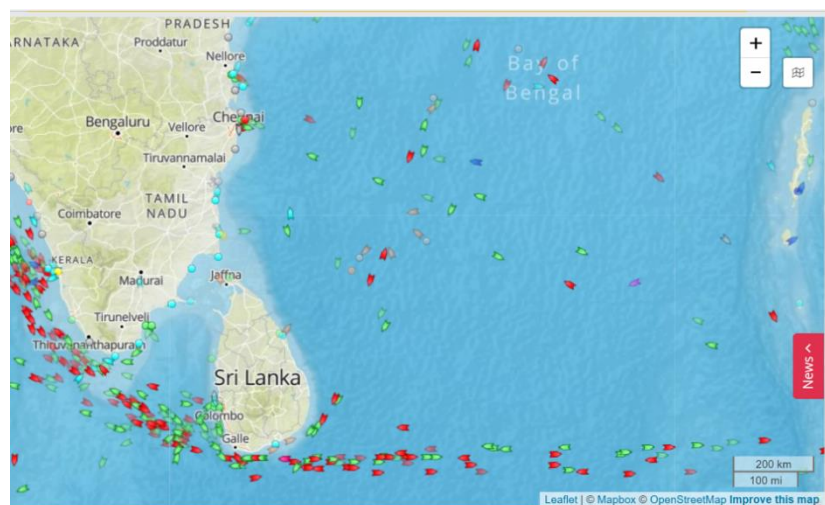
## World fleet by principal vessel types, 1980-2014 (Beginning-of-year figures, percentage share of deadweight tonnage)



### Catchment area volumes and its location for strategic positioning of voyages and route for ship planning

Although the location of the major east west shipping route falls along Sri Lanka, the traffic on the Bay of Bengal is relatively low, and the ship services are mostly bulk, gas and tankers serving direct to individual ports. In addition, the container volumes originating from the region are facilitated with feeder services either connecting Sri Lanka, Singapore or Malaysia with mother vessels.

The challenge is to increase vessel traffic by providing solutions needed by the ship owners and operators, either expanding cargo volumes or shipping companies must be provided with cost effective shipping services and solutions if the port of Trincomalee should be converted to the hub of the region. The region is becoming highly competitive, as such the location alone will not be sufficient to attract new business. Investments on multiple and unique services will be the advantage and the unique selling proposition too.



Ship traffic: source: Maritimetraffic.com

## Energy availability at competitive cost Diverting time from shipping lanes and access to markets

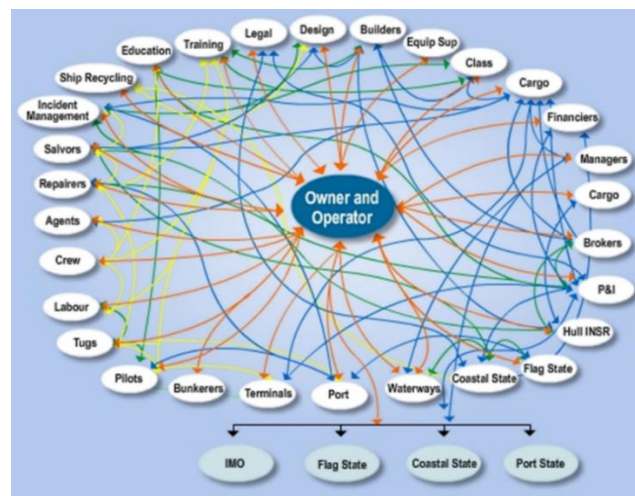
One of the fundamental factors a ship owner/operator decides when route planning is the location of a port from a main shipping artery. As vessel diversion cost both money and time and may seriously impact on the operating cost of a ship. In the current global container shipping industry, which accounts to about 40 merchandise, use the hub and spoke model under a fix liner schedule, which allows mother vessels to call at selected ports around the world and connect cargo at transshipment locations via smaller feeder vessels. It is only the tanker/ bulk and other types of ships that make direct sailings and port calls on charter voyages.

One of the key factors that also makes a shipping hub is the viability of energy services at affordable cost, sourcing refined bunkers and supplying ships is viable if you are along the main shipping route as companies can do offshore bunker supplies by barge, however for ships to be anchored and take energy services it would be always prudent to invest in a refinery that could supply the region's needs, Singapore, Korea, Hong Kong and Dubai are good examples.

Port development is just as capital intensive as ship operation. Therefore, if the scale of infrastructure development is not in line with demand the return on investments may be at a high risk. Most port development takes place stage by stage expansion of capacity. The next important factor is once business is developed the port operator and terminals will have continuous pressure to deliver high productivity as many ports in the region will compete for the same ship to provide services. Today globally shipping hubs compete on productivity as waiting times and turnaround times are key factors for vessel owners when making port call decisions.

## Attracting the global shipping industry

Core of a hub is created by the owner and an operator presence in a country, for example Singapore, Dubai and India have all its regional head offices who are the final decision makers of investing and converting the location into a hub. This model is clearly visible on the Singapore model, which is depicted in the below chart. The fact remain the international investment decision come from the investor of the ship. The presence of such mega companies will create the vertical and horizontal growth of the sector and the multiplier effect to the country is automatic, Singapore became a financial city because of its strength in maritime and logistics industry at the inception.



Making a hub: MPA Singapore



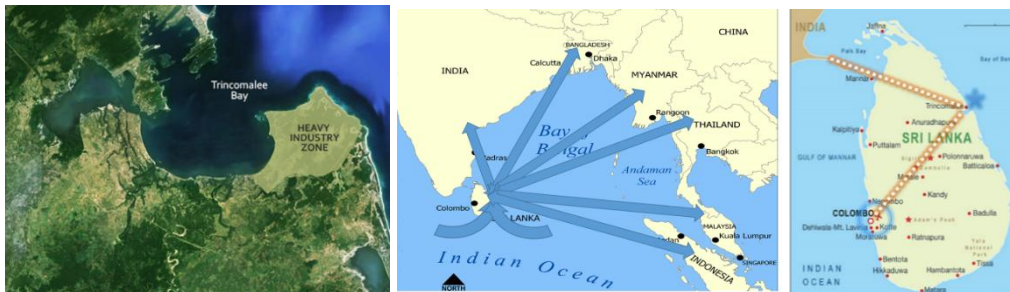
## Developing Trincomalee into a regional hub

The port of Trincomalee has a real growth potential as it can be developed to be a regional hub to service the Bay of Bengal trade and logistics needs. It will be a relatively low cost investment to operate terminals due to the natural depth and protected harbour basin. The location is ideal to develop into an industrial/service port and a cruise ship turnaround port and to be a key node for regional security. The port may be also attractive to container feeder vessels if other connectivity measures for mother vessels at transshipment hub such as Colombo can be economically offered.

The Bay of Bengal area accounts for around 15% India's container volumes as the major activity takes place in the west coast, most of India east coast is bulk, tankers and other types of ships having direct port calls. Whilst, Bangladesh, Myanmar and Thailand are the rest of main ports providing services along the coast, which is dominated by feeder services. Some of the traffic is routed to inland landlock countries such as Nepal and Bhutan via India and Bangladesh using river port connectivity, truck and rail.

The port of Trincomalee is heavily underutilized as at now, it only handled 4% the countries tonnage in 2015. The challenge is sizable to increase vessel traffic but not an impossible task, provided sound decision and investments are taken and investors are given the conducive environment to do so.

Led by India, the region has a population of 2 billion+ living in coastal or close to coastal hinterland in many of the countries surrounding the bay. Most Indian ports are now being developed to handle increased capacity as congestion in the ports are a major factor for logistics and industrial activity. The Sagaramala project of India is an attempt to ease this problem and the cabotage laws are being relaxed for port calls by ships. Trincomalee can be the extended node for the Sagaramala hub of India!



The facts of Port of Trincomalee: sheltered port, with a reputation earned over centuries it is one of the largest natural harbours in the world (2<sup>nd</sup>)

Location: Indian Ocean: South Asia, Bay of Bengal

Coordinates 08°34'01"N 81°13'52"E

Water area - 1,630 ha (4,000 acres)

Entrance channel - 500 m (1,600 ft)

Land Area - 5,261 ha (13,000 acres)

Depth 20-25m inner anchorage and outer anchorage 30+m

Given the natural deep port with natural shelter gives the port of Trincomalee an advantage, to handle large ships. The infrastructure setting up cost too will be lower as the natural break water gives the needed protection to terminals. The land area availability around the port gives an ideal location position to set up an industrial cargo distribution centre. But being away from the main east west shipping route it is unlikely that container transshipment option will be a immediate possibility.

Given the regional growth and India projected to be the 3rd largest economy by 2040, the Bay of Bengal is poised to increase its maritime related activity. Therefore, providing infrastructure for bulk and general cargo distribution for shipping in port of Trincomalee will have tremendous opportunity to service the eastern coast of India and the region in general. Other services such as bunker storage, dockyard and passenger services, maintenance of ships on anchor and manage ship rig layups are given possibilities. The potential of expanding as the industrial hub port for the Bay of Bengal is clearly an option. In addition, it would be an ideal location for regional coast guard headquarters for marine security.

The forecast indicate that intra-Asia trade is expanding, and the current trading between south Asian countries which is at a very low percentage of trade is poised to increase with the region expanding at an average 7% growth. Both India and China has already identified the need to increase infrastructure and capacities to expand maritime and logistics related services in the ISC.

The port is currently not used to maximize possible ship services such as lightering and double bank operations, where cargo can be transferred from one ship to another. Also, time to time ships get layoffs as service requirements demands so. Sri Lanka can offer ship, tug and oil rig layoffs in the port of Trincomalee with little investments by creating the conducive legal environment. Such services can bring large number of ships into the port area and provide numerous opportunities to maintain ships and service the onboard requirements which will have multiple economic benefits to the country and the region.

The location is also ideally situated to build a large-scale dockyard to service the region and build ships, trawlers and other small ocean crafts and offer repair maintenance and overhaul services. Given the land availability such projects will be highly viable for investments.

The important aspect in Trincomalee is to create the critical mass and the scale of cargo volumes so that ship owners can rationale the cost of diversion, number of vessels to be deployed and to allocate voyage planning so that a hub and spoke model could be developed for bulk cargo of the region. Many ship and maritime related services can be provided within the sheltered harbour basin.

The challenges are for containerized cargo volumes to be developed, there are two probable options. Firstly, to establish a major industrial zone for assembly and manufacturing, which can attract container feeder vessels. Secondly to connect via rail to Colombo and another land bridge to India's west coast to handle bulk cargo. Having such a rail link will reduce the need of vessel deployment to go around Sri Lanka and the speed of delivery can be increased whilst major container traffic could be diverted to port of Colombo to reach mother vessels sailing to Europe, Middle East, East Africa and North America on the main east- west shipping lane.

If Trincomalee can be connected to Colombo via a high-speed double track double deck container trains, then the possibility of container feeder traffic can be developed as the ship operating cost for a round voyage from India east coast to Colombo will be cut by nearly 3 voyage days, which is a huge cost reduction and an increase of speed for Bay of Bengal shippers. A more political sensitive option is to connect the east coast bulk traffic to India west coast via rail.

Given the oil storage facilities availability the port would be an ideal distribution centre for bunker and related services, but it is important to have a refinery facility if it needs

to be a regional distributor. At the same time the oil and gas reserves in the ocean are substantial and this would be a logistically important location for the port services and would be an ideal facilitation centre for exploration and other energy industry requirements, in the medium to long run tanker and gas ships to the region should increase and it is possible to convert the port into a turnaround location for such vessels.

### **Developing the hinterland and logistics parks**

Land and labour is available as an under developed region due to the long war, therefore it is a very attractive location to setup a large scale free zone with warehousing facilities to promote entreport trade and storage and distribution to cater to the needs of the region, both consumer and manufacturing sectors. Products from different countries can be stored and distributed as and when required through an advance logistics centre.

In 2013 Sri Lanka introduced the new commercial hub regulations giving investors a free hand to operate with minimum intervention by government. The free zone concept considers such investments as offshore territories.

The volumes of cargo from the Bay of Bengal area are on the rise connecting to regional established hubs. The bay is poised to have more industrial corridors from east coast in India to Myanmar. Centralizing such cargo collection and distribution needs an efficient logistics centre, that could achieve economies of scale for ship owners and operators and cargo owners. Given the regional population, economic expansion, the port of Trincomalee has huge potential to transform into a logistic based service port as well, that could provide many avenues to the industry and to be a modern hub for regional distribution.

The airport and the Port of Trincomalee can be used for these regional logistics services.

### **Cruise and pleasure craft facility**

Cruise ships, yachts and other pleasure crafts are increasing its presence in the Indian subcontinent. Sri Lanka being one of the top tourist hot spots and being a small island with much to offer can be developed into a major connecting node and be converted into a turnaround destination where passengers can be connected to cruise ships via charter flights. The country is ideally situated to convert into a drop off/pick up location for global travelers.

The port of Trincomalee is an ideal location for a modern cruise terminal and to be a turnaround port for cruise ships and regional passenger ferry services. But the important aspect is that these services demand the best of quality and speed in immigration and customs services.

To succeed in logistics services and cruise and pleasure tourism, the hinterland facilities and utilities should be world class. These include roads, water, energy and the supporting services, hotels etc. that facilitate speedy connectivity and security.

### **Some challenges**

#### **Maritime laws, security and freedom of business**

Sri Lanka has a few challenges to transform from a transshipment hub to a maritime hub, and these should be cleared out fast. The country needs to attract more capital and presence of ship owners/operators along with global logistics companies' presence. The maritime laws need to be strengthened and reviewed, a new regulatory establishment must be developed by setting up a maritime authority to facilitate the overall execution

of services so that a conducive environment to ship owners and operators will be created.

The merchant shipping act is weak and outdated; thus, many ship related services cannot be accommodated in the current global competitive environment. Sri Lanka has a great potential to be a ship registry hub, but laws hinder it, there are weaknesses in port state control laws, ratification of IMO conventions and specifically environment related laws.

Also, tariff structure is outdated, too costly. A more market driven flexible tariff regime should be introduced with a regulator in place where business can expand with a predictable environment in relating to procedures, charges & taxes can be identified.

Ancillary services such as e-commerce and trade facilitation measures should be upgraded if cost effective solutions are to be given to increase the speed of activities.

If the government is keen to move forward they must re-look at legal and policy framework and focus in FDI to the sector as the local capacity and expertise are limited to convert to a major maritime hub.

It is also important to note that all major shipping hubs have great freedom and ease of doing business, the processes and systems. Approval and customs laws should be highly efficient if one has to attract logistics businesses as they look at speed as one of the key components in selecting a location.

## **Conclusion**

If a proper strategic development plan with a blue print is prepared by understanding the market demands and requirements, the opportunity to develop a major hub in the east has a great possibility. However, one must note that shipping and logistics related infrastructure is very costly and if the demand side is ignored the outcome can be negative. Given that the ocean economy of Sri Lanka contributes less than 2.5% to the GDP, room for expansion is high due to the location advantage, but it has to be kept in mind that location is just one element in today's competitive world where cargo and people are concerned, technology combined with speed and costs are major factors when ship and logistics operators decide to conduct their businesses transforming a location to a commercially viable business center.

The way to move forward is a total study on current traffic volumes, products, markets and a growth forecast to be developed and to involve major ship operators to seek their views and requirements.

Note: The contents of this paper were collected by references to multiple sources via the internet and presentations done at the Colombo International Maritime Conference (CIMC) in 2015 & 2016.

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**Mr. Rohan Masakorala**



Honors Graduate in Economics with a second major in Business Administration/Marketing from Connecticut State University U.S.A. Diploma in business management from Houston University Texas USA. Certified in supply chain management from Cranfield University U.K.

Founder of the Colombo International Maritime Conference & South Asia Maritime and logistics forum.

Independent shipping/trade consultant & writer/columnist and a UNESCAP certified trainer involved in professional training in the areas of shipping, international trade, logistics, and transport and trade facilitation. Expertise in the field on export/import, ports and shipping, international trade policy, logistics and supply chain management for 25 years.

Former chairman of the Sri Lanka Shippers' Council, & Association of Shipper's Council of Bangladesh, India, Pakistan & Sri Lanka (ASCOBIPS), served as the first Secretary General of the Asian Shippers' Council-ASC- 2009-2012 representing 16 countries in Asia.

Currently a working group member at the London based Global Shippers' Forum (GSF) and a working group member of the Paris based International Chamber of Commerce (ICC) on INCOTERMS Plus transport project.

Immediate past Secretary General of the Joint Apparel Association Forum (JAAF) Sri Lanka and currently chairs the logistics committee of JAAF.

Founding partners of Singapore Shippers' Academy and the Shippers' Academy Colombo, Counts 25 years of experience in the said subject areas and is a presenter/speaker for over 25 international conferences around the world.

Serves as a senior consultant to H.E the President office in Sri Lanka on ports and airports via Strategic Enterprise Management Agency (SEMA). Formally served as board member of Sri Lanka Ports Authority, Ceylon Shipping Corporation and central freight bureau.

# Functional Regional Cooperation in the Bay of Bengal

**Ambassador Sumith Nakandala**

**Secretary General of BIMSTEC**

## **Abstract**

The Bay of Bengal is marked as the largest Bay in the world, existing as large triangular basin in the Indian Ocean. Rimmed by sands of miles of coastline by the south-eastern edge of India and Sri Lanka, Bangladesh and Myanmar in the north and down to western coast of Thailand, the region geographically enables the discovery of a magnitude of historical, cultural, religious, political and economic influence. Trade and Migration has brought these significant boundaries together allocating revolutionary change and shedding light upon the experience of modernity. Nonetheless, the Bay of Bengal is a confluence of religious and philosophical ideas, cultures, south and south eastern traditions and economic exchange through trade and social values.

According to Sunil S Amrith, ‘the Bay of Bengal was once a region at the heart of global history, but was forgotten in the second half of the twentieth century.’ ‘The rise and decline of the Bay’, Amrith aptly says, ‘as a connected region is a story almost completely untold. It is the story of one of the largest movements of people in the modern history, and of environmental change on an enormous scale. It is also a story with important consequences today-perhaps even key to understanding Asia’s future.’

The emergence of regional cooperation in the Bay was the culmination of India’s Look-East Policy and Thailand’s Look-West Policy. In 1997, with the objective of building an alliance to harness shared and accelerated growth through mutual cooperation in different areas of common interests, the BIMSTEC was established with the conclusion of Bangkok Declaration. Starting with six sectors cooperation initially with trade, technology, energy, transport, tourism and fisheries, BIMSTEC expanded to eight more sectors by 2008 bringing agriculture, public health, poverty alleviation, counter-terrorism, environment, culture, people-to-people contact and climate change.

Unlike other regional organization in the Asia and the Pacific, the BIMSTEC soon after its establishments focused on the Economic Cooperation. In 1998, the BIMSTEC commenced its work towards a possible Free Trade Area. This process culminated in concluding the Framework Agreement on the establishment of BIMSTEC Free Trade Area in 2004, within 7 years of founding of BIMSTEC.

As of now, the BIMSTEC had its 21 rounds of the Trade Negotiating Committee (TNC) Meetings. Nonetheless the finalization of the BIMSTEC FTA is still to achieve.

In contrast to other regional groupings the BIMSTEC has commenced the work simultaneously on the Trade in Goods, Trade in Services and on Investments.

In the first ever BIMSTEC Leaders’ Retreat held in Goa, India on 16 October 2016, the Leaders agreed, *inter alia*,

*“We renew our commitment to the early conclusion of BIMSTEC Free Trade Area negotiations, and direct the Trade Negotiating Committee (TNC) and Working Groups to expedite the finalization of its constituent Agreements. We also direct*

*the TNC to expedite the negotiations on the Agreements on Services and Investment. We agree to take concrete steps to enhance trade facilitation. We also agree to offer special and differential treatment for Least Developed Countries for their integration into the regional economy.”*

The presentation will attempt to analyze the future of regional cooperation in the Bay of Bengal in the light of the recent development regionally and globally.

# Functional Regional Cooperation in the Bay of Bengal

## I

### Introduction

The need for regional cooperation, especially regional economic cooperation was felt by many leaders in South and South East Asia before the conclusion of the World War II. Many of the dominions under the British were demanding independence by then. India took the lead in the process in convening the Asian Relations Conference in March-April 1947 in New Delhi. Although the political determinations, such as ending of colonial occupation were in the agenda, need for broad-based economic cooperation was also discussed. There was no doubt that WWII has brought unimaginable destruction to properties and human lives in Asia and the Far East and the leaders of newly independent nations were acutely aware of the necessity for regional cooperation.

The idea of an Asian conference for the understanding of Asia's problems and for the promotion of cooperation among Asian peoples was first suggested by Jawaharlal Nehru in a special interview to the correspondent of *The Hindu*, on 25 December 1945.<sup>53</sup> Few months later, on his return from a tour of Southeast Asia in March, 1946, Nehru announced that the desire for holding an Asian conference had been expressed to him by the nationalist leaders in the countries he visited.<sup>54</sup>

The First Asian Relations Conference (ARC) was held from 23 March to 02 April 1947 in New Delhi. With delegates from 28 nations across Asia, ARC was the first such event of its nature to bring together these newly independent and awakened nations. After a long period of imposed silence, the voice of Asia was now important once again. This Conference was the first occasion for Asian leaders to express the political dilemmas their new States are facing (Jain, 2010).

However, the ARC was not without many eventful stories. The Conference had five round table groups, among them most notably were the 'transition from colonial to national economy' and 'agricultural reconstruction and industrial development'. It was agreed that 'cooperation amongst the colonized nations in terms of moral support, economic assistance and coordinating efforts would be the need of the hour'.<sup>55</sup> Among the other matters, the primary goal of the ARC was 'to discuss routes to development within an atmosphere of peace; eliminating racial conflicts was universally believed to be a step towards promoting understanding between nations'.<sup>56</sup> Quite interestingly, 'the Conference felt that in order to continue the momentum of friendship, cordiality and mutual aid in postcolonial period ahead, there was a need to set up a permanent Secretariat for Asian Relations'.<sup>57</sup> But this did not materialize due to obvious reasons.

At the Plenary Nehru, on the importance of Asia, said that 'We stand at the end of an era and on the threshold of a new period of history. Standing on this watershed which divides two epochs of human history and endeavour, we can look back on our long past and look forward to the future that is taking shape before our eyes. Asia, after a long period of

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<sup>53</sup> Lalita Prasad Singh. *The Politics of Economic Cooperation in Asia*. University of Missouri Press. Columbia. 1966. P. 4.

<sup>54</sup> *Ibid.* P. 4.

<sup>55</sup> Jain, L. C., Mishra, O. P. and Shankar Shreya (2010). *Voices from the Past: Asian Relations Conference 1947; India's First Foray in Foreign Affairs*. *The Book Review*. February 2010. P. 6.

<sup>56</sup> *Ibid.* P. 7.

<sup>57</sup> *Ibid.* P. 8



quiescence, has suddenly become important again in world affairs'.<sup>58</sup> Success of the ARC, however was not without apprehensions, and 'during the Conference, the Indian delegation strove to avoid the impression that India had any ambitions in regard to the leadership of emerging Asia'.<sup>59</sup>

At the Plenary Session of the ARC on 02 April 1947, the Chinese delegate on behalf of the Steering Committee moved the following resolution which was adopted unanimously:

"The members of the delegations from the Asian countries, assembled in the first Asian Relations Conference in New Delhi, firmly believing that the peace of the world, to be real and enduring, must be linked with the freedom and well-being of the peoples of Asia, are unanimously of the opinion that the contacts forged at this Conference must be maintained and strengthened, and that the good work begun here must be continued, efficiently organized and actively developed. They accordingly resolve to establish an organization called the Asian Relations Organization with the following objectives:

- a. To promote the study and understanding of Asian problems and relations in their Asian and world aspects;
- b. To foster friendly relations and cooperation among the peoples of Asia between them and the rest of the world, and
- c. To further the progress and well-being of the peoples of Asia"<sup>60</sup>

The first ARC concluded with high expectations with a promise that the second ARC will be in China in 1949. However, due to various reasons, both regional and national levels, the Conference in 1949 or the Asian Relations Organization did not materialize.<sup>61</sup>

The second ARC on economic and cultural cooperation was held in the Philippines in May 1950. President Elpidio Quirino aware of the difficulties of political cooperation, focused on promoting economic and cultural cooperation. The second ARC adopted a number of general recommendations for economic and cultural cooperation, but failed to agree on suggestions of increased intra-regional trade through a multilateral trading arrangement.<sup>62</sup> It was also noted that the countries were not yet ready for a significant degree of regional economic cooperation.<sup>63</sup>

Although India initially expressed the enthusiasm for larger Asian project, in the wake of expressed reservations by some Asian countries on the role of India, she did not take any further attempts to maintain the momentum generated by the first ARC. The third ARC convened in Colombo in April 1954 'did not succeed its economic cooperation agenda, due to the pre-occupations of the war in Indo-China'<sup>64</sup>

Thus far, the ARCs were hosted by single nation, such as in 1947 (India) and in 1950 (the Philippines). There was a significant shift when the third ARC was convened in Colombo in 1954, whereas it was led by five nations collectively (Burma-Myanmar, Ceylon-Sri Lanka, Indonesia and Pakistan). It seems that this was suggested by India, so that she will not be recognized as the sole power desirous of forging cooperation.<sup>65</sup> The Bandung

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<sup>58</sup> Ibid. P. 8

<sup>59</sup> Lalitha Prasad Singh, op. cit. P. 5. Jain, L. C., Mishra, O. P. and Shankar Shreya, op. cit. P. 8.

<sup>60</sup> Jain, L. C. op.cit. P. 8.

<sup>61</sup> Lalitha Prasad Singh, op.cit. P. 6.

<sup>62</sup> Lalitha Prasad Singh, op.cit. P. 6.

<sup>63</sup> Ibid.

<sup>64</sup> Ibid. P. 7.

<sup>65</sup> Ibid. P. 7.

Conference of 1955 (fourth ARC) was seen as a watershed in collective attempts in furthering cooperation in Asia.

Just two weeks after the Bandung Conference, India convened another Conference in Simla in May 1955. The negativity acquired in Bandung could not be revitalized at the Simla Conference, as there were still suspicions among number of Asian nations. By this time, United States set aside US\$ 200 million for Asia under the President's Fund for Asian Economic Development.<sup>66</sup> However, in spite of the setbacks suffered at Bandung and Simla, the idea of economic regionalism in Asia was not abandoned altogether.<sup>67</sup> The Prime Minister of Sri Lanka, late S. W. R. D. Bandaranaike in early 1959 attempted to revive the Bandung economic proposals again. The Prime Minister Bandaranaike in a memorandum addressed to 29 Bandung Parties, he suggested that 'it was desirable to discuss ways and means to carry out economic resolutions of Bandung Conference'.<sup>68</sup>

Quite interestingly, Bandaranaike's proposals included the following:

- a. establishment of a free-trade area or a common market;
- b. establishment of a regional bank;
- c. coordinated planning in food production;
- d. cooperation in industrial development;
- e. a unified policy on foreign investment;
- f. establishment of joint atomic research centers for cheap power for economic development; and
- g. collective action to safeguard shipping interests and to ensure fair and stable export prices for primary products.<sup>69</sup>

Regrettably, no proposals received positive reaction as well as for his suggestion for a Meeting in Colombo. On 26 September 1959, Mr. Bandaranaike was assassinated and that ended his persuasion on important suggestions to revive economic cooperation in Asia. It was evident that despite the best efforts of some of the leaders in newly emerging Asia, the Asian nations looked at each other with suspicion. The lack of mutual trust has impeded the foundation for greater economic cooperation in Asia.

## II

### **Economic Cooperation in Asia: Inter-governmental Instruments**

While the newly independent Asian nations were struggling to enhance economic cooperation, United Nations Economic and Social Commission (ECOSOC), commenced its focus on economic reconstruction in the devastated areas from the WWII. In June 1946, the ECOSOC created temporary Sub-Commission on the Economic Reconstruction of Devastated Areas.<sup>70</sup> One of the tasks given to the Sub-Commission was to advice the ECOSOC on 'the measures of international cooperation by which reconstruction in those countries might be effectively facilitated and accelerated'.<sup>71</sup> Through number of deliberations at the ECOSOC and in the General Assembly, gave favourable consideration to the establishment of an Economic Commission for Europe (ECE) and Economic Commission for Asia and the Far East (ECAFE).<sup>72</sup> Acting on the

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<sup>66</sup> Ibid. P. 9.

<sup>67</sup> Ibid. P. 11

<sup>68</sup> Ibid. P.12

<sup>69</sup> Ibid. P. 12.

<sup>70</sup> Wightman, David. Toward Economic Cooperation in Asia. Yale University Press. 1963. P. 12

<sup>71</sup> Ibid. P. 12.

<sup>72</sup> Ibid. P. 16.

General Assembly's instructions, ECOSOC in March 1947 unanimously established ECE and ECAFE.<sup>73</sup> However, the real roots of ECAFE are to be found in the ferment of ideas and movements which marked the political awakening of Asia after generations of colonial rule and foreign domination.<sup>74</sup>

As seen previously, newly independent nations in Asia was focusing on creating a regional organization through the process of Asian Relations Conference, though could not materialize due to lack of mutual trust. It is also significant that the day Prime Minister Nehru inaugurated the first ARC, ECOSOC passed the resolution establishing the ECAFE.

The ECAFE began its first meeting at Shanghai in June 1947. ECAFE commenced its work with a permanent secretariat and focusing on trade, industry, and technical assistance to its Member States. One of the important features of the Commission was to produce annual economic survey of Asia and the Far East, though the task was formidable.<sup>75</sup>

At any parameter, the ECAFE was the product of a modern trend toward functional regionalism of international concern for the welfare of the less developed countries, and of Asia's renaissance.<sup>76</sup> Ever since its birth, ECAFE has impressed upon the countries of the region the need for increased intra-regional trade to meet the requirements of their economic development. However, the Asian countries have been divided, largely because of political inhibitions, on the scope and usefulness of inter-regional trade.<sup>77</sup>

One of the very notable examples of ECAFE's efforts to organize regional cooperation in the field of transport and communications is the Asian Highway project. In 1960, ECAFE adopted Bangkok Resolution on Regional Economic Cooperation. This was the first time, process of regional economic cooperation was deliberated upon at an inter-governmental forum. The Bangkok Resolution was a landmark in the history of economic cooperation in Asia. By it, Asian governments now agreed to explore, in a pragmatic manner, all avenues of regional economic integration. However, road to regional economic integration was not without hurdles of all kinds.<sup>78</sup>

Over the past many years, ECAFE was transformed into United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) and proceeding with promoting and advocating the regional economic integration in Asia and the Pacific.

The Colombo Plan for cooperative economic development in South and South-East Asia had its origin in the meeting of the Commonwealth Foreign Ministers held at Colombo, Sri Lanka in January 1950. The Colombo Plan began operations on 01 July 1951. The genesis of the Colombo Plan could be traced to the proposal made by then Australian External Affairs Minister Percy Spender at the Commonwealth Foreign Ministers' Meeting in Colombo in January 1950.<sup>79</sup>

In essence the Colombo Plan was an arrangement for facilitating economic assistance to the non-communist countries in South and South East Asia. It promoted cooperation between the member States of the area and the member states outside and also between

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<sup>73</sup> Ibid. P. 17.

<sup>74</sup> Ibid. P. 18.

<sup>75</sup> Ibid. P. 85.

<sup>76</sup> Lalitha Prasad Singh, op.cit. P. 15.

<sup>77</sup> Ibid. P. 118.

<sup>78</sup> Ibid. P. 154.

<sup>79</sup> Ademola Adelke. The Strings of Neutralism: Burma and the Colombo Plan. Pacific Affairs. Vol. 76. No. 4. 2004. P. 594

the countries of the area themselves in matters of economic aid. The Plan was seen as ‘an aggregate of bilateral arrangements involving foreign aid for economic development of South and South-East Asia’.<sup>80</sup>

### III

#### **Intergovernmental Instrumentalities: Recent Developments**

In a sense, the Colombo Plan’s basic tenants could be identified as the attempts to answer the correlation between poverty and communism. It was based on the logic that poverty and underdevelopment, and a huge population, made the non-communist states in the Asia and the Pacific region vulnerable to communist subversion; the economic development was the most effective weapon against this menace; and that a significant improvement in living standards in the region would render communism less attractive to the people.<sup>81</sup>

The establishment of Association of South-East Asian Nations in August 1967 was seen as an additional intergovernmental instrument in furthering regional cooperation. The creation of ASEAN was motivated by a common fear of communism, and a thirst for economic development. With 5 founding Members, ASEAN was later expanded to 10 and it has ASEAN Free Trade Area and 6 ASEAN-Bilateral FTAs with 6 non-ASEAN members. The 16 Members are negotiating Regional Comprehensive Economic Partnership (RCEP).

With the declaration of ASEAN Economic Community 2015, the organization is poised as one of the most effective intergovernmental instruments in deepening regional cooperation and integration.

Although attempts have been made in late 1940s, regional cooperation came to South Asia relatively in mid 1980s. The regional cooperation in South Asia was first broached by then President of Bangladesh; President Ziaur Rahman and addressed official letters to the leaders of the countries of the South Asia, presenting his vision for the future of the region and the compelling arguments for region. The process culminated in establishing South Asian Association for Regional Cooperation (SAARC) in 1985 with a permanent Secretariat in Kathmandu.

At the very outset, SAARC kept out any bilateral political matters and focused on sectoral cooperation. SAARC took around 10 years to focus on the economic cooperation. This resulted in creating South Asian Free Trade Area in 2004.

Middle to late 1990s saw a proliferation of regional instruments in South and South-East Asia. BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation) was established in June 1997 in Bangkok. The BIMSTEC has seen as the link between South Asia and South-East Asia. Unlike other regional organizations, BIMSTEC focused on economic cooperation at the outset. It started the negotiating a possible Free Trade Area in 1998 and the Framework Agreement on the BIMSTEC FTA was signed in 2004. Since then BIMSTEC Trade Negotiating Committee had 20 rounds of Meetings, yet the finalization of the FTA remains inconclusive. It is also noteworthy to mention that BIMSTEC is negotiating Trade in Services and Investment agreements simultaneously.

One of the drawbacks for the progress of BIMSTEC was due to the absence of a

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<sup>80</sup> Lalitha Prasad Singh. Op.cit. P. 170.

<sup>81</sup> Ademola Adelke. Op. Cit. P. 594.

Secretariat, which was established in 2014, after 17 years of the creation of the organization.

The logical conclusion of any regional economic arrangement is to deepen the economic engagements through the free trade area providing a sound basis for wider economic community. In the region, the only successful example comes from ASEAN. The Asia and the Pacific region has 267 trade agreements (as of 31 July 2016,), out of which only 169 agreements have come in to force.<sup>82</sup>

Quite interestingly, 78 trade agreements are still under negotiation.

One of the most fundamental prerequisite for functional regional economic cooperation is peace and tranquility in the region and trust and mutual understanding among the Member States. Harnessing the fruits of regional economic cooperation has a long gestation period. This is why many of the regional apparatus commence its activities with sectoral cooperation and focus on promoting people-to-people contacts.

There is a role for external institutions in promoting regional economic cooperation. In the Asia and the Pacific, this role is effectively played by the ADB and UNESCAP.

India's Look East policy is an effort to cultivate extensive economic and strategic relations with the nations of Southeast Asia. Initiated in 1991, it marked a strategic shift in India's perspective of the world. It was developed and enacted during the government of Prime Minister P. V. Narasimha Rao and rigorously pursued by the successive administrations of Atal Bihari Vajpayee and Manmohan Singh.

The Royal Thai Government in 1997 rolled its 'Look West Policy' with dual aim of forging and strengthening bilateral ties and economic ties beyond the region of South East Asia to include South Asia, Middle East and Africa. BIMSTEC is seen as a collective endeavour of these two foreign policy imperatives.

The BIMSTEC has identified fourteen sectors as priority areas for regional cooperation. They are as follows:

1. Trade and Investment (Bangladesh)
2. Transport and Communication (India)
3. Counter Terrorism and Transnational Crime (India)
4. Public Health (Thailand)
5. Agriculture (Myanmar)
6. Fisheries (Thailand)
7. Technology (Sri Lanka)
8. People-to-People Contact (Thailand)
9. Culture (Bhutan)
10. Tourism (India)
11. Environment and Natural Disaster Management (India)
12. Energy (Myanmar)
13. Poverty Alleviation (Nepal)
14. Climate Change (Bangladesh)

However, for the last 20 years, the BIMSTEC has had modest progress in some of the priority areas such as Transport, Counter Terrorism, Public Health and Energy. The

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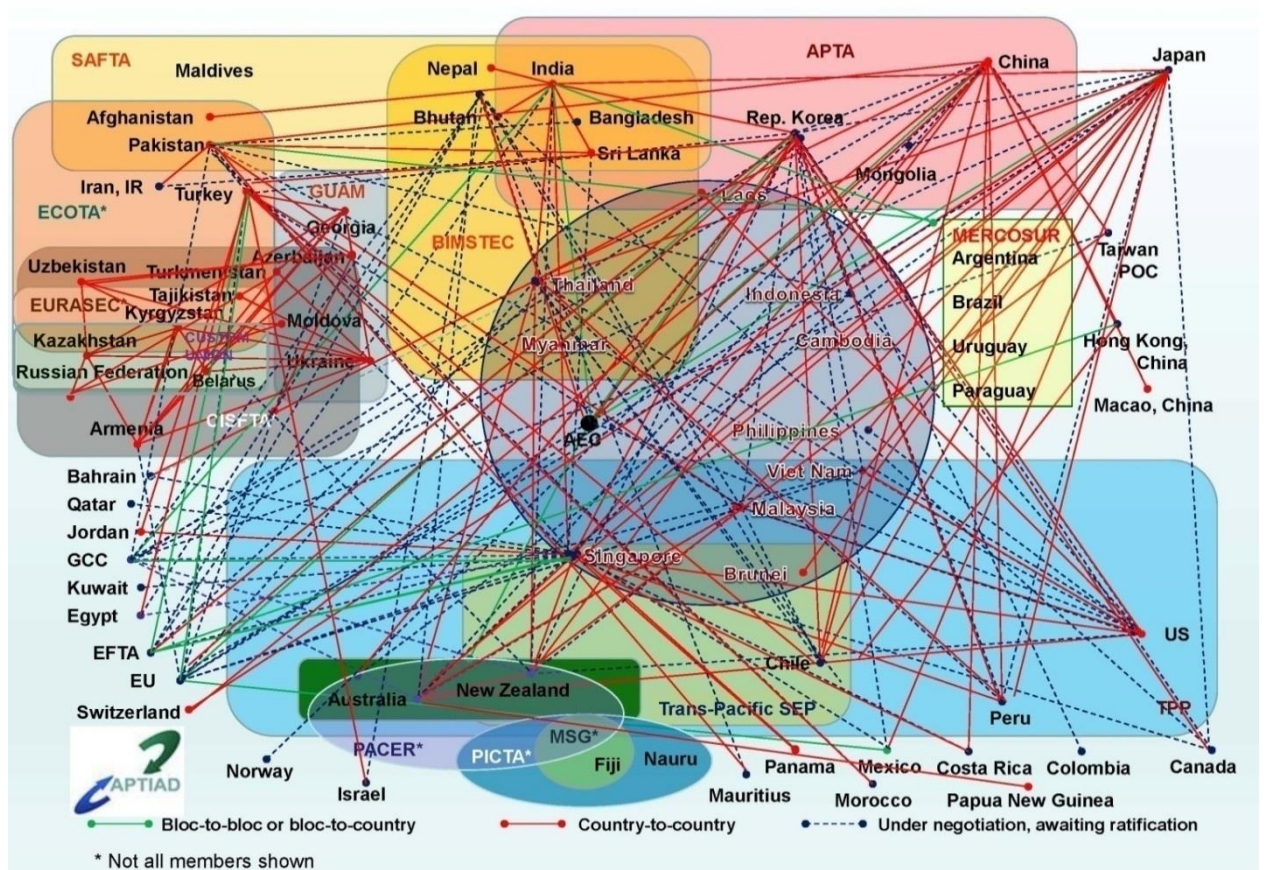
<sup>82</sup><http://www.unescap.org/content/aptiad/>

BIMSTEC Leaders' Retreat held at Goa, India on 16 October 2016, has injected fresh political impetus to the organization.

## IV

### Conclusions

Over the last fifty years it has been witnessed the proliferation of preferential or free trade agreements in Asia and the Pacific. This proliferation is also correlated with establishment of new regional entities. The following figure shows the complexities involved.



Courtesy: © Rajan Ratna/ESCAP. 2016 <sup>83</sup>

In a highly interdependent and globalized world, economic prosperity cannot be achieved without meaningful regional cooperation leading towards economic integration. In order to achieve pragmatic and sustainable regional cooperation, political commitment and alignment of national interests of the Member States are essential prerequisites. Such an opportunity exists in the Bay of Bengal region for affirmative exploitation collectively by the littoral States in the Bay of Bengal.

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<sup>83</sup> Personal communication. 21 July 2016.

## **Ambassador Sumith Nakandala**

### **Secretary General of BIMSTEC**



Ambassador Sumith Nakandala holds a B.Sc [Agriculture] Degree from the University of Peradeniya, Sri Lanka and Masters Degree in International Relations and Development from the Institute of Social Studies in the Hague, the Netherlands. Before, entering into the Sri Lankan Foreign Services, Ambassador Nakandala was working in the Sri Lanka Department of Agriculture and the Central Environmental Authority as a Research Officer and Environmental Officer respectively.

Ambassador Nakandala in 1988, having entered into the Sri Lanka Foreign Service through open competitive examination, had worked in different Divisions in the Ministry of Foreign Affairs, Colombo. His overseas assignments include posting in Male, Maldives, New Delhi and Chennai, India, London and New York. Ambassador Nakandala was the Sri Lankan Ambassador to Nepal and Iraq. He also held the posts of Deputy High Commissioner at the Ambassadorial level in Chennai and London.

Ambassador Nakandala was the First Director of the Technical Cooperation Programme of the Ministry of Foreign Affairs of Sri Lanka where he conducted 11 major training programmes in 2000-2001 for middle level officers from Bhutan, Maldives, Nepal, Myanmar, Vietnam, Lao PDR and Cambodia. Apart from the official engagements, Ambassador Nakandala was instrumental in developing Migration Health policy for Sri Lanka and Sri Lanka's Road Map for Energy Security. He was also a Member in the International Partnership Committee of the National Science Foundation and in the Committee on Genetic Resources at the Sri Lanka Council on Agricultural Research Policy.

Ambassador Nakandala is an Editorial Board Member of South Asian Affairs Journal in Vishakapatnam, India. Ambassador Nakandala has been a frequent contributor to South Asian Economic Summit, World Energy Policy Summit and number of International and Regional Conferences. Apart from his South Asian bilateral experience for more than 20 years, Ambassador Nakandala had also dealt extensively with regional organizations such as SAARC, BIMSTEC, IORA, ACD, G-15, ESCAP, AMED, WIPO while working at the Ministry of Foreign Affairs of Sri Lanka.

In 2012, Ambassador Nakandala was nominated as the First Secretary General of BIMSTEC and he assumed the charge of the Secretary General on 10 August 2014. Ambassador Nakandala's academic and research interests are on Agriculture, Foreign Policies in South Asia, Regional Economic Integration, India Ocean Affairs, Science and Technology, Energy Security, Migration, Nationalism and Archeology.

Ambassador Nakandala is married with three daughters.

## Chairpersons and Co-Chairpersons

### Mr. HMGS Palihakkara



HMGS Palihakkara was Foreign Secretary of Sri Lanka and former Governor of the Northern Province. As a career Foreign Service Officer, he served as Ambassador of Sri Lanka to the United Nations in New York and in Geneva as well as Ambassador to Thailand. He also served as the Chairman/Member of UN Secretary General's Advisory Board on Disarmament Affairs. He was a Commissioner of the Presidential Commission on Lessons Learnt and Reconciliation(LLRC), Sri Lanka. He has served on the Boards of Directors of several professional organisations. and currently is a member of the Board of the Regional Centre for Strategic Studies (RCSS), Colombo.

### Vice Admiral (Retd.) Shekhar



Vice Admiral Shekhar Sinha retired from the Indian Navy as the Commander in Chief of Western Naval Command. He has also been Chief of Integrated Defence Staff and Fleet Commander of the Western Fleet. He is a naval aviator having flown from all the three Indian aircraft carriers. He earned two gallantry awards one during action in support of Sri Lankan Navy in fight against terror. He holds MSc and MPHILL degrees. He is a strategic analyst and commentator on security issues particularly IOR. He is closely associated with Carnegie India, United Services Institution (Governing Council) and India Foundation (Governing council of Centre for Security Studies).



## **Rear Admiral (Retd.) Md Khurshed Alam**



Rear Admiral (Retd) Md Khurshed Alam MPhil, ndc,psc  
Secretary , Maritime Affairs Unit  
Ministry Of Foreign Affairs, Dhaka, Bangladesh

## **Bernard Goonetilleke**



A graduate in History and post graduate in International Relations (The Hague), Bernard Goonetilleke spent nearly four decades as an officer of the Sri Lanka Foreign Service. He took over the post of chairmanship of Sri Lanka Institute of Tourism and Hotel Management (SLITHM) in August 2008 and later appointed as Chairman of Sri Lanka Tourism Development Authority (SLTDA) and Sri Lanka Tourism Promotion Bureau (SLTPB) with effect from November and December 2008, respectively until February 2010.

His career as a Foreign Service officer began in 1970 and has included postings to Sri Lanka diplomatic missions in Kuala Lumpur, New York, Bangkok, Washington D.C., Geneva and Beijing. He held several positions in the Ministry of Foreign Affairs including Director General (Multilateral Affairs) (1997-2000), and ending as Secretary, Ministry of Foreign Affairs (2003-2004).

During his career, he served as Permanent Representative of Sri Lanka to the UN in Geneva (1992-1997), during which period he was concurrently accredited to the Holy See and as Permanent Representative of Sri Lanka to the United Nations in Vienna. Later he served as Sri Lanka's Ambassador to the People's Republic of China (2000-2003), during which assignment he was concurrently accredited as Ambassador to the People's Republic of Mongolia and the Democratic People's Republic of Korea. He also served as Acting Permanent Representative of Sri Lanka to the UN in New York (2004-2005) and ended his diplomatic career as Ambassador to the United States of America (2005-2008). Following the signing of the Ceasefire Agreement between the Government and the LTTE in 2002, he headed the Secretariat as Director General of the Secretariat for Coordinating the Peace Process (SCOPP) and functioned as one of the four members of the government negotiating team.

Since May 2010, he functions as a Director of several companies associated with Mercantile Merchant Bank (MMBL) and Chairperson of Pathfinder Foundation.

# **Regional Cooperation for Economic Prosperity and Maritime Security in the Bay of Bengal**

## **REPORT**

BASED ON THE SEMINAR ON TRINCOMALEE CONSULTATIONS  
February 16 – 17, 2017  
Colombo

Submitted to  
CENTRE FOR INDO LANKA INITIATIVES  
PATHFINDER FOUNDATION  
COLOMBO

By Sirimal Abeyratne

March 10, 2017

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## Introduction

Bay of Bengal in the Indian Ocean is considered to be the largest in the world, surrounded by India and Sri Lanka to the West, Bangladesh and two landlocked countries – Bhutan and Nepal to the North, and Myanmar to the East. The Bay is connected directly to the Southeast Asian region, while from the South it is open to the rest of the Oceans and Continents around the world. The Bay is also surrounded by a number of major commercial seaports: Chennai, Kolkata, Tuticorin, and Vishakhapatnam in India, Chittagong and Mongla in Bangladesh, Yangon, Sitwe, and Kyaukpyu in Myanmar, and Trincomalee and Hambantota in Sri Lanka.

With no explicit territorial boundaries on water unlike on land, the Bay of Bengal is relatively peaceful and free from geopolitical turbulences. Nevertheless, it does not mean that it is not prone to potential global power struggles. Paradoxically, economic activity and connectivity within the Bay of Bengal remain insignificant too in comparison to the volume of such activity and connectivity in other oceanic waters in the region. The countries which surround the Bay are occupied by over 1.5 billion people which is about one-fifth of world population, while India alone accounts for over 1.3 billion people. The Bay lies in the center of four key economic blocs in the region: South Asian Association for Regional Cooperation (SAARC) initiated in 1985; Association of Southeast Asian Nations (ASEAN) initiated in 1967; Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) initiated in 1997; Asia-Pacific Trade Agreement (APTA) initiated in 1975. The latter includes both India and China, which makes it the largest and fast-growing market in the world. In spite of all above agreements of regional integration, the Bay of Bengal is relatively silent in terms of economic activity and connectivity reflecting two paradoxical phenomena of their economic development:

- The Bay of Bengal as a region is the home to the world's largest poor in spite of the fact that the economies have been growing well in the past 25 years.
- The nations surrounding the Bay of Bengal are connected and do businesses more with the rest of the world and particularly the West than with their own neighboring countries.

The Seminar on Trincomalee Consultation was aimed at creating a forum to study, discuss and explore potential for enhancing regional cooperation for economic prosperity and maritime security in the Bay of Bengal. Maritime security is needed for peace, peace for businesses, and businesses for economic prosperity. Therefore, theme of Trincomalee Consultation was in the heart of creating conditions conducive to security and prosperity of the communities surrounding the Bay of Bengal.

Port of Trincomalee on the Eastern coast of Sri Lanka, facing the Bay of Bengal is the biggest natural deep water harbor in the Bay. With an outstanding strategic locational advantage and an exceptional average depth of 25 meters, it is considered as one of the finest among the seaports in the world. However, the Port of Trincomalee never materialized its potential as a commercial port due to the prolonged separatist war in Sri Lanka ended in 2009. It is time for the Port of Trincomalee not to miss the locational and timing advantages so is for the Bay of Bengal in a larger context; hence, Trincomalee

Consultations for security and prosperity in the Bay of Bengal.

The Seminar shed light on three major areas of concern for representatives from diplomates, academics, policy makers, businessmen, and civil society: Geo-Strategic Significance and Regional Maritime Security Demands in the Bay of Bengal; Transportation and Economic Connectivity in the Bay of Bengal; Strategic Importance and Potential for Development of Trincomalee Harbour as a Hub for Bay of Bengal Region. After reviewing the key points raised at main speeches in the opening session of the Seminar, the rest of the report is organized under the same order of its thematic sessions. Finally, concluding remarks of the Seminar are reviewed along with observations by the author.

# 1 Opening Remarks and Speeches

Mr. Bernard Goonetillke – Chair of the Opening Session introduced the strategic and locational advantage of Trincomalee Port and its potential to be a commercial seaport to serve the Bay of Bengal. In this respect, he outlined the objectives of the Seminar on Trincomalee Consultations – an initiative of the Centre for Indo-Lanka Studies of Pathfinder Foundation. The three opening speeches, while describing the country positions on maritime security and economic prosperity and the challenges that are to be overcome, emphasized their commitment to regional cooperation in the Bay of Bengal.

Trincomalee is one of the focal points of Sri Lanka's infrastructure development plan which would reshape the country's urban landscape. Its potential to be a major seaport with a wide range of opportunities available around it to serve the emerging Bay of Bengal community cannot be undermined. However, maritime threats and political imperatives need to be addressed in our attempt for regional cooperation for maritime security and prosperity. While India would play a major role in enhanced regional cooperation in the Bay of Bengal, it aligns with India's outward policy framework. Open and stable sea is the key for maritime security and prosperity which cannot be realized without rule of law in the sea. Japan is committed to assist in the timely endeavor of regional cooperation in the Bay of Bengal.

The opening session highlighted the importance of the timely initiative and unveiled the opportunities and challenges of the communities around the Bay of Bengal in achieving maritime security and prosperity. The commitment of India as the big neighbor and the assistance of Japan as a distant neighbor were encouraging.

## 1.1 Trincomalee to Serve the Bay of Bengal

***Bernard Goonetillke, Ambassador & Former Foreign Secretary of Sri Lanka; Chairman, Pathfinder Foundation***

Trincomalee is one of the largest natural harbors in the world located in the Bay of Bengal, while the Bay of Bengal is the largest bay in the world. The Bay serves the nations surround it – India, Sri Lanka, Bangladesh, Myanmar, Thailand and Malaysia. The landlocked countries in the region – Nepal and Bhutan also depend on the Bay for their commercial and other maritime activities.

The Bay has considerable economic potential led by India which is poised to become one of the leading economic powers in the world. It is reported that 95% of India's international trade and 75% of its oil imports are carried out along the sea routes.

A significant share of India's trade with outside world take place via Colombo Port which serves as a major transshipment hub in the Indian Ocean. The government of Sri Lanka places high importance in developing Trincomalee focusing on shipping, manufacturing, and tourism as per the government's Master Plan which is currently developed.

The present initiative of the Pathfinder foundation intends to cover discussions on strategic importance of the Bay of Bengal, Transportation and economic connectivity among the Bay of Bengal community; Examination of potentials and taking steps for transforming Trincomalee harbor as a hub to serve the Bay of Bengal countries. As the outcome of the initiative, the Seminar will open up avenues for various proposals along the way forward. It would also reveal the opportunities for transforming Trincomalee harbor to a modern container port handling trade in the Bay of Bengal, developing the existing oil tank farm in Trincomalee and related activities such oil refinery and fertilizer manufacturing. The opportunities also cover infrastructure and logistics for local connectivity with Colombo and regional connectivity with the Bay of Bengal. There are also tourist potentials along the prestige beaches of the Eastern coastal belt of Sri Lanka covering approximately 130 kilometers.

## **1.2 Trincomalee Development Plan and the Bay of Bengal**

*Hon. Austin Fernando, Governor, Eastern Provincial Council, Sri Lanka*

Trincomalee Port Development Project within next 15 years is among the government plans for economic and infrastructure projects to reshape the country's urban landscape with two airports and two seaports. Trincomalee Port development has your concerns on economic development and security governance. The economic concerns are based on demand and supply of factors motivating and sensitizing development. The demand arises from what the investors expect from a development zone, mostly as inputs. They require land, manpower, stability, access, ports, communication facilities, cooperative administration and marketing feasibilities. These factors are mostly supplied by Mother Nature, law and order organizations, developed and developable resource availability, governmental and sub-governmental administrative structures, private sector and instruments such as trade arrangements with the large markets. Any development effort has to balance these demand and supply factors rooted in the growth environment. It may be required to analyze each of these factors so that the gap filling exercise of demand and supply could be done professionally and scientifically.

In Trincomalee the port area development had been appallingly slow but road for investments is wide open. It requires fresh interventions, as recognized by the Sri Lankan government. It is now limited to wheat milling, cement production, petroleum product development, minor fishery development and tourist service delivery. Trincomalee Port development would create competition between Hambantota and Trincomalee Ports to gain from the Bay of Bengal business environment.

Trincomalee and its surrounding area is endowed with vast opportunities for development based on manufacturing, agriculture, mineral sands, wildlife and tourism. I believe focus should not be limited to bringing such inputs required for Trincomalee development, but needs to stretch towards developing technology by human resources enhancement, which can be an industry in itself that can serve the Eastern Province and adjacent Provinces.

Maritime Security Governance is important to us because Sri Lanka is an island with a fairly large maritime economic zone around the country, integrating economic development with security. This zone is a prerequisite of development. Due to the economic and strategic importance of the Indian Ocean Region and the Bay of Bengal, it has become an area of geopolitical and geo-economic competition for major powers. If we look at this region's long-term economic prospects, it is likely be driven by the ability of countries such as Bangladesh, Sri Lanka and Myanmar to take advantage of the opportunities offered, especially by India and China.

There are written and unwritten practices that have affected our economy and security that is related to the sea around us. It is common to other Bay of Bengal countries too. Illegal fishing, drug smuggling, human smuggling, marine pollution, unsafe and sub-standard shipping, and natural disasters all are concerns for us around the Bay of Bengal. The two areas of economic development and security governance cannot be separated from one another. Moreover, whether it is for economic development or security concerns we have to be concerned of the existing political influences and realities too. We cannot divorce politics with maritime related development and security.

Towards positive result achievement we may have to find ways to supplement bilateralism with multilateral approach to development, security cooperation and diplomacy. These are not easy solutions due to internal and external biases and threats. Perhaps, intra-government / intra-national information sharing (intra- department, as well as government and private institutions), enhancement of State-State intelligence-sharing, joint exercises of military-military relations, and joint patrols may assist. In addition, relations building between State with non-State actors, non-State with non-State cooperation have to be developed. Thus, a shift from a current, "defence community" to a projected "networked security community" may be the answer. These background scenarios may be of use to develop relations, institutions, and dynamic systems in maritime development and security status.

### **1.3 Neighborhood First and Act East Policies**

*Santosh Jha, Joint Secretary, Policy Planning, Ministry of External Affairs, Government of India*

In the Bay of Bengal as well as in the Arabian Sea, ocean waters were seen more as frontiers not so much as bridgeheads to foster inter-linkages even if our history indicated otherwise. Preoccupation with land borders continued to determine our security postures, although our changing economic profile increasingly pointed to a different reality. Geopolitical dynamics operating in the region over the last few years have enabled new forms of collaboration and cooperation to be forged. All of these points to greater stakes and deeper interests and the need for taking on greater role and burdens enabled by our own growing capabilities.

In our outward policy, we have worked on two important policy areas: Neighborhood first policy and Act East policy. Neighborhood first policy is a triangulation of fostering stronger contacts, building greater connectivity and forging closer cooperation with neighboring countries. In this respect, most important, emphasis on connectivity as a pathway for economic progress and prosperity and for building greater trust and stability has emerged in sharper focus than ever before.

The geographies just beyond this space have also risen in our calculations as reflected in the renewed emphasis in our erstwhile "Look East" policy now named as "Act East" Policy articulating a different level of prioritization. This along with the new "Think West" policy towards West Asia and Gulf region, and the vision of "SAGAR", which defines our Indian Ocean strategy, represents the trident that is now interconnected and interlinked to our "neighborhood first" policy. That all of these have building security and economic linkages with connectivity as its common theme also shows this growing integration in our strategy across these regions.



The growing trade, investment and economic relationship with the region have created the case for building stronger connectivity and integration between South Asia on the one hand and Southeast and East Asia on the other. It is in this sense that the Act East policy and the Neighborhood First policy intersect and this naturally brings the Bay of Bengal region even more into the equation. The countries around the Bay of Bengal are home to one-fourth of the world population. More than half a billion people actually live on the rim that directly borders it. About 31% of the world's coastal fishermen live and work in this Bay. Just the five southern states of India and Sri Lanka have a combined GDP of US\$ 500 billion. The potential of the region is obvious even to a casual observer.

India's connectivity in the region at both multilateral and bilateral levels have been improving and strengthening. With individual countries in the region we have various bilateral projects which would also bring Southeast and East Asian regions to closer interaction. Our levels of trade and investment integration are already amongst the most impressive and create the right conditions for moving further forward. Sri Lanka already is a major transshipment hub for the region, much of which is built on India's growing logistics demand.

Any effort we make in the direction of forging integration and connectivity to harness the vast economic potential of the region would require an underpinning of frameworks for addressing the many security challenges that we confront increasingly in the region. Here, the integrated approach spanning the Greater Indian Ocean region is perhaps even more relevant. Ensuring free and uninterrupted flow of trade along our ocean space is a vital responsibility. Over a period of time, it must also increasingly become a collective one.

Indian Ocean vision articulated by the Prime Minister of India includes four key elements that are important in the context of security and prosperity in the Bay of Bengal and in the region: (a) Build capacities to safeguard India's land and maritime interests, and to make these capacities available to others; (b) Deepen economic and security cooperation with our maritime neighbors; (c) Promote collective action and cooperation to deal with maritime threats; (d) Work towards sustainable regional development through enhanced collaboration for promoting trade and investment, fisheries, tourism and for jointly addressing the challenge of Climate Change.

The driving force behind cooperation in the region must be its prime beneficiaries, which are essentially the countries in the region. And, in our efforts, we must be guided solely by the spirit of cooperation, collaboration and consultation. There is little doubt that the primary responsibility for security and prosperity in the region must rest with those who are resident in the region. But this concern should not preclude us from working with other like-minded partners.

## 1.4 Open and Stable Seas and the Rule of Law

*Noriyuki Shikata, Deputy Director-General of Southeast and Southwest Asian Affairs Department, Ministry of Foreign Affairs of the Government of Japan*

Given the strong economic growth in the South Asian region, the Bay of Bengal is becoming more and more important as a major economic route to connect the Indian Ocean and the Pacific Ocean. The Bay of Bengal, like the South China Sea, is located in a strategically important place of the Indo-Pacific which would become the center for global growth in the 21<sup>st</sup> century. Unless the Indo-Pacific becomes a region of open and stable seas, regional prosperity, peace and stability of the international community will not be realized.

Free and Open Indo-Pacific Strategy is Japan's new diplomatic strategy, as announced by the Prime Minister of Japan. The key to stability and prosperity of the international community is the dynamism created by the synergy between the two continents – rapidly growing Asia and Africa, and two free and open seas – the Pacific and the Indian Oceans. Japan is committed to work together with all the countries concerned to realize the common goal of ensuring open and stable seas, and the prosperity and stability of the Indo-Pacific region.

There are, however, mounting challenges faced by the international community, such as terrorism, violent extremism, and threats to maritime security, which need to be addressed by acting together. In this respect, as Japan believes, rule of law is essential to secure regional prosperity and peace. To ensure open and stable seas as well as freedom of navigation and overflight, Japan underscores the importance of the observation of international law.

According to Prime Minister of Japan, there Three Principles of the Rule of Law at Sea: (a) States should make and clarify their claims based on international law; (b) States should not use force or coercion in trying to drive their claims; (c) States should seek to settle disputes by peaceful means.

Realization of “open and stable seas” at the Bay of Bengal requires (a) promotion of international cooperation, (b) establishing connectivity in the region, (c) developing human resources as a vital key for economic growth, and (d) building capacity of maritime law enforcement.

Under these principles, Japan shall make the utmost effort to cooperate closely with all the countries concerned. Trincomalee Consultations is a key step forward towards deepening mutual understanding, and strengthening relationship among the relevant countries with a view to promoting stronger regional cooperation to lead economic prosperity and maritime security in the Bay of Bengal.

## 2 Geo-Strategic Significance and Regional Maritime Security Demands in the Bay of Bengal

**Mr. H.M.G.S. Palihakkara** – Chair of Session 1, introduced the thematic session by raising a few key questions: how are the relevant challenges of security, economic, and strategic issues addressed and resolved; what kind of approaches the stakeholders will take – whether it is militarized one or a commercialized one or a balance of power approach; unilateral actions or multilateral cooperation? All these aspects need careful pondering. Rival energy and raw material demand and militarization will inevitably be contentious and competitive in nature; will this result or manifest or encourage in conflict. Regional cooperation depends on the strategic wisdom of the key players, regional and extra regional both.

### 2.1 Growing Strategic Significance of the Bay of Bengal

*Raja Mohan, Director, Carnegie India*

The Bay of Bengal which has been subject to a prolonged marginalization in the Asian maritime space, is emerging as a critical strategic theatre in the Indo-Pacific or Indo-Asia-Pacific. The tentative steps for political and security cooperation in the region provide the basis for imagining a Bay of Bengal Community that will benefit all the peoples of the region.

Through the ancient times, the Bay of Bengal was the natural connector between the Subcontinent and the abutting regions to the East up to the Southern coast of China. Movement of people, goods and ideas across the Bay of Bengal was extensive and enriched all civilizations along this littoral. The rivalries among the European great powers in and around the Bay was finally succeeded by the British. In spite of Japanese threat during the World War II, the consequent geopolitical dominance of British endured until the middle of the 20th century. This was also the era of globalization of the civilizations along the littoral.

The salience of the Bay of Bengal declined not necessarily due to the decline of the British dominance and the decolonization of the Subcontinent, rather it was a result of three factors that were rooted in the politics of the littoral itself:

- The first was the internal conflicts resulting from the partition of the Subcontinent leading to a fragmentation of the region's energies. This was further complicated by the impact of the Cold War power politics among the United States, Soviet Russia and China.
- The second was India's refusal to partner Great Britain and the West in shaping the post War regional order. India's determination to pursue a non-aligned foreign policy meant that Delhi would have nothing to do with the new security arrangements, like the Cold War alliances.

- The third was the choice of economic autarky as the development strategy that gained ground in South and South East Asia after the Second World War. As a result, the commercial significance of the Bay of Bengal began to diminish.

The strategic and commercial importance of the Bay of Bengal began to appear with policy reforms for liberalization and integration of the region that make South Asia a fastest growing region in the world and opening up of Burma across the littoral integrating into Southeast Asian structures. These changes have provided the basis for overland and maritime links in the Bay of Bengal. In the meantime, interests of major powers too, particularly China, Japan and USA, begin to grow in the Bay of Bengal littoral. The unprecedented opportunity for economic transformation of the littoral and the new dangers of geopolitical rivalry make it imperative that the littoral states work together to create regional maritime institutions for limiting conflict, promoting political stability and facilitating regional integration and economic prosperity.

The initiative and leadership for regional cooperation in the Bay of Bengal must necessarily come from the littoral itself. Sri Lanka and Bangladesh have a record of leadership in promoting regional initiatives. Sri Lanka has been at the forefront of articulating Indian Ocean regionalism decades ago and Bangladesh has pursued the idea of South Asian regionalism through what is now known as SAARC. After many decades of suspicion, India too is more enthusiastic about developing regional institutions in the Subcontinent and across it. The challenge is, however, not about developing new institutions, but of making best use of the existing ones.

SAARC and BIMSTEC, despite differences in opinions over their performance, might now be changing in line with the requirements of the region. India had also initiated the idea of a Ganga Mekong initiative cutting across the Bay of Bengal. Bangkok had occasionally talked about reviving the idea of Suvarnabhumi. Indonesia has recently has mused about the notion of a maritime nexus of the Indo-Pacific. In multiple ways, the idea of regionalism surrounding the Bay of Bengal is already with us.

In the Subcontinent and beyond there has long been a strong temptation to focus on the political and strategic rather than economic. This has been at root of the failure of regionalism in South Asia. As political disputes mounting in again in Southeast Asia, the gains made in the last half century are now threatened. Limiting political disputes must be an important guiding principle for those of us looking at developing a community of cooperative states in the Bay of Bengal.

Maritime territorial disputes among the littoral along the Bay of Bengal has been fading away. There are widespread interests among major powers – particularly USA, Japan and China, to promote regional integration in the Bay of Bengal. Multiple sources of funding are also opening up. Given this geopolitical and economic background, the littorals are in a better position now for advancing the agenda on connectivity, commerce and sustainable development of the littoral.

## 2.2 Discussion

### ***Riaz Hamidullah, High Commissioner of Bangladesh to Sri Lanka***

The conversations that are taking place either on economic prosperity or maritime security are basically at the inter-governmental space, overlooking people's voice. A tense situation continues to prevail even in the case of SAARC and BIMSTEC operating on the same ground. Can we move away from inter-governmental rigor and try to create space for the people so that our effort becomes complimentary and no tension and that it would be significantly beneficial for all of us.

Prime Minister Sheikh Hasina once said that how can we avoid or minimize politicization of issues where the challenges lie in South Asia. How can we move on with new moods and modalities? We have had extensive discussions and debates on strategies and policies. Ground is ready for taking off and we have to move on even with such little projects by non-governmental activities. Even for coastal shipping, such as we had Sri Lanka - Bangladesh coastal shipping, it is not a linear model. We must experiment new modes and new modalities to move to the next level.

### ***Shekhar Sinha, Vice Admiral (Retd.) and Former Commander in Chief, Western Naval Command, Indian Navy***

As Raja Mohan mentioned that there was cooperation and trade in the Bay of Bengal, which was got marginalized during colonization times. Subsequently during the last 70 years too since the establishment of democracy, States in the Bay of Bengal became weak and fragile. We have all emerged from that labeling, but now we have an opportunity to look outward and to get the Bay of Bengal to the place where it was. Land boundaries tend to disconnect people whereas Ocean tends to connect people.

### ***Bhrihu Dhungana, Head of South Asia Division, Ministry of Foreign Affairs, Nepal***

The strategic importance of the Bay of Bengal cannot be turned into a source of benefits without advancing integration in the region. Economic benefits cannot be achieved without regional cooperation. The key is connectivity and cooperation in the areas such as energy sector.

### ***Adhil Rasheed, Captain, CEO and Education Programme Director, Maritime Academy of Maldives***

The importance of maritime security directly affect territorial integrity, human security and economic prosperity. A comprehensive maritime security plan is required.

***Dan Malika Gunasekera, Executive Director, Sri Lanka Shipping Corporation***

There is utmost duty upon the regional states to cooperate with regard to the management of various interests concerning the region. We must plan and establish proper coastal zone management system. One of the shortcomings is in the legal domain: In this country is the Merchant Shipping Act does not sufficiently address areas such as coastal shipping and the flag of convenience that hinder the opportunities in maritime industry. If we can modify and reform the laws in areas as such it would give opportunities for regional players to associate in not only in sea connectivity but also in multi-model and inter-model aspects. As a cardinal approach the regional players should focus on more effective and efficient integrated coastal zone management.

***N. S. Cooray, Professor of Economics and Associate Dean, Graduate School of International Relations, International University of Japan***

When we look at the global political economic dynamics, world economics domination has been shifting from China and India to Europe after the 15<sup>th</sup> and 16<sup>th</sup> centuries, then later to USA, and after World War II, it is coming back to Asia again. Perhaps nowadays it is shifting to South Asia. As Kaplan mentioned in his book called *Monsoon*, development centers have changed from region to region; in the 21<sup>st</sup> Century who dominates Indian Ocean dominates world economic sphere. I focus not on the aspects of domination but on cooperation. Even Japan can play a major role as the first developed country in Asia and as a peace-loving nation bringing dynamics to this area.

Sri Lanka is a small country with many friends and a country in non-alignment movement – Sri Lanka can do lot of things. This was the trading center connecting Middle East and East Asian countries in the history as far back as 5<sup>th</sup> Century. In terms of Trincomalee initiatives, I think we are in a situation of reviving our past.

In my conceptual framework, whole objective of these policies and consultations is to improve the wellbeing and welfare of individuals of this region; this should be one cluster. Development aspect is another cluster. We cannot have wellbeing or prosperity without business so we need to have a business cluster. We cannot have a business without peace and security. Therefore, we can have this triangle of wellbeing, business, peace and security. We need peace and security in order to do business and we need business in order to achieve prosperity. And this is the conceptual framework we can think of.

There are different layers or levels of integration: global and international level, state level, and perhaps sub-national level and individual level. Privet sector must play a leadership role. There is no need of many more institutional mechanisms here. If we look at the trade patterns between China and India, perhaps without any agreement, their trade is growing.

***Noriyuki Shikata, Deputy Director General of Southeast and Southwest Asian Affairs Department, Ministry of Foreign Affairs, Japan***

I agree with what Raja Mohan mentioned on politicization of issues in the region. It is really important to focus on economic cooperation, including collaboration with the outside powers those who are able to assist and make use of existing institutions.

The region should have a perspective to avoid economic distortions in the region: There could be overlapping of projects, lack of attention to environment or social impacts, debt accumulation in some of the recipient countries, and political influences from outside powers. The projects, especially infrastructure projects should be sustainable. I wonder if there are ways for existing institutions to get involved in these areas. How do you observe current emerging political economic landscapes and how you peruse the growth of regional institutes? How do you intend to make free trade and open investment projects more sustainable in terms of regional picture?

***Khurshed Alan, Rear Admiral, Secretary, Maritime Affairs Unit, Ministry of Foreign Affairs, Bangladesh***

People, bureaucrats, and politicians are the players in this scenario but they do not get on with each other. While bureaucrats perceive things from an economic point of view, politicians look at them from a political point of view. When they are afraid of going forward it is difficult to build trust among the nations. If we could increase the cooperative attitude among the nations in region that would pave the way for trust for moving into a win-win situation with shared responsibilities.

***Mustafizur Rahman, Professor & Executive Director, Centre for Policy Dialogue (CPD), Bangladesh***

One important issue that emerged from the speech was the possibility of the dangers of geopolitical interests which could overwhelm economic possibilities. I think this is the key to the discussion. How do we sequence our strategies? Sometimes we end up with strategies then we bone hostage to each other with beggar-thy-neighbor strategies – strategies that transform one's interests into long-term political and geo-strategic hostilities resulting in issues of coordination. There is no place for partial equilibrium and we must go for general equilibrium. We must have a forum and coordination to discuss the issues such as medium to long-term infrastructure projects.

***Santosh Jha, Joint Secretary, Policy Planning, Ministry of External Affairs, Government of India***

There are certain things we are not yet talking about in the sense that same rate of growth in a big economy is bigger than that in a small economy. The point is that anything built in this region is going to be viable only if India is part of it. When we build infrastructure individually, we need to be sensitive to the eco system in the region. There is hardly any connectivity where India will not be a factor. When I talk about the fact that the Colombo

is a transshipment hub or development of a port in Bangladesh it has to be connected with business going around in India some way or the other. We are not trying to exclude others but if you want projects to be viable this factor must be addressed.

I do not think we need more institutions which are not known for implementing projects. European Union, as an example, only regulate and does not implement. That is one of the reasons why EU is found to be not a very good partner for national governments in most countries that work with them but there is nothing much beyond that in concrete term.

The trade and investment factor will emerge from connectivity not through free trade agreements. I completely agree free trade agreements only create sentiment and they do not create actual trade necessarily. The projects need to be done bilaterally whether it is with the countries in the region or outside the region. But it is being done acknowledging the fact that its benefits are for the region.

***Rohan Samarajiva, Professor & Founding Chairman, LIRNEasia***

I completely agree with Santosh Jha regarding the centrality of the Indian economy particularly the Western side of the Bay of Bengal. However, there are few developments in the Bay of Bengal such as the construction of a port and landing of undersea cables on the Western coast of Myanmar by China which are not even supposed to serve Myanmar but to serve the interior provinces of China. These developments make us think there is possibly another economy that one needs to factor in because the intersection of Myanmar can be brought into the equation, particularly in the development of the Eastern side of the Bay of Bengal.

Secondly a response to Raja Mohan; when we think of simply restoring what was lost in the history of the Bay of Bengal, there is a small danger. We have lost the historical ferry services between Sri Lanka and India, while the attempts to reactivate these services were not much successful in spite of their cost advantage over many flights between the two countries. This points to that fact that simple replication of history may not be successful, as there are new challenges under different circumstances today.

***Bernard Goonetilleke, Chairman, Pathfinder Foundation***

It might be correct to put forward a statement like outside powers distort economies in the region resulting in accumulation of debt and detrimental political influence. However, such statements need to be understood in the right context. China is making advances in the Indian Ocean region making certain investments and undertaking development activities, but why? There is need for such development activities, but not having the right kind of financial inputs coming into the countries concerned. It is China which has been actively involved in catering to the region's demand for financial need even if there are no immediate returns, but expecting returns in time to come. Without having alternative means of financial support, the countries are also dependent on financial resources of China, creating a monopolistic situation which makes some countries vulnerable. What should be the response to that without seeking alternative choices?



With respect to the ferry service issue, in Europe it is a common mode of transportation; the point is there are political considerations which we have to address and see how we can overcome the problems such as market driven issues, political issues, and bureaucratic issues which deter ferry services development as a common mode of transportation.

### **2.3 Responses**

#### ***Responses of the Speaker, Raja Mohan***

There is the competition factor, which demands our attention. Competition on the economic side is welcome because if there are many people willing to do similar things then the customer becomes the king. I have no regret about the fact that Chinese are willing to do things with their financial resources and Japanese are willing to present a package that is different from that or Americans or Indians are willing to do what they like to do. This opens the way for genuine economic competition. But the distortion takes place because of politicized arguments: It is a big question that if the choice is based on political or personal considerations at a cost to the nation, while we argue for de-politicization are we doing the due diligence? Therefore, public scrutiny of large infrastructure projects becomes very important.

In some projects the context will change: If you are building a pipeline the cost would change depending on LNG contract so that there will be some certain uncertainties on the basis of the content of the project. Technology challenges speedily. Within that given uncertain framework how much judgments can we make? In terms of what the large body does can affect on the rest of the system in any economic planning for port construction, how much of Indian shipping can I try? That should be the planning as well. If the region as a whole integrates, how we think of these projects change fundamentally.

There are different ways of conceiving the region: The Key is the keep doing things and if you keep doing the blocs you actually have shipping arrangements – lots of small things can actually begin to create market demand. Initiatives which will take you to point A and then to point B which itself will impose the regional integration as well as possibilities for various integration projects.

Finally Regarding China's monopoly; currently the world is going through very economically discontinues moment. What happens to free trade? What happens to Chinese reserves? What happens to US-China relationship? These are big concerns. Only way of coping with it in my opinion, is to hedge against current movements what Mr. Trump has introduced is to do more in the region itself. If we keep doing things between ourselves, we begin to ensure ourselves against big disruption that would take place in the global stages.

#### ***Responses of the Chair, H. M. G. S. Palihakkara***

Firstly, integration itself does not manifest automatically, as people have to work for it. Some of those who thought of getting integrated, are having second thought about it – BREXIT was towards disintegration. Therefore, it is a complicated concept and a task, though everybody here seems to say that. In that context, however, we must depoliticize issues and try to get action where action is possible. Perhaps, the best way to do things

through privatization and make things to be driven from profit motive, but this is not always possible as States are trying to strategize their advantages too. The point is that it is not easy but we can work on those things. Rather than creating more Institutions we must identify actionable things such as sale of electricity by India to Bangladesh which was not thinkable two decades ago. Rather than the strategic dangers or string of blunders, there can be strings of opportunities.

***Responses of Co- chair, Jayanath Colombage, Admiral & Director, Center for Indo Lanka Initiative, Pathfinder***

There have been cyclical changes in the Bay of Bengal; as we heard, it transformed from a dynamic region to a passive status now, and it would turn back again. It is time to capitalize this moment of time in the history to make it happen for the prosperity of the Bay of Bengal region.

There is a strategic security vacuum created in the Bay of Bengal by the post-colonial dynamics and inward-orientation of littoral countries. We have to take benefits from security and economic developments taking place in India. Small nations have fear regarding Indian domination so that India also has to do more on confidence building. We should also take the benefits arising from economic concentration taking place in Indian Ocean through the involvement of China, Japan, and India. It is necessary to establish rule-based international maritime order in the Bay of Bengal.

### 3 Transportation and Economic Connectivity in the Bay of Bengal: Way Ahead for Enhanced Cooperation

**Shekhar Sinha – Chair of the Session**, introduced the session by highlighting some important points with respect to the present set up of the regional connectivity. Any other connectivity or mode of transportation costs much more than transportation by sea, but people do not pay much attention to this. Today the quantum of trade through and from the Bay of Bengal countries is painfully low and in all these countries their import and export share of the sea trade with any other South Asian country is exceptionally low. Apart from commonly perceived macroeconomic factors, logistics and infrastructure, and tariffs and non-tariff barriers, India and other littoral countries in the Bay of Bengal all are still continuing with outdated barriers of shipping registration – you cannot do coastal shipping if the ship is not registered in the respective countries. How do we cross these huddles?

I agree with the fact that port development activities taking place in Myanmar or Bangladesh or Sri Lanka over time will facilitate trade in the region, though they may not appear as initially viable. You have to take regional development into account when you plan infrastructure development. Colombo is a big transshipment port and majority of the containers are headed in the direction of India. Inter land infrastructure is necessary for port development to bring the benefits of these projects to people of the country. Finally, that is what a politician wants too for them to come to power again.

#### 3.1 One Belt, Many Roads and Beyond

*Abu Saeed Khan, Consultant on Regional Connectivity based in Dhaka, Bangladesh*

While flows of goods and finance have lost momentum, the usage of cross-border Internet bandwidth has grown 45-times larger within a decade since 2005. It is projected to grow by further nine-fold within 2020, as digital flows of commerce, information, searches, video, communication, and intracompany traffic continue to surge. In the meantime, Internet value chain has been advancing, the submarine cable landing stations at the seashores are linked with various modes of overland terrestrial transmission systems to deliver Internet among the consumers via fixed and mobile networks. The terrestrial networks also interconnect the countries across the borders. Such cross-country networks inject competition to wholesale Internet bandwidth trading. Consequently, the individual users enjoy affordable broadband, which creates a vibrant Internet value chain.

The countries in mainland Asia are mostly interconnected through submarine cables. Public and private incumbents abuse their ownership of submarine cable systems followed by hindering competition in wholesale bandwidth sales. As a result, Asia remains impaired by the lack of cross-border Internet connectivity and exorbitant bandwidth prices. Hong Kong and Singapore are the only carrier-neutral wholesale capacity hubs in Asia, but their prices are higher than the corresponding European and North American outlets.

One Belt, One Road (OBOR) initiative of China and Asia Pacific Information Superhighway (AP-IS) of UN ESCAP are poised to disrupt Asian incumbents' dominance international gateways. Sri Lanka should exploit both the initiatives and

pioneer the fixing of Asia's wholesale telecoms connectivity market.

Asian countries, despite being located in the world's largest landmass, are interconnected through submarine optical fiber cable networks. A terrestrial cable gets cut in every 30 minutes and a submarine cable gets snapped in every three days somewhere in the world. And the IT downtime costs more than \$25 billion a year to the customers. Ability to rush the maintenance crew ensures the terrestrial cables' lower downtime than its underwater counterpart. India, due to its geographic location, has been the preferred transit of all submarine cables connecting Asia with Africa and Europe. Nevertheless, India's inefficiency made Sri Lanka to become the only submarine cable depot in the South Asian region.

Traffic decides the route and connectivity: An airline, such as Emirates operating in Dubai view its market as two-thirds of world population lives within 8 hours flight from Dubai, and one-thirds within 4 hours from Dubai. A train company, such as the one operating from Beijing, views its domestic market through the possibility of reducing the travel time. A train company may look at the markets even beyond borders; China invested in Kazakhstan alone over USD 40 billion in building road and railway infrastructure to connect China with Russia and Western Europe with the world's longest railway links.

Asian Highway has linked the borders along 143,000 kilometers connecting Russia, India, China, Turkey, Central Asia, SAARC, and ASEAN countries. Asian Highway is the preferred right of way for Asia Pacific Information Superhighway. While competition is critical to the cost of connectivity for people, countries around the Bay of Bengal have recently taken unconventional routes to explore their digital economy and reform the related regulatory mechanisms.

It is, however, Sri Lanka in the region which has the capacity and opportunity to exploit both One Belt, One Road (OBOR) initiative of China as well as Asia Pacific Information Superhighway of UN-ESCAP which are poised to disrupt Asian incumbents' dominance international gateways. Sri Lanka should exploit both the initiatives and pioneer the fixing of Asia's wholesale telecoms connectivity market. The country is already connected with three bilateral and four international submarine cable systems. Berthing of the cable repair ships to serve the region demonstrates Sri Lanka's regulatory foresight. Now the country should open its gateways and allow international carriers to trade wholesale bandwidth. Establishment of carrier-neutral data centers, without discriminating the local and foreign investors, should be Sri Lanka's priority.

### **3.2 Dilemma of Coastal Countries and the Role of Japan-India Strategic Cooperation**

*Satoru Nagao, Research Fellow, Tokyo Foundation, Japan*

Japan has been a stable supporter of Sri Lankan development for a long time, but until the recent past this relationship had little to do with maritime security. Japan now regards Sri Lanka as a partner in maritime security. The two countries have initiated high level policy dialogue on Sri Lanka-Japan Dialogue on Maritime Security, Safety and Oceanic Issues in January 2016 in Colombo. At these meetings, the two maritime states reconfirmed the importance of maintaining the freedom of the high seas and maritime order based on the rule of law.

At the same time, Japan has also promoted maritime security cooperation with India and carried out joint exercises, participated in the Indian Ocean Rim Association and Indian Ocean Naval Symposium. The evidence suggests that Japan has been actively engaging in maritime security in the Indian Ocean cooperating with countries such as Sri Lanka and India.

In an assessment of new dynamics of Japan–Sri-Lanka – India security cooperation, the China factor cannot be overlooked. China has been expanding its military activities around Japan and countries surrounding the South China Sea. For Japan, it is difficult to ignore the tense situation in South China Sea and China’s acts against the verdict of the Permanent Court of Arbitration. It seems that the tendency of China’s maritime expansion has been based on military balance, if history is any guide. The rising Chinese influence and declining US power are degrading the security situation around Japan. Therefore, Japan also has a need to maintain a military balance despite a larger military budget of China than that of Japan.

The emerging tense situation in the sea around Japan as well as in South China Sea is closely linked to the Indian Ocean where China has also started to increase its military activities. China is concerned about their over-dependence on their Sea Line of Communications (SLOCs) from the Middle East to China through the Strait of Malacca. Therefore, China has also tried to make an alternative route via Middle East – Pakistan – China or Middle East – Myanmar – China; all these routes are through the Indian Ocean. Since the mid-2000s, China’s military activities in the Indian Ocean as well as trade in naval and air weapons and investment in port building have been expanding. US military power in the Indian Ocean has been declining so that China has the opportunity to step in.

What is to be done? While maintaining military balance in the Indian Ocean is necessary, a cooperative action will have mutually beneficial outcomes. In order to materialize this, a cooperative system should emerge for these countries in this region. In this respect, the role of India and Sri Lanka is important. Most probably, India will be the most influential sea power to fill the power vacuum of the Indian Ocean in the near future. Historical incidents prove that the geographical location of Sri Lanka would affect security not only in the Indian Ocean but also in other areas including Southeast Asia, Middle East, and the Eastern coast of Africa. Therefore, Sri Lanka needs to have cooperation with not only China, but also with India and other countries such as Japan. Therefore, Japan – India – Sri Lanka cooperation will be mutually beneficial and important for maritime security in the Indian Ocean.

### **3.3 Discussion**

#### ***Co-chair, Rohan Samarajiva***

The two presentations in the second session built bridges with the first session which dealt with purely strategic issues but which raised questions about the meaning of the region – the interdependency of the region means that we can no longer think about the Indian Ocean or Bay of Bengal without thinking about its relationship with the Eastern side or the Pacific side. Particularly the context of new technologies has been highlighted by Abu who brings up the issue of the futility of looking at different infrastructures in a region in isolation. Nagao makes a specific proposal regarding maritime communication system which is obviously a ICT based system which serves maritime security and transportation.

***Mustafizur Rahman, Professor & Executive Director, Centre for Policy Dialogue (CPD), Bangladesh***

If I take the perspective of a small economy as ours with 22% of people are below the national poverty line and 12% of people are in extreme poverty, it is different from major powers like USA or Japan or India. It is the economic issues that dictate the future of our country. We have to create employment opportunities for the people and that is how we in that context look at it.

I think economic security is the real security for our country. I think going forward Bangladesh will have to strategize from that context. For us Southern Asia is the region of reference. SAARC and BIMSTEC economic corridors, and trade agreements gives us entry points to the respective countries and regions. Digital connectivity is important together with trade connectivity, investment connectivity, transport connectivity, people to people connectivity to translate our comparative advantage to competitive advantage. If we can have better connectivity between South Asia and East Asia that can help South Asian countries to graduate from lower income to middle income and further. Cost of not doing is really costing us a lot.

***Ranuk Mendis, Ministry of Defence, Sri Lanka***

My concern rather than a comment is with regard to the maritime communication system; How do we keep maritime communication systems to completely being economic without our own personal security agendas rising? Also, we spoke about a possibility of a coastal zone management system in South Asia; Sri Lanka navy did an excellent job during war against LTTE destroying LTTE fleet which was a massive strategic move forward. Having said that one aspect I see which has been neglected in security today is our coastal assets in Sri Lanka; are we taking adequate security measures to protect infrastructure not only in Colombo but also in Trincomalee and Hambantota. As time goes by progressive shipping traffic will increase the flow of civilians and ships. So my question is if we are to set up a coastal zone management system in South Asia in collaboration with other nations, would not there be regional security concerns or development affecting our own security concerns? Would not there be any conflict?

***Raja Amarathunga, Consultant (Petroleum Sector), Public Utilities Commission of Sri Lanka***

As far as Sri Lanka's energy security is concerned certainly there is a need for new investment, and Trincomalee is one of the ideal places for us to develop refining industry. It has the potential to be an energy hub since it is a natural port with a deep harbor and equipped with already built oil tank farm.

Oil tank farm can be used as a storage facility to store petroleum products for the regional use and this is one instances where economic cooperation with other countries can be mutually beneficial. We need countries kin the region to come in and become economic partners or initiate projects of that nature as private-public partnership initiatives. In Hambantota, as well we can have a refining capacity develop and both these ports can serve as refinery hubs for export purposes. With respect to energy security issue, it would be important for Sri Lanka to establish power connection with India which would bring

about benefits to both countries.

***Luxman Siriwardena, Executive Director, Pathfinder Foundation***

My desire to comment came out of the presentation on the analysis of the interest of Japan to work with Sri Lanka. I hope this interest will turn into real time actual investment not only in Trincomalee but elsewhere in the country. This is because from the point of view of a smaller country, it does not sound very safer to be in the middle of the games between some rich and militarily powerful players. When Sri Lanka started opening up its economy we were penalized in the 1980s for being pro-American; we were asked not to associate with American imperialists or to allow American investment here. One example was the issues we had regarding Voice of America radio station which was set up in Sri Lanka; we were asked to get away from that and if we would not we were to be punished for decades.

Now today after some time, the same is being repeated – do not get closer to China because we are threatened or somebody else is threatened. Do you think that how long and to what extent a smaller country like Sri Lanka go on like this? If we were a militarily powerful country or if we are protected by somebody powerful, Sri Lanka can also get involved in playing the games, because the risk is taken by someone else. But in our case, is there anybody asking us remain poor?

Therefore, Japanese need to come and invest in this country; but if you do not want to do that we offer that opportunity to somebody else. I would like to ask our Japanese friend – Satoru Nagao, how do we strike a balance between these two situations? Whatever you do or somebody else does ultimately Sri Lanka will get back to its own development path as it has happened in the same way in the past too; if Sri Lanka did not go through the 30 years of agony – the LTTE war, this country would have been in higher status today.

***Khurshed Alan, Rear Admiral & Secretary, Maritime Affairs Unit, Ministry of Foreign Affairs, Bangladesh***

Regarding Abu's presentation, as I understand the gross marine product of the Ocean as a whole amount to almost US dollars 25 trillion out of which only 3 trillion are being utilized at present. It makes the Ocean the 7<sup>th</sup> largest, compared to GDP of the US. This means there are ample opportunities – fishing, tourism, transportation and other, to be exploited through maritime cooperation.

In the Bay of Bengal area we have signed maritime cooperation agreement with India, but not much activities taking place. Bangladesh capacity is limited by technology to go to deeper Ocean and our fishing is limited within 50 km of the coast line. We need cooperation from other countries to overcome these difficulties. Sea bed mining is done by India and Singapore and we are not yet there; we need cooperation from other countries. There are three organizations working in these areas, while Indian Ocean Naval Symposium is a big annual meeting but I have no idea if the outcome of these are translated into any economic cooperation. Therefore, I urge that we may need much better coordination among all these activities and, thereby maritime cooperation.

***Noriyuki Shikata, Deputy Director-General of Southeast and Southwest Asian Affairs Department, Ministry of Foreign Affairs of the Government of Japan***

The presentation by Abu Saeed Khan concluded that China's success was based on lots of accomplishments made by China; as a telecom expert, how do you assess the issues of cyber security especially if you have been at a data center, as foreign companies face massive challenges in terms of data security issues.

You also explained about India's failure to introduce competition in the ICT area. From a different angle, we have seen outsourcing of IT related activities from Silicon Valley to Bangalore so that India is emerging as an ICT hub. With respect to these enormous potential, there seems to be a kind of disconnect between India and the rest of South Asia. If I understand this correctly, we can work in this issue. As I spoke, Japan has the capacity to provide training, which would be important for future investment and collaboration in this field.

***Gopal Suri, Commodore & Senior Fellow, Maritime Affairs, Vivekananda International Foundation, India***

In terms of transportation and economic connectivity, there need to be a certain level of synergy in the way we approach, as it might create mutually exclusive zones. We need to make a model and example to start with India's Sagarmala project.

It would be better if we let the people do the talking without government interference in some of the areas like fishing. We have now got an agreement with Bangladesh for coastal shipping, and we can push it through. In terms of security, it is necessary to be cooperative and collaborative; each one can have their stake, and recognize others' stake.

***Raja Mohan, Director, Carnegie India***

A quick response to the claim that a small country sit together with big India: Bangladesh is not a small country and I think it is not the size that is important. Each country can have their own challenges so that we should not be self-pity.

***Sumith Nakandala, Ambassador, Secretary General, BIMSTEC***

I thought of just supplementing the comment about energy security in Sri Lanka and rest of the Bay of Bengal region. The memorandum of understanding (MOU) for the BIMSTEC grid integration is ready for signing hopefully in March, this year. This MOU provides bilateral as well as multilateral building blocks so that for Sri Lanka what we need to do is to build a 500KW line between Madurai and Habarana or Anuradhapura bilaterally between India and Sri Lanka.



***Bhrihu Dhungana, Head of South Asia Division, Ministry of Foreign Affairs, Nepal***

I consider transportation and connectivity is important for market access in the Bay of Bengal; there are some issues to be focused on: FDI plays a key role, greater trade and integration, ICT and enhance connectivity, improving infrastructure and institutions, people-people connections. In this respect, we should recognize the importance of agreements that we have reached. Landlocked countries like Nepal have special needs – transit and transport agreements need to be renewed and improved to get access to utilities.

***Sumith Nakandala, Ambassador, Secretary General, BIMSTEC***

It is absolutely important consideration for landlocked countries to improve their transit and transport access among other serious considerations. When leaders met in Goa last time, they entered into a framework agreement on transit, transshipment, and vehicular traffic so that this concern has already been taken into consideration at BIMSTEC.

***Adhil Rasheed, Captain, CEO & Education Program Director, Maritime Academy of Maldives***

Comment on linkage; maritime transportation has strengthened economic integration and India's trade through Ocean has grown rapidly due to maritime transportation – port and shipping is the backbone of India's trade expansion and regional value chain. But a major obstacle is the high cost of moving goods across the borders. Improvement in maritime connectivity would reduce these costs among other benefits. Challenges to maritime connectivity includes limited port capacity, high cost of handling charges, lack of skills and efficient institutions, lack of automation and modernization.

***Prasanna Jayawardena, President, The Hotels Association of Sri Lanka***

There are two Sri Lankas and two worlds. This corporation is excellent and we must work on this. Japanese, Chinese, Russian or any other can invest so that we can improve the standards of the countries in the region. I speak for most of the Sri Lankans who want to raise the country's standards.

### **3.4 Responses**

***Responses from the Speaker, Abu Saeed Khan***

Having a data center or not having it is a choice of individual countries so that if there is cyber security issue one should not have it.

Business Processing Outsourcing (BPO) success in India is a result of providing infrastructure which is a different issue. Singapore or Hong Kong or Paris or Frankfurt, which has global wholesale market for international bandwidth, does not have track records of BPOs. Indian government has radically privatized and liberalized telecom business. The private companies instead of competing with each other, have formed a

cartel, and according to Telecom Regulatory Commission (TRC) of India, these companies through the cartel exploit the market mainly due to closed cable gateway. As a result, competition in the telecom field is severely restricted in India. India's pool of human resources is not due to any telecom infrastructure development.

***Responses from the Speaker, Satoru Nagao***

I have two responses to questions from Bangladesh, and two more to questions from Sri Lanka: Although poverty and defence are two different things, Bangladesh also imports defence submarines from China. This means that Bangladesh has also concerned about defence. It is not right to say that we should not talk about defence because we have to talk about poverty. I think both are important matters. Second, there is a problem in purchasing submarines from China. For training and technical purposes Chinese personnel has to reach to the Indian Ocean and there is exposure of information which might disrupt the maritime security in the region.

In responding to questions from Sri Lanka, I would say that the communication system and required infrastructure supporting that system is important for the Bay of Bengal for its maritime security. Secondly, with respect to maintaining balance, I did not say that Sri Lanka should not accept Chinese investment; it should and Japan should recognize it too. Even if the offer is quite attractive, sometimes we need to look at not only that benefit, but also the people.

***Rohan Samarajiva, Co-chair***

Professor Mustafizur Rahman from Bangladesh introduced five-fold connectivity: trade, investment, transport, digital, and people-to-people. Although we usually focus on physical connectivity, the digital connectivity is important too. There is inter-dependence among these five modes of connectivity; Mr. Abu, would like to comment on this?

***Responses from the Speaker, Abu Saeed Khan***

DHL which is initially a courier service expanded into freight business, has decided to set up their South Asian hub in Singapore, not in South Asia. DHL Connectedness Index gives an analysis of telecom connectivity in each country. Real time tracking of a moving package has to be efficient. Data transmission through fiber optic cable is now connected to electricity grid which is the safest. It is necessary for people-to-people connectivity through Internet. These developments have already eroded the revenue of old-fashioned telecom system. Bangladesh garment exporting industry – the second largest in the world, makes use of modern communication system for connectivity.

These examples show that connectivity has improved through technological advancement, and how each types of technologies are inter-dependent. In addition, connectivity costs have rapidly gone down for businesses as well as for people improving the economies and living standards of developing countries. ICT development in the world has become oxygen for development.

*Shekhar Sinha – Chair*

The concern was mentioned by Mr. Ranuk Mendis about the communication network system and internal security threat that it can pose. This could be handled by two ways: First, there can be an additional security overlay on the part of the network, connected to the internal security-related organization. Second is the identification of the critical ICT infrastructure by the government and, thereby laying down the limits and assigning a trusted party to handle it for the national security.

As there was a reasonable amount of reactions to Mr. Nagao's presentation, though it is not directly connected to the theme of the session, some of us representing the government tend to think that any research work should be made available for the government use; but it is not the case. Mr. Shikata from Japan had the government view in his presentation in the previous session. Mr. Nagao can have his own view, while there are different views in different context. Indian telecom industry is using Chinese telecom equipment considerably. Therefore, it is the government which has to take a stand which sector has to be liberalized and which sector has to be security-sensitive.

If we come back to our theme transport connectivity, there are lots of port development activities in the Bay of Bengal region in many different and innovative ways. This is where investment from third party is required as all these countries are still growing from low-income levels to middle-income levels. Port development will also help hinterland development so that port development should have internal connectivity. For short-term benefits, make use of waterways which are available in plenty in the region.

Trincomalee can absolutely serve as an energy hub for the entire region, and it is needed for all the countries in the region. It is also not a difficult agreement to reach. The five-fold connectivity that was mentioned are extremely important, while the ICT connectivity is important but rapidly outdated as new technology is advancing.

## 4 Strategic Importance and Potential for Development of Trincomalee Harbour as a Hub for Bay of Bengal Region

*Bernard Goonetilleke – Chair of the Session*

I want to draw your attention to the history of this island, Sri Lanka. Since the pre-Christian times, several seaports existed in the country, while most important among them were *Jumbukolapatna* in Jaffna (North), *Mantota* in the Northeast coast, and *Gokanna* which is Trincomalee in the East. Throughout the development of Sri Lankan civilization, all three seaports played an important role. Trincomalee became important during *Chola* dynasty, followed by the Europeans – Portuguese, Dutch, French, and British who fought over this priceless asset. Even the Chinese were active there before the arrival of Europeans. During British times, particularly during World War II, Trincomalee Port became the home to British East India fleet.

Since the handing over of the Trincomalee Port by the British to the Sri Lankan government in 1957, it has two idling assets – the harbour and oil storage facility. As we have focused on the Bay of Bengal and its emerging importance in previous sessions, we have an opportunity to discuss about the Trincomalee harbour that accommodate mega-sized vessels in serving the Bay of Bengal.

The issues are related to the development of this Port. When there are competing interests on this harbour, what types of better strategies and alternatives we have among the countries in the neighbourhood. We were pleased to hear about India's "neighbours first" policy and the interest of Japan in the region. What are the options that Sri Lanka has in this backdrop to develop Trincomalee Port and to make use of its oil storage capacity? How are they connected to the other developments within the country and outside particularly the Bay of Bengal? Pathfinder Foundation is also proposing to conduct meetings, and conferences in the future and to get involved in studies in respect of the Trincomalee development. We hope that India and Japan will be playing a major role in the development process of the Bay of Bengal.

### **4.1 Strategic Importance of Trincomalee Harbor in the Bay of Bengal Region**

*Jayanath Colombage, Admiral Dr. & Director, Centre for Indo Lanka Initiatives*

The island of Sri Lanka which has only a sea frontier can be considered as the southernmost landmass of Asia, since there is no other land mass between Sri Lanka and the South pole. Geographical location has often been a key enabler for Sri Lanka to attract many a nation to focus their strategic attention on its position. In historical times, contacts were established with foreign nations for the purpose of navigation, trading, exchange of religious practices and for political reasons. Since the time that trading patterns in Asia shifted from the Arabian Sea to the Bay of Bengal at the turn of the seventh Century, the importance of Trincomalee Port became multiplied.

Trincomalee natural harbor, which according to some writers is the ‘second largest natural harbor’ in the world, has an un-dredged depth of 25 meters; this suggests that even the largest ship in the world can enter this harbor, easily making it the shipping hub in South Asia. The most remarkable feature of Trincomalee is the great depth and the shelter it provides with many rocky promontories, bays and coves, which provide ample anchorage and protection. It is in fact the closest deep water harbour to the countries around the Bay of Bengal and even for ships coming across Malacca strait. With a naturally protected inner harbour with numerous coves and bays and a large northeast monsoon protected outer harbour, Trincomalee provides an ideal location for development. It also provides an ideal location for ship building and ship repairs even in the present day.

Another major attraction of Trincomalee is the deep blue waters and rich green vegetation, combined with white sandy beaches and the presence of marine mammals including large schools of Blue Whales always roaming around it. Trincomalee could likewise be a paradise for tourists who love the ocean, nature and history. With one of the first airfields built by the British located in one side of the harbour, China bay, it has the potential for development as a regional aviation hub. Trincomalee harbor has been explained as the “most valuable asset of Sri Lanka”.

As the Indian Ocean is becoming the center of maritime activities and economic progress eroding the importance of Atlantic and Pacific oceans, an area of Geo-strategic and Geo-economic competition, which has attracted the attention of major naval and military powers. Along with these developments, the strategic importance of Trincomalee Port is also rising. The main player in the region – India has renewed its focus not only on the immediate neighbourhood of the country, but across the entire region, while the focus of the world powers on the region has been mounting.

As the Bay of Bengal occupies a strategically important location in the northern Indian Ocean, it should play a more important role in developing connectivity, be that by sea or air, and Sri Lanka being located strategically in the Bay of Bengal could play a vital role in enhancing connectivity in this region. The Port of Trincomalee could be developed to support connectivity, particularly by sea, as its harbor has played a key role in trade and wars in the Indian Ocean in history. In today’s strategic maritime context too, Trincomalee harbour would be an ideal harbour for functioning as a commercial hub and as a center for a Regional Maritime Security Architecture focusing on the Bay of Bengal.

## **4.2 Pre-conditions for the success of a logistics hub serving the Bay of Bengal**

*Rohan Samarajiva, Professor & Founding Chair, LIRNEasia*

As there have been many discussions over the potentials of Trincomalee, one of the great natural harbors of the world its use has been at a sub-optimal equilibrium point. Can it be changed this time? The question is timely in the context of awakening in the Bay of Bengal, emerging initiatives by Asian powers and the Sri Lankan government’s apparent openness to partnerships to develop its assets. At present, Sri Lanka with its competitive Port in Colombo is playing an important role in the region’s transport and logistics system, although there are new port development projects emerging in the Bay of Bengal.

Region is in rapid transition as some of world’s fastest growing economies are around

the Bay of Bengal. They all require connectivity so that the littoral states require resources. Already China, India and Japan are already undertaking investments with their resources in hand. The connectivity in the region will increase even faster when China can reach the Bay of Bengal through Myanmar and when the political issues along the economic corridor are resolved. Sri Lanka will have to realize its position as a gateway to the Bay of Bengal.

As seaports, airports and transportation hubs serve the country or region they are located in and handle transshipment traffic. Sri Lanka, being an island does not serve a large hinterland because small Sri Lankan market could not support a world-class port like Colombo, which has reached the 30<sup>th</sup> largest container port in the world. Once a hub becomes established, it is difficult to displace too. However, changes in technology and poor policy choices may cause loss of hub status. Colombo is, however, constrained by the fact that it is crowded in by the city that has grown around it. A Port needs connectivity to the origins and destinations of cargo, as it does not succeed in isolation.

Problems and remedial actions for Trincomalee to succeed as a Port are as follows:

- As Trincomalee is a strategic location, both in terms of control of the Bay of Bengal and also in terms of managing the ethnic tensions within the country, a robust security component of the development plan is required.
- As Colombo's position is unlikely to change, secondary port like Trincomalee will require efficient railway and expressway connectivity to Colombo overcoming the existing connectivity barriers.
- It would be advisable to upgrade the existing China Bay Airport in Trincomalee, ideally by clearly demarcating the civilian and existing military areas to facilitate regular flights to and from Colombo.
- Depending on the size and requirements of the energy demand in Trincomalee, including the planned industrial zone, there is merit in considering a clean energy plant in the proposed Sampur location or elsewhere to serve its needs and also supply the national grid.
- Even though Trincomalee is not located in an arid zone, defined as having less than 50 inches of annual rainfall, adequate water supplies should exist for a major port and industrial zone.
- A logistics hub and an industrial zone would require the presence of a significant number of managerial personnel, foreign and Sri Lankan. It has been found that the lack of good-quality schools and medical facilities makes it difficult to persuade such people to relocate. There is merit in seeding the development of high-quality social infrastructure.

### **4.3 Development of Trincomalee Harbour as a Hub for Bay of Bengal Region**

*Rohan Masakorala, CEO, Shippers' Academy, Colombo*

The traffic on the Bay of Bengal is relatively low, and the ship services are mostly bulk, gas and tankers serving direct to individual ports. In addition, the container volumes originating from the region are facilitated with feeder services either connecting Sri Lanka, Singapore or Malaysia with mother vessels.

The important aspect is to create the critical mass and the scale of cargo volumes so that ship owners can rationalise the cost of diversion, number of vessels to be deployed and to allocate voyage planning so that a hub and spoke model could be developed for bulk cargo of the region. In addition, many ship and maritime related services can be provided within the sheltered harbour basin, which includes lightering/double bank operations, ship and rig layup services and dry docking services.

The main challenge is how to increase containerized cargo volumes in Trincomalee. Probably, there are three options available: The first is to establish a major industrial zone for assembly and manufacturing, which can attract container feeder vessels. The second is to connect to Colombo through railway, and the third is to connect to India through a land bridge both for transporting bulk cargo. Transport connectivity as such will reduce the need of vessel deployment to go around Sri Lanka. With these transport links, the speed of delivery can be increased whilst major container traffic could be diverted to port of Colombo to reach mother vessels sailing to Europe, Middle East, East Africa and North America on the main East – West shipping lane.

Other advantages of the Trincomalee Port are connected to its ideal potential for a modern cruise terminal and to be a turnaround port for cruise ships and regional passenger ferry services. It also can act as a hub for regional coast guard services and a reefer cargo distribution centre. Given the oil storage facilities, the port would also be an ideal distribution centre for bunker and related services as well as to locate a refinery facility for regional distribution. Apart from all above, the volumes of cargo from the Bay of Bengal area is on the rise demanding for Port facilities in Trincomalee.

The way forward is to undertake comprehensive study on current traffic volumes, products, markets and a growth forecast, while interviewing major ship operators to seek their views and requirements. Sri Lanka will also have challenges to face in transforming itself from a transshipment hub to a maritime hub that needs to be taken into consideration. For a maritime hub to attract global shipping industry, in spite of its locational advantage, Sri Lanka will have to work on improving on legal framework, energy and services, competitiveness through ease of doing business, and expertise, finance, skills and technology.

#### **4.4 Functional Regional Cooperation in the Bay of Bengal**

##### ***Sumith Nakandala, Ambassador & Secretary General, BIMSTEC***

Since mid-1940s there have been initiatives to foster regional cooperation in this part of Asia. Asian Relations Conference held in 1947 is one of the best examples, although it did not succeed. In 1959, the Prime Minister of Sri Lanka attempted to review this by writing to regional leaders for cooperation in a number of areas at the time. Since then, there have been a number of attempts, including the initiatives such as UNESCAP and Colombo Plan.

BIMSTEC commenced as BIST-EC (Bangladesh, India, Sri Lanka, Thailand – Economic Cooperation) in 1997; it was changed to BIMSTEC (Bay of Bengal Initiative for Multi Sectoral Technical and Economic Cooperation), and adopted at the First BIMSTEC Summit on 31 July 2004. According to Bangkok Declaration in 1997, BIMSTEC is for achieving the objective of sub-regional cooperation through joint endeavors. In any form of a regional initiative as such, there is a foreign policy narrative; BIMSTEC is seen as a collective endeavour of India's "look East" policy (which was now changed to "act East" policy) and Thailand's "look West" policy. BIMSTEC is focusing on regional

cooperation in 14 sectors, while it has actively involved in some sectors than others.

As far as economic cooperation is concerned, BIMSTEC has been involved in establishing a FTA in the sub-region. But it gets late and miss the opportunity because there is one member state deliberately delaying the its submission of tariff liberalization schedule. If you take Asia Pacific region, there are 267 FTAs, which have complicated the regional trade as a spaghetti bowl. The share of GDP of the seven BIMSTEC nations in 2015 is below 4% of world GDP, which reflects our economic position in the world.

BIMSTEC is at present working on the following agreements:

- Framework Agreement on Transit, Transshipment and Movement of Vehicular Traffic
- Trade Facilitation Agreement
- Agreement on Mutual Legal Assistance on Customs Matters
- Coastal Shipping Agreement
- Master Plan for Connectivity
- Greater Physical and Economic Connectivity between South and Southeast Asia
- Economic, Technical and Infrastructure Cooperation
- Annual Meeting of National Security Advisors
- Countering Radicalization and Terrorism

Apart from the above, BIMSTEC is also acting on Expansion of Energy Trade, Annual Disaster Management Exercise, and Greater Agricultural Cooperation, while it is celebrating its 20<sup>th</sup> anniversary this year.

#### **4.5 Discussion**

***T. J. L. Sinniah, Rear Admiral & Commander, Eastern Naval Area, Sri Lanka Navy***

I am with a more optimistic opinion of Trincomalee as a strategic harbour. Pearl harbor, Port Blair, and Gam, they all are very strategic harbors and they are not economic harbors. This Ocean is the gateway to seven seas in the 21st century, and the destiny of the world will be decided on this waters. We in Sri Lanka believe that we are at the center of the Indian Ocean and that is why Trincomalee be the harbor for everything, and not just economics.

The threats and challenges of the stakeholders of Indian Ocean and the countries that touch its waters will continue to increase predominantly due to the ambitions of power players in the region competing for access and safe harbors. This is where Sri Lanka's location is important. Ship bands or cross roads or maritime routes that we have seen today between the East and the West are now having three deep water harbors, one on the East, another in the West and the other in the South of the island. It is a great advantage and it could be considered to a safest country to harbor bear in mind the present threat scenario in the region. Underutilization of assets does not mean that there are no opportunities. No country in the region wants to see these Ports giving any favor to any power player. We in Sri Lanka need to exploit the opportunities and share with our maritime stakeholders for good.



***Sudharshana Pathirana, Air Vice Marshal & Acting Director Air Operations, Sri Lanka Air Force***

Taking a generalized look at this subject from an airman's perspective, I found that Eastern region of Sri Lanka is blessed with 3 aero drums: China Bay, Batticaloa, and Ampara. Of these China Bay in Trincomalee has the biggest potential, while it together with other two serves as ideal gateway to the East of Sri Lanka. The bordering water body of China Bay airport – Trincomalee harbor and Thampalagamuwa Bay, offer ideal opportunities for a seaplane operation hub which is gradually gaining its popularity in Sri Lanka like in Maldives.

Trincomalee harbour and China Bay airport could be a vital connecting dot between regional destinations at lower transportation cost. This may be highly pragmatic approach to springboard Sri Lanka to fill the void between Dubai and Singapore, where regional travel is connected. China Bay is also ideal for aviation training center in the eastern coast. The deep-water port of Trincomalee and China Bay could be used collectively use for surveillance, reconnaissance and, search and rescue operations encompassing the Bay. China Bay can be transformed into a vital command force at maritime air operations with its focus on the Bay of Bengal.

Developing Trincomalee as maritime and air hub is seriously important for Sri Lanka's national security too as the Bay is gaining increasing international attention. Security is identified today beyond the tradition means of protection. Development of Trincomalee collectively as an air and maritime hub in the Bay of Bengal will increase its potentials for all the stakeholders by optimizing Geographical and geopolitical advantages in the region.

***Gopal Suri, Commodore & Senior Fellow, Maritime Affairs, Vivekananda International Foundation, India***

Mr. Rohan mentioned about possible competition between Colombo and Trincomalee if the latter were to develop as a container transshipment hub. Nevertheless, I would also suggest large ships are coming in 8000 TU types, which require adequate draft and the sea room. It is a prospect, but it all comes with the connectivity; you cannot have a port without roads and airport, and airport without hotel industry.

India has got new exploration licensing policy which has been in force for the past 5 years, and we navy has lost the freedom to exercise in the East coast now where we choose to do it. It is done in Singapore or Middle East so that is a very right prospect which can be look at immediately. In fact, it does not require major infrastructure, and all that requires can be easily made available in Trincomalee.

Another important factor is, as you outlined Colombo as India's second port; it can be looked at another way for development. Trade in South Asia consists about 40% containers and 30% liquid bulk. On the east coast of India other than Krishnapatnam most of them are bulk ports. If you look at China Max kind of vessels we are nowhere near that. There could be a small path way to take in China Max vessels here of course the dynamic of the trade figures, and most importantly data collecting part must be done before you think of stepping in this direction without going by anecdotal evidence.

The other which I talk integrating with Sagarmala; which is India's port laid development scheme which is important and so that we don't step into each other's territory and cause grievous harm that has happened in the past. The next thing is HADR; while it could

work considering its location whether it is the MRCC aviation talk about important thing in all these you need to be located such that you can be deployed assets quickly.

***N. S. Cooray, Professor of Economics and Associate Dean, Graduate School of International Relations, International University of Japan***

I should share some of the work that Sri Lankan expatriates in Japan are doing in relation to Sri Lanka; this is a work of Professor Monte Cassim under the title Inclusive and sustainable Regional Development in Sri Lanka. Among the activities that the Sri Lankan government has planned for the next five years, making Sri Lanka a hub in the Indian Ocean is an important one related the subject that we discuss here. We in two teams, one in Colombo and the other in Tokyo headed by Professor Monte Cassim are working in the areas of advanced agriculture, science and technology, quality infrastructure, civil safety and security. We have a strategic plan for implementation under the headings of regional development, governance aspect, and hub in the Indian Ocean, which are in line with the government's five-year plan.

***Niro Cooke, Director, Kings Investments (Pvt.) Ltd***

Colombo should remain as a container terminal and grow as a container terminal, Gale should become a dedicated passenger and marine terminal, Hambantota as a light industrial zone, and Trincomalee can have a heavy industrial zone; this is our belief looking at different attributes of these ports. They do not compete with each other but rather are complimentary. Foreign investment may take a regional view for location and a strategic global view of opportunities, when they consider Sri Lanka.

Despite our efforts to attract FDI we find ourselves surrounded by challenges of policy inconsistency, huddle politics, political uncertainty internally as well as externally in the region. Therefore, investors looking at investing in Sri Lanka with a regional view would have to consider India's policies too. Although Sri Lanka has invited India's private and public sectors to participate in port development many times, there has been little progress. For me regional cooperation mean we agree to build complimentary infrastructure for each other.

Our involvement in Trincomalee started after the end of the war in 2009 with a partnership to develop a multi jetty industrial zone with a focus on environmental sustainability and to develop large scale infrastructure there; this project is large enough and attractive enough for the countries in this region also to step in to a project of this nature that would feed the entire region.

***Malraj B. Kiriella, Director General, Sri Lanka Tourism Development Authority***

Basically, the focus here is more on cargo side than on passenger side. As I represent tourism industry, I have seen the tremendous increase in tourist arrival since the end of the war in 2009. We are at the point of launching vision for tourism for 2025 with the strategic plan up to 2020, targeting 4.5 million tourists plus US dollar 10 billion income. In the plan, we have identified zonal development. The Eastern coast as well as North was not open for tourism due to the war at the time, and the area has great potential. In the East itself there are natural assets including beaches, wildlife, and scenic places, and heritage sites. The East can cater to the tourist traffic in a complementary manner, tourism in the Western and Southern beaches is seasonal.

Almost 99% of tourism traffic to the county is by air, but before the war tourist arrivals

by sea was about 12% of total. The decline in tourism traffic by sea could be either due to the war or development in aviation and technology. Although there is worldwide decreasing trend in people going by shipping lines, I would think that still we have the potential. At the moment, we get about 20% of tourist traffic from the countries around the Bay of Bengal, including India. When the Bay of Bengal is becoming a developed region with connectivity links to Trincomalee, it is necessary for us to think of not only maritime but also the aviation component. With the planned airport in Trincomalee or Hingurakgoda with local and regional connectivity, we will have a viable and diverse tourism industry in the East as well.

**Ravindra Galhena, Indian Ocean Marine Affairs Co-operation (IOMAC)**

One big physical development that would take place in the next 5 to 10 years is the Kra canal project, which could be cut across Thailand. This might have an impact and implication on Trincomalee and even on Hambantota, which needs to be studied.

***Shekhar Sinha, Admiral and Former Chief, Western Naval Command, Indian Navy***

I want to make few observations: If Trincomalee has to be developed the hinterland development is extremely important since port development alone has very little meaning. Land acquisition, infrastructure development, job oriented developments in Eastern province is extremely important. This can become a hub for transportation to various ports in the Bay of Bengal, while right now inland waterways are not connected properly in these countries.

In the Indian Ocean, there are many more space for ports to be developed, as otherwise the current ports are not able to handle the expansion. All the ships are actually coming to various ports in the region so that you need to think practically that why should they not off load at Trincomalee.

Admiral Colabage mentioned about the importance in strategic aspects; in fact, the presence of military ships need to have military presence. If you see commercial ships coming from Malacca strait and heading towards Gulf or Red Sea, why should not they stop in Sri Lanka? If it is for fueling, then there should be transit facilities in Trincomalee and the oil tank farm can be used as a strategic reserve for everybody around the Bay of Bengal. Refinery facility and ship repair facility might be important too. I think these are the areas to concentrate in Trincomalee.

***Noriyuki Shikata, Deputy Director General of Southeast and Southwest Asian Affairs Department, Ministry of Foreign Affairs, Japan***

At the time of President Sirisena's visit to Japan there has been commitments made by Prime Minister Abe about Japan's economic cooperation to Sri Lanka, including ODA loan facility for a transmission line. This transmission line allows power generated from the power plant at the Eastern province to be transmitted to the city of Colombo. At that time, Abe shows his determination to work on development policy loan which support policy and institutional reforms in macroeconomic and public financial management as well as the promotion of the private sector. The two leaders agreed on the importance of the port development which includes Colombo and Trincomalee ports. In the beginning of this year we have seen a Japanese survey mission in Sri Lanka to study needs and the logistics for the development of north of Colombo port and surrounding areas and as well

as the development of Trincomalee port.

In this process, there are interested donors, while there should be effective policy coordination inside Sri Lanka which is very important. ADB is willing to come in, and there might be others too. My question is that any of you have perspective of the Sri Lankan government on this policy coordination issue?

Next question is about BEMSTEC and its effort on FTA; Japanese government is very much interested in this development, but it is taking a bit long time and in the meantime Asian integration is deepening. In my personal view there seems to be competition between BEMSTEC and ASEAN. It does not have to be mutually exclusive and, BEMSTEC could play very important role connecting ASEAN with the subcontinent. What is your comment about BEMSTEC countries which have to push for the FTA, and how should Japan support this process?

***R.B. Rauniyar, Managing Director, Interstate Multimodal Transport Ltd, Nepal***

Trade look for competition and, then costs go down. Sri Lanka is a transit port and the benefit is a win-win situation to all the surrounding countries of the Bay of Bengal. As India is growing and succeeding in business in this region so that all countries around the Bay of Bengal will have its benefits. Trincomalee will have businesses as a regional hub and its connectivity will grow for these businesses. Consultation, collaboration and cooperation will benefit everybody.

***Bernard Goonetilleke – Chair:***

It was an excellent and interesting session. Admiral Colabage revealed interesting possibilities of Trincomalee. Professor Samarajiva pointed out shortcomings and how they can be addressed by improving connectivity; some of these issues are already being addressed at policy levels. Mr. Masakorala brought about vital information from Singapore and Dubai as well as references to other relevant areas. My question is what do we do next? Pathfinder proposed that we can have another round of discussion perhaps next year. In between we could undertake some studies with regard to the potentials of Trincomalee, plugging on to the Indian network of energy, how connectivity could be improved and other. Pathfinder foundation with cooperation of Carnegie India will put forward the arrangements to educate us further. When we meet next time, we will have options for interested parties for actions.

***Khurshed Alam, Co-chair***

I think this is the only Bay more or less no irritation as for now as the countries around it have resolved their maritime boundaries. As far as maritime safety and security is concerned, this is one of the sea areas where we do not have much to do. There had been no incidents of piracy at Bay of Bengal at all though there were few incidents of arms robbery.

The political setting is also conducive, and all of the countries in the region do like to have maritime cooperation. Only one aspect I would like to highlight here is that what would be the impact of the development of port facilities like Trincomalee on the region's blue economy. Ocean is the largest economy in the world. We have to look at the future through the economic statistics by 2050; there will be 9 billion people in the world and these people will push more for sea born freight, more passenger traffic, and marine equipment so that there will be enough scope for the blue economy implications. As port

activities are growing, in the future we might also see ultra-deep water and gas exploration.

Activities in these areas will be emerging because of technology; renewable energy is growing; sea bed mining is already taking place. Maritime surveillance and safety is emerging, though at present we are not concerning it much in this part of the world. Bio technology will be a part of port facilities in the future. Increasing population needs more port facilities, and it will also create opportunities for port facilities here. Technology development is going to help us in all sectors. Therefore, we should not discard any of the proposals and we should look at the future and the impact of the blue economy. We should also increase our knowledge about the Ocean resources and technology as the ports in this area will have to play a bigger role.

## 5 Observations and Concluding Remarks

### 5.1 Observations

*Sirimal Abeyratne, Professor in Economics, University of Colombo*

We now have a fairly good knowledge about Trincomalee – its history, geography, strategic locational advantages, intact opportunities, as well as the potential domestic and regional connectivity that are to be realized. However, If Trincomalee is not connected there will be no use of it. In order to materialize this, there should also be a kind of regional ownership to Trincomalee, and that is where we need to begin with.

The Bay of Bengal is also a unique bay in the world with security and peace. The theme of Trincomalee Consultations centered on “security and development” is important from a holistic approach to the issue of development. Security, safety and peace is essential for businesses and businesses for wellbeing of people; ultimately all will melt down to wellbeing of people in the region. Although Bay of Bengal is a unique bay in the world with security, safety and peace, there is no dense traffic flows in the Bay. It implies that the nations surrounding the Bay of Bengal are poor in economic activity on the one hand, and they are not much connected to each other on the other hand. In fact they are connected more with the Western countries than with their own neighbors.

There has been, however, a few important developments taking place in this region in the past decades: First is the trade liberalization reform programme in every country. Second is the commitment to cooperation through regional and bilateral agreements, including SAARC and BIMSTEC. Third is the improved connectivity through trade, investment, ITC, transport and people. However, the challenges of cooperation are considerable, but not difficult.

Being the smallest nation in the Bay of Bengal, Sri Lanka has no options other than being open and getting connected to the rest of the world. No matter how important its strategic location is, it has no use if the country is not connected to the rest of the world. It is important to have both domestic and international connectivity.

We also have to learn from China: it has been developing connectivity to the rest of the world; it has a regional and global plan; it also has product-sharing connectivity. Studies reveal that South Asia is not connected in that way, and India’s development is taking place on its own isolated way without much connectivity to the region. It is important that India is committed to strengthen its regional cooperation and that India has a regional plan. At the same time, as the big neighbor of everyone else in the region there are two

important things that India should do: India should improve the confidence of others in the region and India should take the first steps forward.

Finally, the Bay of Bengal has encountered a unique opportunity today more than ever before. US economy will be shifting further away from cost advantage; EU is moving more into a state of economic and political instability; East Asia will be facing economic slowdown and political uncertainties. With all above in the regions which are once important in the world economy, the opportunity is in the Indian Ocean, which is already confirmed by strong growth outcome in the region. We should have a regional strategy and plan to exploit this opportunity and optimize its benefit.

## **5.2 Concluding Remarks**

### ***Raja Mohan, Director, Carnegie India***

It has been wonderful to be here and to learn about the level and the intensity of the subject on which we have been collaborating with Pathfinder. When we came up with this idea of Trincomalee, initially some were hesitant because of so much mystery surrounding it; but what we saw last two days was the opening up of horizon of vast possibilities. We are convinced of both opportunities and problems that exist in transforming Trincomalee in to a hub for the Bay of Bengal. There are many layers of these issues from strategic level to the operational level. In the historical context, we are informed as we look ahead.

The challenge today is not to integrate as much as to reintegrate, because when you break up voluntarily by choice partitions are not easy to overcome when they are by choice undertaken; the economic isolation that we all have chosen sometimes back. There are costs that we have inherited what it demand is exceptional energy today to overcome the consequences of the choices we made.

There is a danger of overdoing strategy, as some have chosen to make living on it. We can over-emphasized the security damage but security is important for business and security calculation is important for every country. But obsession with security often undermine the possibilities of doing sensible things. Therefore, Trincomalee or Bay of Bengal or Indian Ocean as a rule are more important today than before; somehow to think that this is going be a permanent feature will be a mistake. It is important to think that how we have squandered the strategic advantages. To narrowly talk about strategies, we have actually undone the strategies that existed, even in Trincomalee.

We are popularizing the quote 'whoever controls the Indian Ocean control the world'. This quote actually does not exist. The fact is this that how geography is an unchanging thing. Geography itself is changing because we know in the long duration geography changes and someone can actually change it too. We should not take this as granted and there are time-bound considerations; we must act upon the opportunities. The future of the nations is at sea means, actually they reach the limits of territorial expansion so that they have to look at outward markets beyond their territorial boundaries. It requires connection outside. We should learn it think of maritime orientation and maritime economics.

Today science and technology field is changing fast with artificial intelligence, robotic technology and biotechnology; these developments will change the way we think about much of economics today. When we think of Trincomalee with lots of strategic spaces, you may have a choice of either dumping coal power plant or thinking and acting far

beyond that thinking about science, technology and knowledge. Our primary point has to be economics, and we should focus on economic connectivity, then security will take care of itself.

The notion of “shared economy” will change our approach in a different way, and it will get the job done. It is, however, a choice. One interesting idea is sovereignty, which have made us poor. We all have sovereignty and every country is sovereign, but what is important is how we exercise it for our benefit.

## **The Way Forward**

The Seminar on Trincomalee Consultation is the beginning of a major development initiative in the Bay of Bengal in line with aspirations, interests and plans of the governments, business communities, and civil societies in the region. It is consistent with the fast growth in the Bay of Bengal littoral in particular and Indian Ocean economies in general, while the initiatives under Trincomalee Consultation are intended to amplify that growth prospects in the region. It is also consistent with the security and development interests of the nations around the world; they are expected to step in collaborating with their counterparts in the Bay of Bengal and assisting them in executing the initiative. Japan and Norway have already commenced their collaboration extending assistance to the Seminar on Trincomalee Consultation.

The Way Forward involves medium-term steps for consultation and preparation, and long-term multiple steps of executing related projects and programmes. The following is a list of medium-term steps that Pathfinder needs to consider undertaking in collaboration with relevant parties:

- i. Designing a Medium-term Roadmap and a Work plan of the consultation process specifying the role of Pathfinder as a think tank, the activities to be undertaken, the partnerships required and the timeline.
- ii. Pathfinder needs to undertake a series of pioneering studies on various aspects of regional cooperation for economic prosperity and maritime security, followed by a series of consultation activities.
- iii. Similarly, the above activity should also consist of a series of studies to serve business proposals for the development of Trincomalee as a gateway to the Bay of Bengal under regional cooperation for maritime security and economic prosperity.
- iv. Pathfinder needs to translate the outcome of the above studies to policy advises and get involved in disseminating and educating process at high level decision-making bodies of the governments in the region; identify these bodies and policy advisory mechanisms to be adopted.
- v. Liaise with main regional forums such as BIMSTEC in order to disseminate research outcome and policy briefs at high level meetings for regional cooperation and integration.
- vi. Identify stakeholder consultations, including local communities in the case of Trincomalee, and design mechanisms for an effective consultation process; this should be a consultation process in every country in the Bay of Bengal.
- vii. Monitor and study the processes of cooperation, decision-making, and implementation to identify efficiency and effectiveness as well as inefficiencies and weaknesses to provide policy advisory services.



## **Professor Sirmal Abeyratne**



Sirmal Abeyratne is a Professor in Economics of the University of Colombo. He has earned his PhD degree from Free University of Amsterdam, MA and MPhil degrees from International Institute of Social Studies, The Hague, and Bachelor's degree from University of Colombo. His teaching and research interests are basically in the field of international trade and development; he has engaged in research work in the areas of regional trade, policy reforms and liberalization, economic dimensions of civil conflicts, development policy issues, and the current economic affairs.

# **SUMMARY AND OUTCOME OF TRINCOMALEE CONSULTATIONS**

**Colombo, February 2017**

## **1. Introduction**

The Centre for Indo-Lanka Initiatives of the Pathfinder Foundation, in partnership with Carnegie India, convened a two-day track 1.5 conference “Trincomalee Consultations” in Colombo, Sri Lanka on 16<sup>th</sup> and 17<sup>th</sup> February 2017. The conference was attended by senior government officials and scholars from Bangladesh, India, Japan, Maldives, Nepal, Norway and Sri Lanka.

The Chief Guest of the event was the Adviser to President and Governor of the Eastern Province, Mr. Austin Fernando. The Guest of Honour was Mr. Santosh Jha, Joint Secretary, Policy Planning & Research, Ministry of External Affairs, Government of India. While Mr. Noriyuki Shikata, Deputy Director-General of Southeast and Southwest Asian Affairs Department, Ministry of Foreign Affairs represented the Government of Japan, Ambassador Sumith Nakandala, represented BIMSTEC in his capacity as Secretary General of that regional organization. These three senior government officials made opening speeches laying the foundation for the subsequent discussions. The funding for this event was received by courtesy of the Governments of Japan and Norway.

## **2. Objective.**

The project was aimed at enhancing regional cooperation for improving political and economic relations, maritime security, including blue economic concepts and increasing connectivity among the countries in the Bay of Bengal by creating a forum to study, discuss and explore potential for cooperation and make recommendations.

## **3. Agenda.**

The agenda of the conference was designed to focus on the following sub-themes:

- (i) Review the unfolding geo-strategic significance of and assess the regional security cooperation demands in the Bay of Bengal region.
- (ii) Examine the current state of cooperation among the countries in the Bay of Bengal region in maritime transport, aviation and other sectors of economic activity.
- (iii) Discuss the potential for developing Trincomalee as a regional hub for shipping, aviation and other sectors of economic activity to serve the Bay of Bengal region and develop a way forward for further enhancement of cooperation.

#### **4. Papers Presented.**

Following papers were presented at the conference:

- i. “Growing Strategic Significance of the Bay of Bengal” by Dr. C. Raja Mohan, Director, Carnegie India.
- ii. “One Belt Many Roads” by Mr. Abu Saeed Khan, Consultant on regional connectivity, based in Dhaka, Bangladesh.
- iii. “Dilemma of Coastal Countries and the Role of Japan-India Strategic Cooperation” by Dr. Satoru Nagao, Research Fellow, Tokyo Foundation.
- iv. “Strategic Importance of Trincomalee Harbour in the Bay of Bengal” by Admiral Dr. Jayanath Colombage, Director, Centre for Indo-Lanka Initiatives, Pathfinder Foundation.
- v. “Pre-conditions for the Success of a Logistic hub serving the Bay of Bengal” by Professor Rohan Samarajiva, Founding Chair, LIRNEasia.
- vi. “Development of Trincomalee Harbour as a Hub for Bay of Bengal” by Mr. Rohan Masakorala. CEO, Shippers’ Academy Colombo.
- vii. “Functional Regional Cooperation in the Bay of Bengal” by Ambassador Sumith Nakandala, Secretary General of BIMSTEC.

#### **5. Discussion and the Open Forum.**

End of each session, was followed by comments and observations by the Panel as well as participants. Time was allotted for comments by country representatives followed by an open forum to facilitate participants to express their view points and make observations on the paper presented.

#### **6. Proposals for follow-up action.**

Following proposals emerged during the conference:

- i. **A Centre for Maritime Domain Awareness (MDA) and Humanitarian Assistance and Disaster Relief (HADR) in the Trincomalee Harbour:**

As the Bay of Bengal is gaining more significance in commerce, maritime, air transportation and other economic activities for littorals and other countries using the Bay, there is a growing need for developing collaborative mechanisms for enhancing maritime security.

This region is also prone to natural disasters at regular intervals and there is a requirement for capacity building to improve disaster readiness, mitigation and management in the region. Trincomalee is an ideal location for setting up of such a coordinating centre, prospects for which should be studied.

- ii. **A Maritime Research Centre:**

There is a requirement to conduct scientific research on marine environment and eco-systems, with a view for sustainable harvest of living as well as non-

living resources from the Bay of Bengal Region, in keeping with objectives of the Blue Economy. Trincomalee harbour is an ideal location to set up such a facility to conduct research and educational programmes.

**iii. Coastal Shipping:**

There is considerable potential for a robust coastal shipping service connecting minor and major ports in the Bay of Bengal region, especially focusing on the east coast of India and Bangladesh. Such a service would facilitate small and medium size businesses and benefit coastal economies of the region. The governments of the littoral states should introduce necessary conditions such as introducing/amending legal and regulatory frameworks for the private sector to invest in coastal shipping.

**iv. Ship Repair, Ship Lay off and Green Ship Breaking.**

Since the Trincomalee harbour possesses large area with more than adequate depth and is sheltered naturally from both monsoons, the harbour will be an ideal place for ship repair and laying off activities. Large scale infrastructure will not be needed to undertake these tasks.

Providing facilities for 'green ship breaking' (Breaking ships without beaching and maintaining strict environmental and safety standards) could be another area to be explored.

**v. People to People Connectivity.**

Trincomalee with its natural beauty, marine bio-diversity and religious and cultural heritage would be an ideal location to develop and promote diverse facets of tourism such as eco-tourism, ocean based tourism and pilgrimages (Buddhist and Hindu). Establishment of training facilities in tourism would provide the youth in the area with gainful employment.

**vi. Energy Hub of the Region & Power Generation/Transmission.**

Trincomalee with the massive oil tank farm complex capable of storing more than 1,200,000 m.t. could be converted to be the oil storage hub of the region. To make maximum use, the oil storage facility should be complemented with a refinery to produce petrol, diesel kerosene etc. which could support petroleum related industries. Industrial development in the Trincomalee areas would create a demand for generation of electricity, justifying setting up of a power plant/s.

**vii. Connectivity: Domestic & Regional**

With the envisaged development of Trincomalee harbour for shipping and industries, there will be a need for developing connectivity with the rest of the country by road, rail and air. Trincomalee should be well connected with the Western Province, particularly the Colombo Port by a high-speed railway (i.e. land bridge), joining the two ports to carry cargo and passengers.

In this regard, the planned highway from Colombo to Dambulla should be extended to Trincomalee to facilitate direct road connectivity.

There should be better air connectivity between Trincomalee and other airports in the country such as Katunayake, Mattala, Ratmalana, Palali etc. Similarly, Trincomalee should be linked by air with other airports in the Bay of Bengal region, which may require upgrading of an existing airport in the area or construction of a new airport.

#### **viii. Agriculture and Manufacturing.**

Large stretches of land extending up to Batticaloa, Polonnaruwa and Anuradhapura are available, which could be used for agriculture as well as industries.

#### **ix. Ocean Thermal Energy Conversion (OTEC) and Green Energy.**

Trincomalee is blessed with a deep canyon very close to the coast. This area would be ideal for undertaking feasibility studies to generate environmentally friendly green energy from the ocean. Further, potential for solar and wind energy could be explored.

### **7. Areas for Future Studies to be carried out.**

- A study on developing Trincomalee as a modern harbour to meet the maritime needs of the Bay of Bengal community.
- Potential for developing Trincomalee as an energy hub by constructing refineries and utilizing the available storage capacity to serve the countries in the region.
- A study on pros & cons and cost/benefits of connecting Sri Lanka's electricity grid with the south Indian grid.
- A study to establish Maritime Research Centre in Trincomalee for research on Maritime environment and eco-systems in the Bay of Bengal.
- Study on promoting people-to-people connectivity focusing on Pilgrimage (Hindu and Buddhist trails), Air Travel, Ferry connection between Rameshwaram and Talaimannar and other forms of connectivity.

### **8. Next Round.**

The next round of Trincomalee Consultations-its timing, agenda and structure-will be decided after discussions with relevant stakeholders.

## List of Participants

1. Hon Austin Fernando, Governor of Eastern Province, Sri Lanka and Adviser to the President
2. Rear Admiral Khurshed, Secretary, Maritime Affairs Unit, Ministry of Foreign Affairs, Dhaka, Bangladesh
3. Mr. Santosh Jha, Joint Secretary, Policy Planning Division Ministry of External Affairs, India
4. Mr. Noriyuki Shikata, Deputy Director General of Southeast and Southwest Asian Affairs, Department, Ministry of Foreign Affairs, Japan
5. Mr. Bhrigu Dhungana, Head of South Asia Division, Ministry of Foreign Affairs, Kathmandu, Nepal
6. H.E. Mr. Riaz Hamidullah, High Commissioner of Bangladesh to Sri Lanka
7. Shri. Arindam Bagchi, Deputy High Commissioner of India to Sri Lanka.
8. Mr. Rajeev Arora, Second Secretary, Economic & Commercial Wing, High Commission of India.
9. H.E. Mr. Kenichi Suganuma, Ambassador of Japan to Sri Lanka
10. Mr. Knut Nyfløt, Charge d'Affaires, Royal Norwegian Embassy in Sri Lanka
11. Ms. Tomoko Koide, Ministry of Foreign Affairs, Government of Japan
12. Mr. Kiichiro Iwase, First Secretary, Head of Political Section, Embassy of Japan
13. Mr. MeeNilankco Theiventhran, Senior Advisor, Royal Norwegian Embassy in Sri Lanka
14. Mr. Abu Saeed Khan, Consultant on regional connectivity based in Dhaka, Bangladesh
15. Professor Mustafizur Rahman, Executive Director, Centre for Policy Dialogue (CPD), Dhaka, Bangladesh
16. Dr. C. Raja Mohan, Director, Carnegie India
17. Ms. Darshana M. Baruah, Research Analyst, Carnegie India
18. Admiral Shekhar Sinha, former Chief, Western Naval Command, Indian Nav
19. Commodore Gopal Suri, Senior Fellow, Maritime Affairs Vivekananda International Foundation
20. Ms. Anushree Ghisad, Research Associate, Vivekananda International Foundation
21. Professor N. S. Cooray, Professor of Economics and Associate Dean, Graduate School of International Relations, International University of Japan
22. Dr. Satoru Nagao, Research Fellow, The Tokyo Foundation
23. Captain Adhil Rasheed, CEO & Education Program Director, Maritime Academy of Maldives
24. Mr. R.B. Rauniyar, Managing Director, Interstate Multimodal Transport Ltd, Nepal
25. Ambassador Sumith Nakandala, Secretary General, BIMSTEC
26. Ms. Misaki Koyanagi, Japan International Cooperation Agency (JICA)
27. Mr. M. G. Hemachandra, Project Specialist, JICA, Sri Lankan office
28. Mr. Tadateru Hayashi, Asian Development Bank (ADB)
29. Mr. HMGS Palihakkara, Former Foreign Secretary and Former Governor of the Northern Province, Sri Lanka
30. Mr. R. Paskaralingam, Advisor, Ministry of National Policies and Economic Affairs
31. Mr. Ranuk Mendis, Research Analyst, Institute of National Security Studies, Sri Lanka, Ministry of Defense
32. Rear Admiral T J L Sinniah, Commander Eastern Naval Area, Sri Lanka Navy
33. Air Vice Marshal S K Pathirana, Acting Director Air Operations, Sri Lanka Air Force
34. Lieutenant Commander M S C Gunasekera, Training Officer 1, Sri Lanka Coastguard

35. Mr. Ajith Seneviratne, Director General, Merchant Shipping Secretariat, Sri Lanka
36. Dr. Anil Premaratne, Chairman, National Aquatic Resources and Development Agency
37. Mr. Anura Jayawickrama, Secretary, Ministry of Health, Nutrition and Indigenous Medicine
38. Mr. Malraj B. Kiriella, Director General, Sri Lanka Tourism Development Authority
39. Dr. Dan Malika Gunasekera, Executive Director, Sri Lanka Shipping Cooperation
40. Mr. Damitha Kumarasinghe, Director General, Public Utilities Commission of Sri Lanka
41. Mr. Dhammika Walgampaya, Secretary General, Ceylon Association of Shipping Agents
42. Mr. H.M.C. Nimalasiri, Director General Civil Aviation, Civil Aviation Authority
43. Mr. Lakshman Jayasekara, Project Director, Western Region Megapolis Masterplan project
44. Mr. L. D. Gamini- Deputy Director- Southern Region, Urban Development Authority
45. Mr. Niro Cooke, Director, Kings Investments (Pvt) Ltd
46. Mr. Prasanna Jayawardena, President, The Hotels Association of Sri Lanka
47. Mr. Raja Amarathunga, Consultant (Petroleum Sector), Public Utilities Commission of Sri Lanka
48. Mr. Rohan Masakorala, CEO, Shipper's Academy Colombo
49. Professor Rohan Samarajiva, Founder Chair, Lirneasia
50. Mr. Ravindra Galhena, Indian Ocean Marine Affairs Co-operation (IOMAC)
51. Mr. Saliya Wickramasuriya, Director General, Petroleum Resources Development Secretariat
52. Mr. Saman Maldeni, Director, Export Services, Sri Lanka Export Development Board
53. Professor Sirimal Abeyratne, Department of Economics, University of Colombo
54. Dr. Valson Vethody, Former Ambassador to Sweden
55. Mr. Bernard Goonetilleke, Chairman, Pathfinder Foundation
56. Mr. Luxman Siriwardena, Executive Director, Pathfinder Foundation
57. Admiral Dr. Jayanath Colombage, Director, Centre for Indo-Lanka Initiatives (CIL), Pathfinder Foundation
58. Mr. Gamini Godakanda, Director, Media and Public Relations, MMBL-Pathfinder Group
59. Ms. Ameera Arooz, Project Manager, Pathfinder Foundation
60. Ms. Yasalanie Amarasinghe, Assistant Project Manager, Pathfinder Foundation
61. Ms. Sarah Hettiaratchi, Project Executive, Pathfinder Foundation
62. Ms. Maryse Jansz, Administration Executive, MMBL-Pathfinder Group
63. Mr. Ravi J Arachchige, Media Coordinator, MMBL-Pathfinder Group
64. Ms. Kishani Silva, Media Executive, MMBL-Pathfinder Group
65. Mr. Upul Perera, Senior IT Executive, MMBL-Pathfinder Group



The Pathfinder Foundation (PF) is a leading non-government, not-for-profit research and advocacy think-tank. The PF's primary focus has been promotion of economic reforms and cooperation with friendly countries. Over the years the PF has positioned itself as a catalytic organization advocating prudent economic policies among the policy makers, business community, academics and professionals. PF has developed relationships with a wide range of international think-tanks. As such the PF has been able to establish Track II initiatives with China, India, and USA. A landmark achievement of the PF is the setting up of China-Sri Lanka Cooperation Studies Centre (CSLCSC) and the Centre for Indo - Lanka Initiatives (CIL).



Carnegie India, based in New Delhi, is the sixth international center of the Carnegie Endowment for International Peace, and endeavours to produce high quality public policy research about critical national, regional, and global issues. Carnegie India's research and programmatic focus includes the political economy of reform in India, foreign and security policy, and the role of innovation and technology in India's international transformation and international relations.



## Recent Publications of the Pathfinder Foundation

- I. Sinhala translation of the Road to Free Economy by Janos Kornai.
- II. The Mahoshada Perspective: Commentaries on Economics and Development
- III. Sinhala translation of Ken Schoolland's 'The Adventures of Jonathan Gullible, A free Market Odyssey' by Lakshamana Saparamadu.
- IV. Sinhala and Tamil Translations of the Mystery of Capital, by Hernando De Soto.
- V. Identity Politics and State-Building in Sri Lanka - A publication of the Pathfinder Foundation and the Institute for the Study of Human Rights, Columbia University, USA.
- VI. Charting the Way Forward: Prosperity for All - A Holistic Blue Print for Reforms.
- VII. Sri Lankan Economy – Liberalization and Development (ශ්‍රී ලංකා ආර්ථිකය - නිර්මායකරණය හා සංවර්ධනය.)

Centre for Indo-Lanka Initiatives (CILI)  
The Pathfinder Foundation  
'Riverpoint', 339/6, Negambo Road, Peliyagoda, Sri Lanka  
Tel - +94 114 529993/+94 114 529903  
E Mail - pm@pathfinderfoundation.org, www.pathfinderfoundation.org

