

# CII-AIC-MEA-RIS Roundtable on ASEAN-India: Integration and Development



## ASEAN-India Development and Cooperation Report 2015: Highlights

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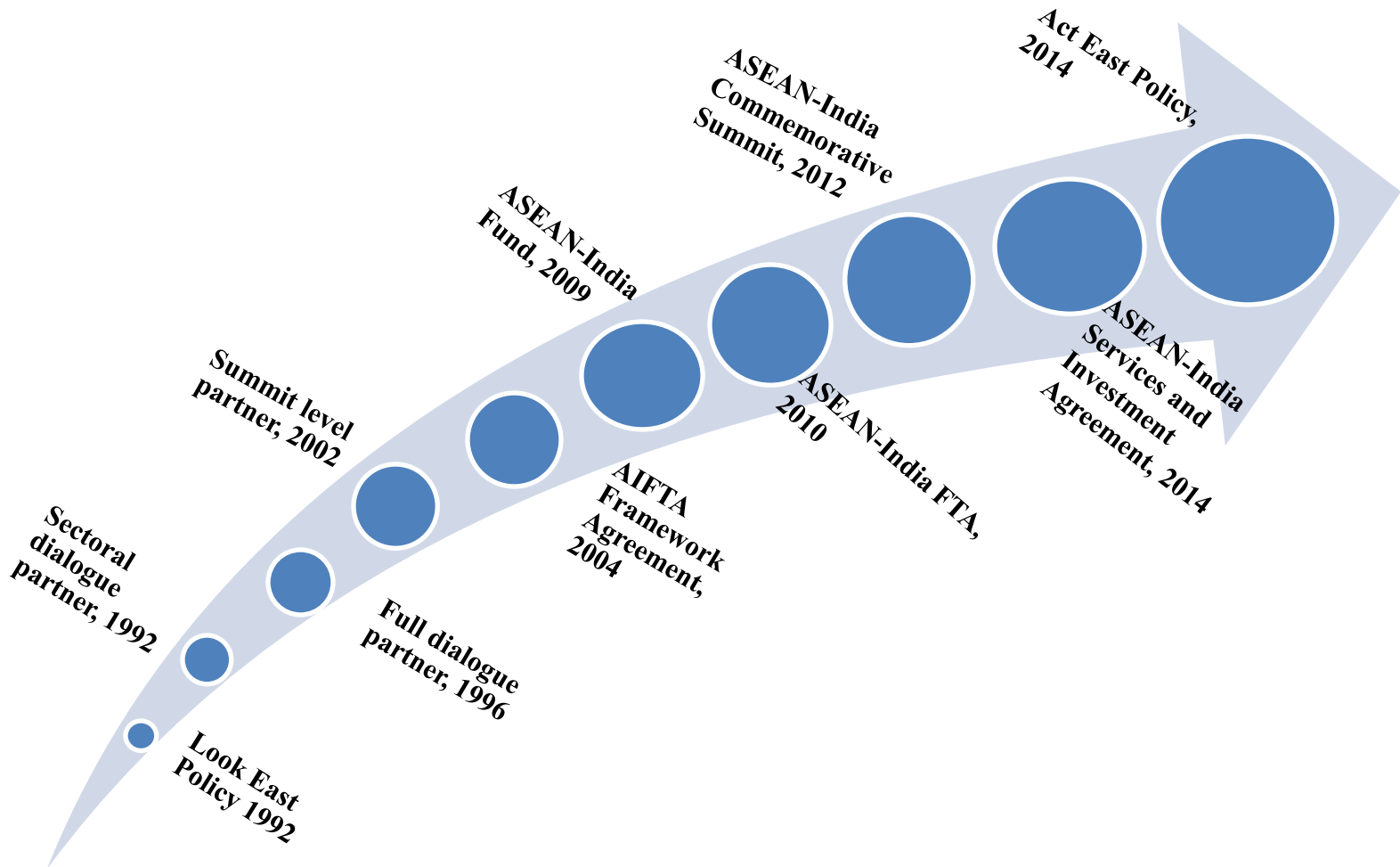
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ASEAN-India Centre at RIS

# Major Milestones Crossed



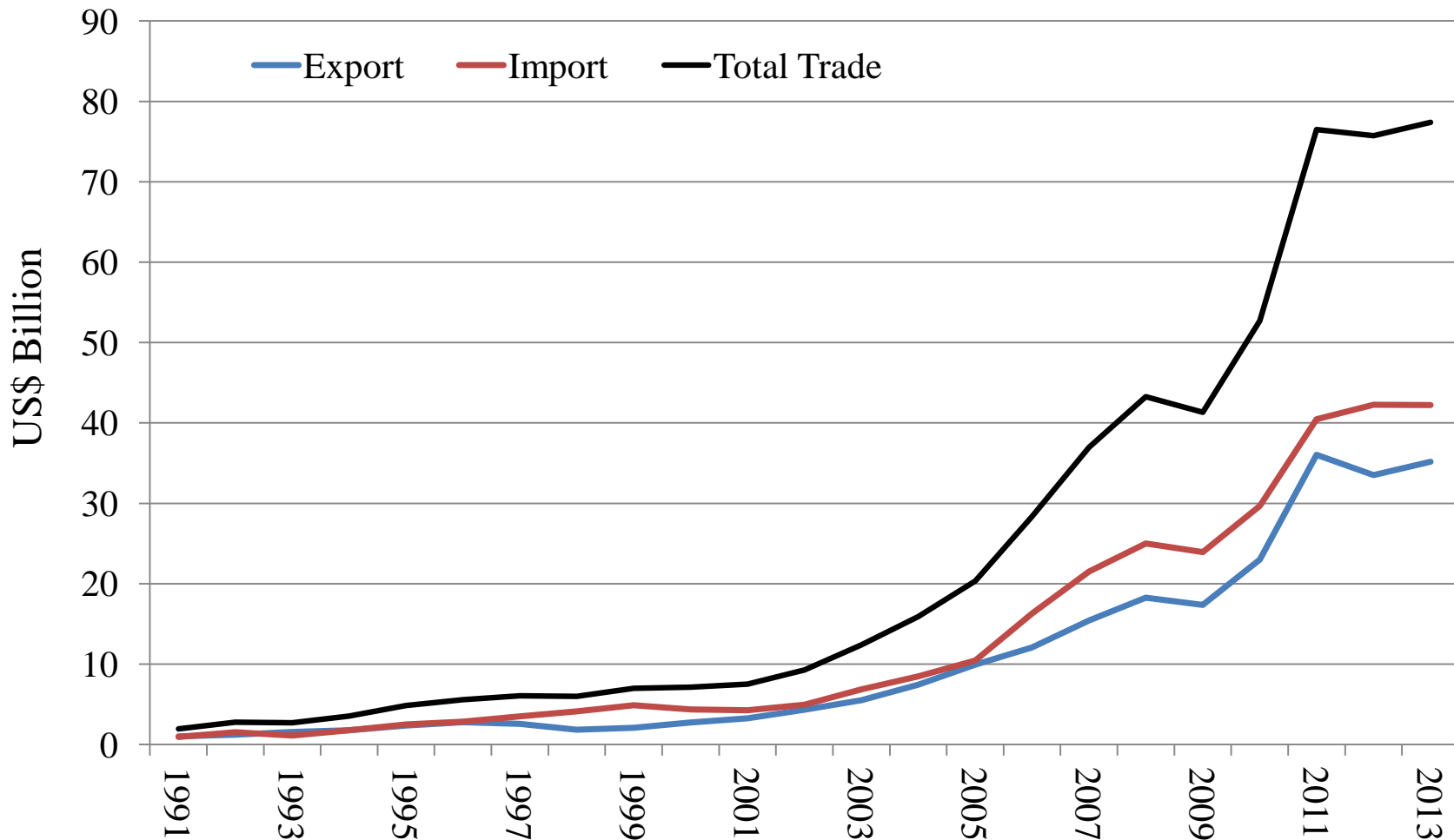
# Some Recent Developments

- India-ASEAN FTA implemented on 1 January 2010
- India-ASEAN services trade and investment agreement, signed in 2014
- India is member of RCEP, which is being negotiated
- India member of ACCC, ASEAN centrality
- India's connectivity projects with ASEAN
  - Land connectivity (e.g. Trilateral Highway)
  - Maritime connectivity (e.g. ASEAN-India maritime transport agreement being negotiated)
  - Air connectivity (ASEAN-India air transport agreement being negotiated)

# Progress in Trade and Investment

- ASEAN is India's fourth largest trading partner.
- The annual trade between ASEAN and India registered an average growth of 22% per annum in the decade upto 2011-12, but has stagnated thereafter. It stood at approx. US\$ 76.52 billion in 2014-15.
- Investment flows are also substantial both ways, with ASEAN accounting for approximately 12.5% of investment flows into India since 2000.
- FDI inflow into India from ASEAN between April 2007 and March 2015 was about US\$ 32.44 billion. FDI outflow from India to ASEAN countries, from April 2007 to March 2015, was about US\$ 38.67 billion.
- ASEAN-India Agreements for Trade in Services & Investments signed in 2014 and are expected to enter into force early 2016.
- ASEAN and India have been also working on enhancing private sector engagement through ASEAN India-Business Council (AIBC)

# Trends of India's Export to and Import from ASEAN



Source: Direction of Trade Statistics (DOTS), IMF

# Indian Export to ASEAN/ASEAN+

Country	2000		2013		CAGR
	Value	Share in the world	Value	Share in the world	2000 - 2013
	US\$ Bn	(%)	US\$ Bn	(%)	(%)
Brunei	0.00	0.01	0.04	0.01	21.95
Cambodia	0.01	0.02	0.12	0.04	23.45
<b>Indonesia</b>	<b>0.39</b>	<b>0.91</b>	<b>5.20</b>	<b>1.65</b>	<b>22.15</b>
Lao PDR	0.01	0.01	0.05	0.01	18.52
<b>Malaysia</b>	<b>0.57</b>	<b>1.33</b>	<b>5.05</b>	<b>1.60</b>	<b>18.31</b>
Myanmar	0.05	0.11	0.67	0.21	22.52
Philippines	0.19	0.44	1.37	0.43	16.50
<b>Singapore</b>	<b>0.83</b>	<b>1.94</b>	<b>13.48</b>	<b>4.28</b>	<b>23.96</b>
Thailand	0.51	1.20	3.91	1.24	16.95
<b>Vietnam</b>	<b>0.21</b>	<b>0.49</b>	<b>5.30</b>	<b>1.68</b>	<b>28.29</b>
<b>ASEAN</b>	<b>2.75</b>	<b>6.45</b>	<b>35.18</b>	<b>11.16</b>	<b>21.66</b>
<b>ASEAN+6</b>	<b>6.20</b>	<b>14.55</b>	<b>63.04</b>	<b>20.00</b>	<b>19.53</b>
<b>World</b>	<b>42.63</b>	<b>100.00</b>	<b>315.13</b>	<b>100.00</b>	<b>16.64</b>

Source: Direction of Trade Statistics (DOTS), IMF

# Indian Import from ASEAN/ASEAN+

Country	2000		2013		CAGR
	Value	Share in the world	Value	Share in the world	2000 - 2013
	US\$ Billion	(%)	US\$ Billion	(%)	(%)
Brunei	0.00	0.00	0.73	0.16	89.54
Cambodia	0.00	0.00	0.01	0.00	21.27
Indonesia	0.92	1.83	15.23	3.26	24.07
Lao PDR	0.00	0.00	0.11	0.02	-
Malaysia	1.39	2.76	9.06	1.94	15.52
Myanmar	0.18	0.36	1.37	0.29	16.96
Philippines	0.06	0.12	0.41	0.09	15.68
Singapore	1.48	2.94	7.00	1.50	12.68
Thailand	0.34	0.67	5.45	1.17	23.93
Vietnam	0.01	0.02	2.84	0.61	52.09
<b>ASEAN</b>	<b>4.38</b>	<b>8.70</b>	<b>42.22</b>	<b>9.02</b>	<b>19.04</b>
<b>ASEAN+6</b>	<b>9.99</b>	<b>19.84</b>	<b>128.40</b>	<b>27.44</b>	<b>21.71</b>
World	50.34	100.00	467.95	100.00	18.71

Source: Direction of Trade Statistics (DOTS), IMF

# Revealed Comparative Advantage (RCA) Scores

Sector	2009	2010	2011	2012	2013
<b>India</b>					
Computer and Information	6.53	6.12	5.76	5.70	5.50
Other business services	1.17	1.17	1.29	1.21	1.14
<b>Indonesia</b>					
Travel	1.73	1.70	1.59	1.46	1.66
Communication	2.97	2.68	2.87	1.88	1.53
<b>Malaysia</b>					
Travel	2.23	2.37	2.26	2.18	2.13
Construction	1.03	1.28	1.26	1.45	1.28
<b>The Philippines</b>					
Computer and Information	2.97	2.51	2.36	1.86	1.60
Other business services	1.87	2.14	2.19	2.09	1.70
<b>Thailand</b>					
Travel	2.16	2.40	2.69	2.76	2.86

Source: Calculated based on UNCTAD Statistics.



# ASEAN-India Engagement, Present Scenario

<b>ASEAN-India FTA</b>	<ul style="list-style-type: none"> <li>•Working</li> <li>•Services and investment agreement signed in 2014</li> </ul>	<ul style="list-style-type: none"> <li>•Bilateral trade: US\$ 77 billion in 2014-15 (India's export to ASEAN US\$ 33 billion, India's import from ASEAN US\$ 44 billion)</li> <li>•Emerging value chains, but slowly</li> <li>•Rising deficit is a matter of concern</li> <li>•Low utilization of FTA</li> </ul>
<b>RCEP</b>	<ul style="list-style-type: none"> <li>•Being negotiated</li> </ul>	<ul style="list-style-type: none"> <li>•Target deadline: 2016 (?)</li> </ul>
<b>Trade facilitation (e.g. Customs cooperation)</b>	<ul style="list-style-type: none"> <li>•Unilateral initiatives</li> <li>•WTO TFA, signed in Bali, 2013</li> </ul>	<ul style="list-style-type: none"> <li>•ASEAN single window under implementation and India's EDI system working already</li> <li>•Inter-linkages must</li> </ul>
<b>Trilateral MVA</b>	<ul style="list-style-type: none"> <li>•Being negotiated</li> </ul>	<ul style="list-style-type: none"> <li>• Target – 2015 (?)</li> </ul>
<b>ASEAN-India maritime transport agreement</b>	<ul style="list-style-type: none"> <li>•Being negotiated</li> </ul>	<ul style="list-style-type: none"> <li>•Target – 2015(?)</li> </ul>
<b>ASEAN-India air transport agreement</b>	<ul style="list-style-type: none"> <li>•Proposed</li> </ul>	<ul style="list-style-type: none"> <li>•High imbalance between carriers; major ASEAN airlines (e.g. SQ or TG) utilise 100% seat entitlements</li> </ul>
<b>Land transport</b>	<ul style="list-style-type: none"> <li>•Trilateral highway &amp; extension to CLV</li> <li>•Railway link</li> <li>•MIEC</li> <li>•Kaladan MMTTP</li> </ul>	<ul style="list-style-type: none"> <li>•Ongoing but slow pace</li> <li>•Myanmar to rebuilt Yargi to Monywa</li> <li>•Must build strong backward linkages in India's NER</li> </ul>

# **ASEAN-India Plans of Action (POA)**

- Signed at the 3rd ASEAN-India Summit in 2004 in Vientiane, sets out the roadmap for long-term ASEAN-India engagement,
- A Plan of Action (POA 2004-2010) was developed to implement the Partnership.
- Most of the commitments of the 2nd POA (2010-15) have been implemented.
- The new POA (2016-20) has also been endorsed by the ASEAN-India Foreign Ministers Meeting held in August 2015 and will be adopted at the 13th ASEAN-India Summit in November 2015.

# Progress in ASEAN-India Connectivity

- Considerable progress in implementing the India-Myanmar-Thailand Trilateral Highway and Kaladan Multimodal Project
- Feasibility ongoing for possible extension of Trilateral Highway to Cambodia, Lao PDR and Viet Nam
- The India-Myanmar-Thailand Motor Vehicle Agreement (IMT MVA) has been negotiated. This agreement will have a critical role in realizing seamless movement of passenger, personal and cargo vehicles along Trilateral Highway
- As announced at the 12<sup>th</sup> ASEAN-India Summit, India is going to set up of a Special Facility for infrastructure and project financing for the connectivity projects. Ministry of Commerce and Industry is also setting up a special purpose vehicle to catalyse Indian investments in CLMV.

# Status of ASEAN-India Funds

- **ASEAN-India Cooperation Fund:** As agreed at the 7th ASEAN-India Summit in 2009, the ASEAN-India Cooperation Fund of **US\$ 50 million** was set up to support implementation of the ASEAN-India POA 2010-15. Till July 2015, the Projects worth **US\$ 6.21 million** have been implemented, projects and programmes worth **US\$ 35.68 million** are under implementation, including the largest project under the ASEAN-India Cooperation i.e. Space Project.
- **ASEAN-India S&T Development Fund (AISTDF):** As announced at the 6th ASEAN-India Summit in 2007, an ASEAN-India Science & Technology Development Fund with a **US\$ 1 million** contribution from India was set up to promote joint collaborative R&D research projects in Science & Technology sector. Till July 2015, Projects worth **US\$ 0.67 million** are under implementation.
- **ASEAN-India Green Fund:** As agreed at the 6th ASEAN-India Summit in 2007, an ASEAN-India Green Fund was set up with an initial contribution of **US\$ 5 million** from India to support collaboration activities relating to environment and climate change. Till July 2015, Project worth **US\$ 1.97 million** covered under this Fund is at the implementation stage.

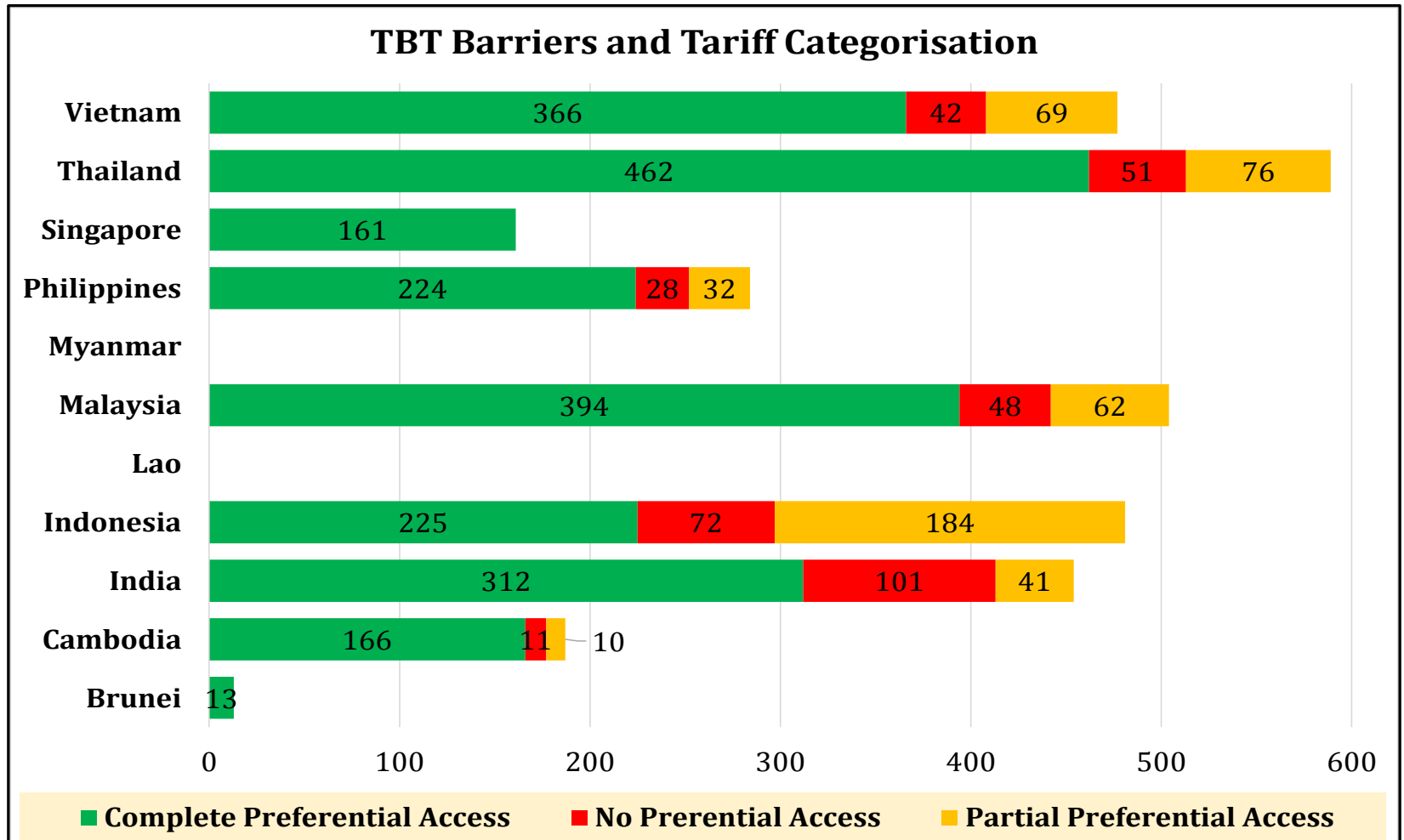
# Status of ASEAN-India Projects

- Implementation of various projects in the fields of Agriculture, Science & Technology, Space, Environment & Climate Change, Human Resource Development, Capacity Building, New and Renewable Energy, Tourism, People-to-People contacts and Connectivity etc. at ASEAN
- Since 2011-12, while 13 projects have been completed, 17 projects are under implementation and 22 projects are in the planning stage, some of which are in the final stages of approval.
- Programmes and projects totaling over US\$ 48.85 million have been proposed since September 2011 till date to ASEAN through the ASEAN Secretariat.

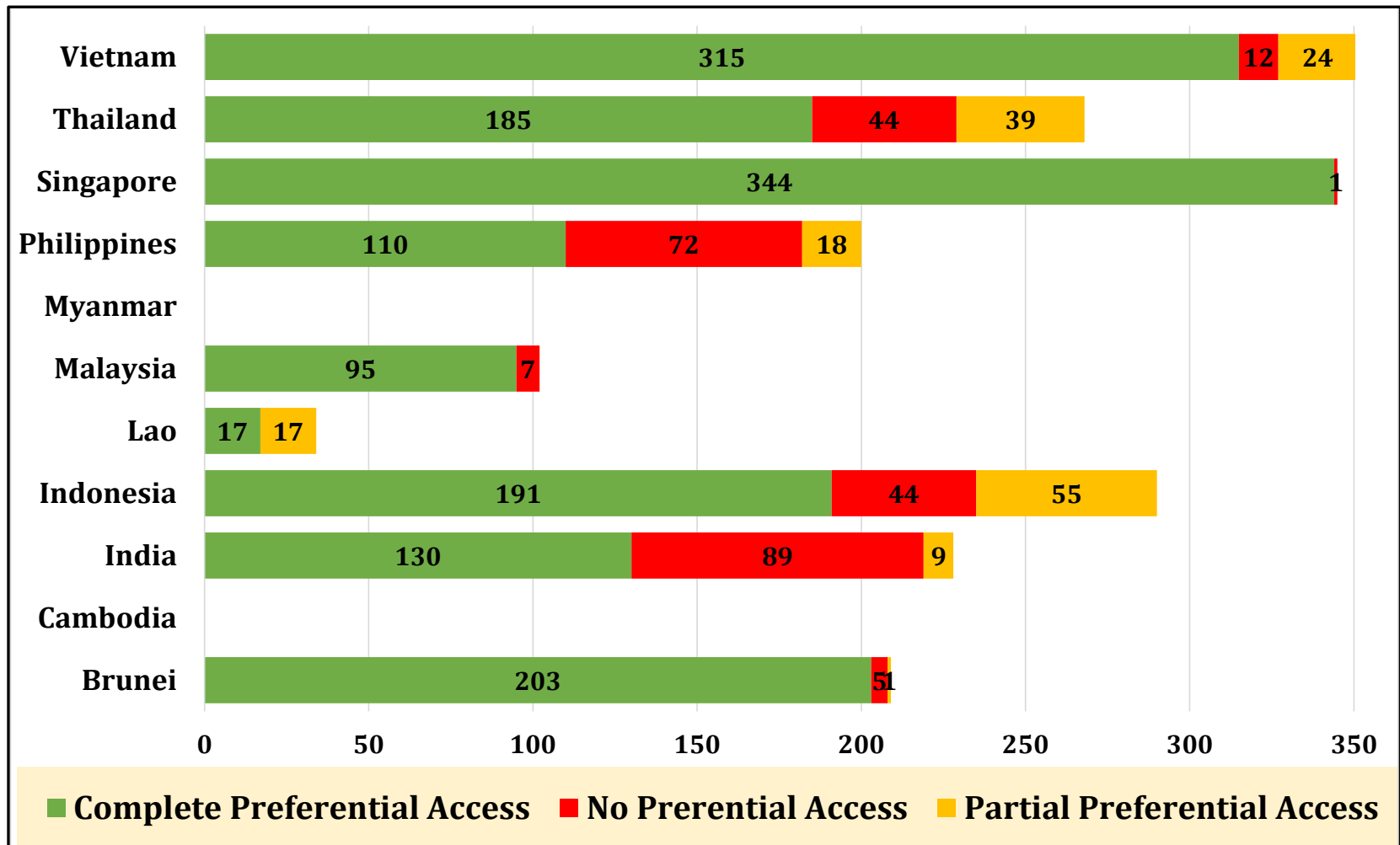
# Some Key Economic Barriers to ASEAN-India Trade

- High NTMs
- Inadequate infrastructure – national and regional (inadequate and poor stock and link of infrastructure)
- Lack of trade facilitation and absence of regional transit trade
- Poor border infrastructure
- Inconsistent and difficult border crossing formalities and procedures
- Restrictive visa regime, particularly in ASEAN
- Different standards on vehicles and drivers across countries
- Restrictions on entry of motor vehicles
- Inadequate air links

# TBT Measures under the AIFTA: 2000 to 2013 (HS 4 digit Products)



# SPS Measures under the AIFTA: 2000 to 2013 (HS 4 digit Products)





# Objectives of AIDCR 2015

1. This Report provides a comparative analysis of the global and regional economies
2. It provides insight into the work of regional cooperation and integration and suggests implications for both policy and programme interventions to strengthen the relations and introduce more academic substance into the policy making process
3. It presents comprehensive regional cooperation and integration issues, not only on partnership between ASEAN and India but also on East Asia Summit (EAS) Group relations

# *Chapter 1*

## **Economic Outlook and Prospects**

1. Combat contagion effect: Increase intra-regional domestic investments (India), facilitate intra-regional trade and investment among South and Southeast Asia, a.o.
2. Focus on implementation and ensuring effectiveness on ASEAN FTAs
3. Signing of an agreement does not automatically ensure that it is effective. Is sufficient trade taking place through the FTA route? Or, are the right goods being targeted for tariff reduction? Are the goods for which tariff is relaxed tariff elastic?

## *Chapter 2*

### **Trends and Patterns of Merchandise Trade**

1. Trade growing but AIFTA yet to make a substantial impact on trade intensity
2. To benefit from AIFTA - enhance harmonization of customs procedures and other trade facilitation measures
3. Given the reality of mega-regional agreements, both ASEAN and India have to accelerate the pace of their economic reform processes in order to participate in and benefit from their trade creation possibilities.

## *Chapter 3*

### **Services Trade Patterns and Key Concerns**

1. Implement the ASEAN-India Services Trade and Investment Agreement
2. Concerns on skilled labour mobility – liberalized visa system for professionals and allowing inter-firm mobility to professionals
3. Recognition of academic and professional qualifications
4. Both India and ASEAN should make attempts at sealing MRAs mutually in those sectors, where ASEAN has successfully completed MRAs.

# *Chapter 4*

## **Investments Prospects**

1. Growing middle-income groups in the regions and more active policy measures in both India and ASEAN adding a significant scope for bilateral investment flows
2. High opportunities of investments in CLMV and beyond
3. Major hurdles – legal environment, poor infrastructure, lack of transparency, regulatory issues and others
4. Implement ASEAN-India Services Trade and Investment Agreement

# *Chapter 5*

## **Production Networks**

1. India is slowly but steadily getting integrated with the industries of Southeast Asia, especially machinery, electrical and automobile sectors
2. Further liberalization of trade and investment climate and developing necessary infrastructure and trade logistics need to be formulated.
3. An effective policy support and awareness about global business strategy can help Indian SMEs to become more connected with emerging international and regional production network.

# *Chapter 6*

## **Connectivity**

1. Undertake measures to move towards economic corridor
2. Building corridor nodes and gateways and linking the nodes along the corridor
3. Complete major corridors with ASEAN - Trilateral Highway (TH), Kaladan Multimodal Project, etc.
4. Extend the Trilateral Highway to CLV
5. Designing and Implementing ASEAN-India Trade Facilitation arrangement
6. Improve the digital links between ASEAN and India

# *Chapter 7*

## **Removing Non-Tariff Measures (NTMs)**

1. Disciplining NTMs is important for achieving higher market access
2. Identify NTMs affecting trade flows, particularly SPS and TBT - creating an NTM database
3. Provide adequate transparency on the procedures of application of domestic regulation
4. Need to build sectoral MRAs



## *Chapter 8*

# **Energy Market Integration and Cooperation**

1. Higher scopes of trade in energy sector
2. Link with ASEAN energy grids by developing transmission line and gas pipeline connections through Myanmar
3. New projects: India-Bangladesh-Myanmar gas pipeline
4. Provide special focus on renewable energy
5. ASEAN and India shall promote a comprehensive energy cooperation regime

## *Chapter 9*

# **Monetary and Financial Cooperation**

1. Address structural and financial sector weaknesses
2. Develop corporate bond market
3. Build capacity and lay the long-term infrastructure for development of ASEAN capital markets, with a long-term goal of achieving cross-border collaboration
4. Penetrate the underdeveloped insurance market through deeper regional cooperation

# *Chapter 10*

## **Science and Technology Cooperation**

1. Strengthen ongoing initiatives in the area of space technology, renewable energy and environment
2. Deepening of cooperation between India and CLMV in science and technology
3. More capacity building programmes in areas of information technology, agriculture and space science

## *Chapter 11*

# **Food Security and Food Reserves**

1. Adopt an integrated food security plan between ASEAN and India
2. Establish regional food bank
3. Involve NGOs and civil societies to bring improvement in food security

# *Chapter 12*

## **Cultural Relations**

1. Culture is the best bond between people of India and ASEAN
2. Promote cultural and religious tourism between ASEAN and India
3. Educational and cultural agreements need to be concluded

# Concluding Remarks

- Consolidation of FTAs needed
  - RCEP is correct step forward
- But, trade liberalization must be supplemented by trade facilitation
  - Streamlining NTMs
  - Paperless trade
- Strengthen value chains and build the capacity of SMEs
- Value added services of connectivity crucial for economic integration and RVC
  - Economic corridor
  - Transit agreement
  - Air and maritime transport liberalization
- New studies on cross-cutting areas such as SDGs, Asian Integration 2030, value chains, etc. may be launched

**Thank You**

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