

ASEAN-India

Economic Relations:
Opportunities and Challenges



RIS
Research and Information System
for Developing Countries

AIC
ASEAN-India Centre at RIS

ASEAN-India Economic Relations: Opportunities and Challenges

Proceedings of the Third Roundtable on
ASEAN-India Network of Think-Tanks (AINTT)

25 – 26 August 2014
Hanoi, Vietnam



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FOREWORD

Ambassador Shyam Saran

Chairman, Research and Information System for Developing Countries (RIS),
and ASEAN-India Centre (AIC) at RIS

ASEAN-India Centre (AIC) at RIS has been involved in organising interactions with think-tanks, particularly from the ASEAN region. The Roundtable of ASEAN-India Network of Think-Tanks (AINTT) has become an annual event, which is the realisation of an idea put forward by the former Prime Minister of India, Dr. Manmohan Singh, at the 7th India-ASEAN Summit. In 2012, RIS was given the task to convene an interaction among think-tanks and provide a platform for sharing of views, ideas and proposals aimed at strengthening ASEAN-India relations. Convening the Roundtable of ASEAN-India Network of Think-Tanks (AINTT) since 2012 is an important project that has been implemented successfully.

India-ASEAN relations have witnessed remarkable growth in recent years. At the ASEAN-India Commemorative Summit 2012 in New Delhi we elevated our relations to a Strategic Partnership. Our relations have received new momentum under the Act East Policy. The relationship is set to deepen in days to come as the two sides step up their collaboration across a range of economic and strategic issues, including trade and connectivity, culture, people-to-people contacts, trans-national terrorism, and maritime security. With ASEAN and India working towards establishing a Comprehensive Free Trade Area through the Regional Comprehensive Economic Partnership (RCEP), their cooperation will be key to promoting political stability and economic prosperity in our shared region.

The Third Roundtable of AINTT, which was held at Hanoi, Vietnam on 25-26 August 2014, discussed a number of key issues that are relevant from the point of view of deepening the ASEAN-India relations. Representatives of think-tanks presented several ideas, which, we are certain, would be found useful by policymakers and other stakeholders, who are working on deepening the economic ties between the two partners. These are now presented in a single volume which can be a valuable reference for scholars and researchers as well.

The organisation of the AINTT Roundtable and the subsequent follow up activities have been undertaken by the ASEAN-India Centre at the RIS. I wish to commend Prof. Sachin Chaturvedi, Director General of RIS and AIC and Dr. Prabir De, Coordinator of AIC for their unremitting efforts to institutionalise this initiative and to ensure that the Centre plays an increasingly important role in promoting all aspects of India-ASEAN relations. I would like to record my appreciation of the efforts that have been put by my colleague, Dr. Prabir De and his team at AIC, in putting together this volume. The Roundtable of AINTT has provided us new ideas and suggestions in deepening the ASEAN-India Strategic Partnership. I am confident that the Network will meet more frequently and make significant contributions to strengthening the relationship between India and ASEAN.

I am sure the Proceedings of the Third Roundtable will be a valuable reference for policymakers, academics and practitioners.

July 2015



Shyam Saran

PREFACE

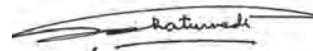
Prof. Sachin Chaturvedi

Director General, Research and Information System for Developing Countries (RIS), and ASEAN-India Centre (AIC) at RIS

Economic engagements between India and ASEAN have been moving forward at steady pace; still there a number of challenges that need effective policy interventions. The idea of organising the AINTT Roundtable was envisioned in 2009 to bring together at this forum the think-tanks, policymakers, scholars, media and business to bridge the knowledge gap. The purpose of Roundtable is to provide policy research inputs to governments of India and ASEAN countries on various areas of future cooperation. RIS is the nodal think-tank from India for organising the Roundtable.

RIS has been deeply involved in the process of strengthening ASEAN-India cooperation since 1992 when India was admitted by ASEAN as a Sectoral Dialogue Partner. The India-ASEAN Eminent Persons Lecture Series was launched in December 1996 to facilitate people-to-people interactions to complement the evolving partnership between the two regions. The ASEAN-India Centre (AIC) has been established at the RIS for undertaking research and fostering policy dialogue for continued interaction for strengthening ASEAN-India Partnership. It has also brought out a number of publications and organised important events on various aspects related to the process of ASEAN-India cooperation.

The first Roundtable on ASEAN-India Network of Think-Tanks (AINTT) was held in 2012 at New Delhi. The second Roundtable was organised in 2013 at Vientiane, Lao PDR and the Third Roundtable took place in 2014 at Hanoi, Vietnam. As in the past, AIC at RIS is bringing out the Proceedings of the Third Roundtable for wider dissemination among all stakeholders. I am sure you would find the contents of the Volume interesting and useful inputs for deepening the ASEAN-India partnership.



Sachin Chaturvedi

July 2015



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The Proceedings of the Third Roundtable on ASEAN-India Network of Think-Tanks (AINTT) has been edited by Dr. Prabir De, Coordinator, ASEAN-India Centre (AIC) at Research and Information System for Developing Countries (RIS) with the assistance of Dr. Durairaj Kumarasamy, Consultant, AIC and Mr. Sunando Basu, Research Associate. We are grateful to Ambassador Shyam Saran, Chairman, RIS and AIC for his continuous guidance and encouragement. We are thankful to Ambassador Anil Wadhwa, Secretary (East), Ministry of External Affairs (MEA), Government of India and Ms. Pooja Kapur, Joint Secretary (ASEAN Multilateral), Ministry of External Affairs, Government of India for their support and cooperation. We are also grateful to Ambassador V.S. Seshadri, Vice-Chairman, RIS and AIC and Prof. Sachin Chaturvedi, Director General, RIS and AIC for their cooperation. We are thankful to Ambassador Gurjit Singh, Ambassador of India to Indonesia and Timor Leste; Ambassador Preeti Saran, Ambassador of India to Vietnam; Ambassador Suresh Reddy, Ambassador to ASEAN; Mr. Nikhilesh Giri, Counsellor, Indian Mission to ASEAN; and the ASEAN Secretariat for making the participation in the Third AINTT Roundtable comprehensive. We gratefully acknowledge the assistance provided by Prof. Ngo Xuan Binh, Director, Vietnam Academy of Social Sciences (VASS), Hanoi and his team in organising the third Roundtable. We would like to, in particular, acknowledge the support from the Indian Embassy in Hanoi, Vietnam Institute of Indian and Southwest Asian Studies (VIISAS) and VASS for their cooperation without which the Roundtable would not have been a success. We are grateful to the participants of third Roundtable of AINTT for their wholehearted participation and support.

The third Roundtable benefitted from work done in support by the RIS Administration. Ms. Ruchi Verma coordinated the production of the Proceedings and Mr. Sachin Singhal designed the Proceedings. Ms. Kiran Wagh extended secretarial support. Views expressed in the proceedings are those of the participants of the Roundtable and not the views of Governments of India or ASEAN countries, Research and Information System for Developing countries (RIS), ASEAN-India Centre (AIC), ASEAN Secretariat, or the Vietnam Academy of Social Sciences (VASS). Usual disclaimers apply.

SUMMARY

Third Roundtable on ASEAN-India Network of Think-Tanks (AINTT)

1. The Third Roundtable on the ASEAN-India Network of Think-Tanks (AINTT) was held on 25-26 August 2014 at Hanoi, Vietnam. It was co-organised by the Research and Information System for Developing Countries (RIS), New Delhi and the Vietnam Institute of Indian and Southwest Asian Studies (VIISAS), Vietnam Academy of Social Sciences (VASS), Vietnam with the support of the Ministry of External Affairs (MEA), Government of India. Mrs. Sushma Swaraj, Hon'ble External Affairs Minister (EAM) of India inaugurated the roundtable. H.E. Mr. Pham Binh Minh, Deputy Prime Minister and Foreign Minister of Vietnam delivered the Keynote Address. Prof. Dr. Nguyen Xuan Thang, President, Vietnam Academy of Social Sciences (VASS) delivered the Welcome Address. A Ambassador V.S. Seshadri, Vice-Chairman, RIS, New Delhi delivered the Special Address. During the inauguration, the AIC-RIS volume of the Second AINTT Roundtable proceedings entitled "*Dynamics of ASEAN-India Strategic Partnership*" was released by the Hon'ble Ministers. About 21 senior scholars and officials attended the Third Roundtable from the representatives of think-tank of 10 ASEAN countries.
2. The Third Roundtable was organised under the theme "*ASEAN-India: Integration and Development*". There were three major sessions in the Roundtable, each of which dealt with the key challenges facing the Integration and Development between ASEAN and India: (i) economic cooperation and integration, (ii) physical connectivity and soft infrastructure, and (iii) investment cooperation.
3. In his Welcome Address, Prof. Dr. Nguyen Xuan Thang, Member of the Central Committee of Communist Party of Vietnam and President of the Vietnam Academy of Social Sciences (VASS) introduced the AINTT and provided contextual background to the collaboration between RIS and VASS that helped organise the Third Roundtable on AINTT. Prof. Thang stated that the Third Roundtable on AINTT was taking place at a particularly special time because ASEAN and India will be celebrating the

20th anniversary of the establishment of the ASEAN-India full dialogue partnership in 2015, which is also a landmark year for officially launching ASEAN Economic Community (AEC). Prof. Thang also stated that the Roundtable would provide a precious opportunity for policy makers and scholars from ASEAN countries and India to further contribute to strengthening the ASEAN-India Strategic Partnership in the fields of economic and investment cooperation, and physical connectivity and soft infrastructure as well as envisioning future cooperation between the two sides.

4. In her Inaugural Address, Mrs. Sushma Swaraj, Hon'ble External Affairs Minister (EAM) of India emphasised the importance of connectivity to the list of 5 'Ts' that the Government of India is pursuing 'Tradition, Talent, Tourism, Trade and Technology'. The EAM stressed that the significance of connectivity is more than simply geographic linkages between countries. It also involves institution-to-institution and people-to-people connections. Even geographic connectivity becomes a stronger concept with the inclusion of a multimodal approach that integrates land, sea and air connectivity. Additionally, soft infrastructure would facilitate trade integration and facilitation through joint transit arrangements. She hoped that the AINTT Roundtable would be able to provide some substantive recommendations on how to proceed further with this very ambitious but vital agenda. She went on to mention the importance of the connectivity projects that India has been implementing in Myanmar. The Hon'ble External Affairs Minister of India also suggested that the linkage of the economic space between ASEAN and India could be accelerated by establishing production and manufacturing networks and creating financial mechanisms to support this integration. Investment cooperation could be given a boost by building up backend connectivity linkages, whether in India's North East and Eastern sea-coast or in the hinterland of ASEAN countries along the corridors for physical connectivity. She hoped that both ASEAN and India would begin work on drafting the next Plan of Action for 2016-2021. The EAM wanted to bring greater attention to meet the requirements on the connectivity agenda in all its dimensions, and additionally in new areas such as education and vocational training, healthcare and medical training, energy security and food security.
5. In his Keynote Address titled "Building a Stronger ASEAN-India Strategic Partnership in the 21st Century", H.E. Mr. Pham Binh Minh, Deputy Prime Minister and Foreign Affairs Minister of Vietnam stated that the world is moving toward a multi-polar and multi-layered setting with the increasing trend of democratisation, and there has been much discussion on "the Indo-Pacific" in recognition of the indispensable and inseparable

role of India as well as the centrality of the ASEAN community in the future of the region. H.E. Minh emphasised the importance of working closely together to ensure an open, inclusive, sustainable and transparent regional architecture for peace and stability in Asia in today's globalised and interconnected world. He also stressed the need to do more to forge economic and trade linkages in order to lay a sound basis for our partnership, which is crucial to sustain the Asia-Pacific region as an engine of global growth. He recommended an expeditious fulfilment of the ASEAN-India FTA commitments, and the need to accelerate negotiations to sign the Regional Comprehensive Economic Partnership (RCEP).

6. Ambassador V. S. Seshadri, Vice-Chairman, RIS, in his Special Address presented the relevance of an active network of think-tanks and the objectives of the AINTT Roundtable. He also thanked the VASS for their support and cooperation in organising the AINTT Roundtable at Hanoi.
7. The Roundtable working sessions began with the Special Address by Ambassador Anil Wadhwa, Secretary (East), Ministry of External Affairs (MEA), Government of India who reiterated that India's relationship with the ASEAN countries continues to be the foundation of India's Look East Policy (LEP). Ambassador Wadhwa assured the audience that India would continue to support to the objective of an ASEAN Community by 2015, the Initiative for ASEAN Integration for Narrowing the Development Gap and the Master Plan on ASEAN Connectivity. Furthermore, he also mentioned that ASEAN and India have a strong foundation of partnership across the three pillars of political-security, economic and socio-development cooperation. Ambassador Wadhwa informed the Roundtable participants that India and ASEAN were about to begin work on the next Plan of Action for 2016-2021. He, therefore, requested the AINTT participants to provide recommendations, which could become action items for such a Plan. Ambassador Wadhwa also reminded the participants that the AINTT recommendations on the way forward would be circulated to the participants of Delhi Dialogue VII and to the ASEAN and Indian Foreign Ministers meeting ahead of that event. The objective of the Third Roundtable was to bring together participants from 10 ASEAN countries and India to share their ideas, perspectives and experiences as part of efforts to promote ASEAN-India Integration and Development in the context of ASEAN Economic Community (AEC) by 2015 as well as East Asia Summit Community at a later state. Thoroughly a lively and constructive discussion, the Third Roundtable of AINTT brought us comprehensive regional cooperation and integration issues, not only on partnership between ASEAN and India but also on East Asia Summit (EAS) Group relations. In addition, the Roundtable also had very stimulating discussions on various connectivity aspects of ASEAN-India

Strategic Partnership. Session-wise some major discussion points are as follows.

Session 1: Economic Cooperation and Integration

8. Economic cooperation and integration has become an important focus on recent development discourse as ASEAN and India have experienced economic growth and achieved significant improvements in income equality, poverty alleviation and other socio-economic goals. Due to ASEAN-India Free Trade Agreement (AIFTA), total trade between ASEAN and India has significantly increased. However, there are many challenges in economic cooperation that are prominently focused on this session, such as regional trading architecture, production networks, financial cooperation and other regional integration issues. The session was chaired by Dr. Do Duc Dinh, former Director General of Vietnam Academy of Social Sciences (VASS), Hanoi. In this session, four panellists from the prominent Think-Tanks participated. Some of the points discussed in this session, are as follows:
 - Acquisition of knowledge, technology and knowhow is the most effective way for a latecomer to benefit from trade openness and economic integration. ASEAN countries and India have a lot to share and learn from each other.
 - Setting up a committee in-charge of strategy implementation would be useful. Robust consultation with academics, industry consultants, and businesses MNCs (Japanese, American and European) can play an important role. To foster learning, ASEAN and India need dialogues, forums and conferences for sharing best practices, and for evaluation and reflections.
 - The trade in services between India and ASEAN has high potential, but remains largely unlocked. These services, particularly IT services, health, tourism, education and financial services need institutional support. From ASEAN, the Philippines has witnessed a steep rise in services trade, particularly in the IT-BPO services. Several Indian companies have opened offices at Manila in the last few years. The services trade between India and ASEAN may rise sharply if ASEAN and India sign the Services Trade Agreement and implement Mutual Recognition Agreement (MRA) in several service sectors between the two partners. Higher investment in infrastructure covering the logistics and telecommunications sectors is also needed. It is recommended that ASEAN-India Services and Investment Agreement may be signed and the protocols may be ratified by the member countries.

- Philippines and India may negotiate for a separate bilateral services trade agreement under WTO mechanism to facilitate services flow between the two countries. There is also a need for deeper cooperation between the government and private sector in developing human resources, for example, skills that are relevant to the IT-BPO service industry.
- ASEAN and India have to provide greater openness to FDIs and movements of natural persons, especially through the ASEAN-India Trade in Services and Investment Agreement. We should support the efficient mobility of professionals between ASEAN and India under the Mode 4 of GATS. To enable the movement of professionals across borders, we need to identify detailed barriers to entry.
- The ASEAN Economic Community (AEC) is a milestone and not a deadline. In view of formation of the AEC, India should undertake initiatives to strengthen the economic relations with ASEAN countries. Currently, the Regional Comprehensive Economic Partnership (RCEP) Agreement is being negotiated among the ASEAN+6 countries. The government should speed up the negotiation process of RCEP.
- A region-wide FTA like RCEP is a logical next stage for economic integration in the region. It would create more competitive production base, including many potential economies yet taping the benefits of integration.
- RCEP can be started by agreeing to less sensitive issues such as (i) simplification and uniformity of Rules of Origin (ROOs), by taking into account cumulative principle, (ii) simplification of trade procedures and improving trade facilitation, and (iii) stronger economic cooperation and technical assistance.
- Simplification of trade rules and regulations through RCEP would eventually generate higher trade in the region, leading to an increase in higher economic welfare for the region.
- Presently, India is not directly engaged with ASEAN through a regional value chain (RVC). However, RCEP is likely to generate a stronger value chain between ASEAN and India. Some of the areas where the value chain between ASEAN and India may be developed are as follows: mining and quarrying, textile and apparel, leather and footwear, basic chemicals, pharmaceuticals, metals, auto components, and jewellery.
- In production networks, most opportunities are upstream except for petroleum products and jewellery. Efforts should be made to increase 'upstreamness' through greater forward participation. India has to produce more intermediates for greater upstream use in the exports

of other countries. At the same time retain and develop downstream advantages, wherever possible, by accessing cheap raw materials and intermediates.

- Strict ROOs have been negatively affecting the trade flow and prohibiting regional value chains to grow between ASEAN and India. It is recommended that the origination criteria should be made flexible to support development of the regional value chain between ASEAN and India. Simpler ROOs are necessary for 'cumulation' benefits. Ideally, there should be a single ROO in RCEP.
- Product-specific ROO is fine, but it should not be impossible to follow, and a lower RVC threshold is desirable.
- 'Originating' criteria should be flexible. Procedures to obtain a Certificate of Origin (COO) have to be simplified and made more efficient.
- Benefits margins of ASEAN-India FTA through the elimination of tariff and non-tariff measures need to be raised.

Some Broad Recommendations of this Session are as follows:

- To encourage trade and investment, we should have ASEAN-India Business Card, an educational exchange, and dialogue between the political leaders.
- We need to develop stronger people to people contact through business councils, business summits, sports and cultural exchanges, educational exchanges, technological cooperation, twinning of universities and research institutes.
- There is no supra-national body to look after ASEAN's customs union and economic union. ASEAN Economic Community (AEC) along with the implementation of rules and regulations of customs unions would eventually facilitate the formation of economic union in the region. In this context, Economic Research Institute for ASEAN and East Asia (ERIA) has conducted a study on RCEP, findings of which offer some important lessons for ASEAN-India relations. Several other international organisations, such as ADB, UNESCAP and OECD also conducted studies on the benefits and costs of RCEP and TPP. We should examine the findings of these studies.
- There must be provincial-level cooperation for better implementation of ASEAN-India FTA mandates.
- The common three priorities are as follows: (i) complete the negotiation of RCEP; (ii) improve the physical connectivity; (iii) develop regional value chain.

Session 2: Physical Connectivity and Soft Infrastructure

9. The focus of this session was on the challenges and prospects of ASEAN-India physical connectivity and on soft infrastructure such as transport agreements, customs cooperation, etc. Ambassador Pou Sothirak, Executive Director, Cambodian Institute for Cooperation and Peace (CICP), Phnom Penh chaired this session. In this session, six panellists from six prominent institutions and think-tanks of ASEAN countries presented their papers. The major discussions were as follows:

- Develop the No-Man's Land (NMLs) at various borders into productive economic corridors – assumes elements in GVC can be captured in NML.
- More attention should be given to the soft side of connectivity – trade facilitation, information exchange, customs cooperation as part of larger modernised border authorities – presupposes no physical gap in transport of goods across-border in the form of NML or like-NML and institutional vehicles that reinforce soft infrastructure.
- Presently, ASEAN and India face high costs of freight transportation. Delays in transportation, both in terms of cost and time, have been negating the benefits coming out of trade liberalisation. Soft connectivity is therefore essential for smooth operation of hard connectivity between ASEAN and India. It was suggested that ASEAN and India should negotiate an agreement to cover issues like driving licenses, vehicle permission to move across border, insurance, etc. Promote traffic rights allowing trucks to cross borders into other country's territory and accept back haul cargoes-may require auxiliary measures.
- Without necessary soft infrastructure, it would be difficult to attract private investment. Moving forward, connectivity improvement would lead sustainable development in coming years between ASEAN and India.
- As the economies of the countries in Southeast and South Asia get further integrated, the use of overland connectivity through Myanmar using the GMS economic corridors, Asian Highway Network and the Trilateral Highway will be more and more intensive. There is an urgent need for the countries concerned to conclude a multilateral agreement which would standardise all formalities. This would greatly benefit consumers in the different countries of the region by way of reducing the prices of goods and also by the timely transport of goods which often include perishables.
- The border trade agreement, which was signed by China and Myanmar offers some important lessons and can be practiced between India and Myanmar. In particular, Part VI of Article 25 of Border Trade Agreement signed between China and Myanmar offers many lessons to Myanmar-India border connectivity.

- China is implementing a maritime silk route project. India must increase concentration on the land connectivity between ASEAN and India. Projects that need to be completed urgently are Trilateral Highway, Kaladan Multimodal Transit Transport Project, air connectivity between India and ASEAN-4 (CLMV), and the multimodal connectivity with CLMV. It was recommended that Yargi and Monywa section of Trilateral Highway, which is in very bad condition, should be upgraded to highway standard. The Myanmar government is supposed to develop this part of the Trilateral Highway.
- It was also recommended that a study has to be undertaken for extension of Trilateral Highway to Lao PDR, Cambodia and Vietnam.
- ASEAN India Transit Transport Agreement (AITTA) has to be negotiated and finalised before the date of completion of the Trilateral Highway. Since the ASEAN Secretariat is yet to take a decision on the AITTA, countries that are implementing the Trilateral Highway, namely, India, Myanmar and Thailand, should negotiate a separate transit and transport agreement among the three countries for seamless movement of vehicles across the Trilateral Highway, which later can be extended to cover the entire ASEAN region.
- ASEAN and India should also negotiate a separate multi-modal transport agreement to facilitate border connectivity and development of economic corridor.
- Continue the capital mobilisation including the possibility of the establishing a fund through bank or specific financial institutes to develop both physical and soft infrastructure between ASEAN and India.
- Better logistics connectivity between ASEAN and India is very critical for practical ASEAN-India partnership. If India wants to fully benefit from the effect of enhanced connectivity in ASEAN, India has to upgrade its infrastructure, institutional framework, and the capability of its domestic logistics service provider.
- Maritime connectivity is the key to higher trade and investment between ASEAN and India. Thailand government is planning to set up a new port in the southern sea board of Thailand. Development of this port may be facilitated, and it should be linked with ports in India and Indian Ocean.
- According to simulations of ERIA, the North Eastern Region of India would start getting benefits of ASEAN-India cross-border connectivity by 2030 onwards.
- While India has been working on some important connectivity projects with ASEAN+6, the connectivity between India and CLMV has been very weak.

- While negotiating transit transport agreement with Myanmar and Thailand, India may also include Lao PDR, Cambodia and Vietnam, since a Trilateral Highway would be extended to these countries eventually.
- India shall undertake vocational training and capacity building for CLMV countries, particularly in regards to connectivity projects. India shall continue its generous support and provide technical assistance to the Lao PDR in terms of physical connectivity.
- Next round of ASEAN-India Plan of Action may include recommendations made in past and present Roundtable of AINTT.
- To ensure safe and secure maritime transportation, cooperative dialogue is very important among ASEAN member countries and dialogue partners.
- We need to strengthen cooperation to ensure maritime security and freedom of navigation, and safety of sea lanes of communication for unfettered movement of trade in accordance with international law, including UNCLOS.
- Safety of sea lanes is a must for a secured trade. ASEAN Maritime Forum (AMF) should be the nodal agency to promote maritime connectivity.
- We also have to address the region's common challenges on maritime issues such as sea piracy, search and rescue at sea, marine environment, freedom of navigation, fisheries, and other areas of cooperation.
- ASEAN and India should prepare a contingency plan to meet all eventualities that might arise in connectivity projects.
- Security in the border areas, particularly between India and Myanmar, has to be enhanced.

Session 3: Investment Cooperation

10. The focus of this session was on areas relating to investment cooperation between ASEAN and India. In this session case studies, challenges and opportunities in backend infrastructure development between ASEAN and India were discussed. This session was chaired by Dr. Gilberto M. LLanto, President, Philippine Institute for Development Studies (PIDS), Manila. Five scholars from the ASEAN region presented their papers and the major discussions were as follows:

- All panel members of this session recommended that ASEAN-India Services and Investment Agreement should be signed at the earliest.
- An Investment cooperation agreement between Vietnam and India shall be initiated.

- ASEAN is implementing ASEAN Investment Area (AIA), which is an outcome of ASEAN Comprehensive Investment Agreement (ACIA). ASEAN is undertaking domestic reforms in tandem with the AEC Score Card. ASEAN is also implementing the ASEAN Investment Guarantee (AIG) scheme. There are proposals to improve ASEAN-India investment environment. With these measures in place, FDI between ASEAN and India may be improved in coming days.
- In ASEAN, India competes with Japan and China for investment. Bilaterally, India has been investing in the ASEAN region for a long time. India's FDI in Malaysia, Indonesia, Singapore and Thailand have existed for decades.
- India has to improve its own investment climate. The country has been facing four major challenges in attracting FDIs: political challenges, federal challenges, resource challenges and equity challenges.
- There are many areas where investment from India may result in narrowing the development gaps between India and ASEAN as well as within ASEAN. Rising development gaps in ASEAN is an opportunity for investment and integration. Diversity in ASEAN and India is an asset for regional cooperation and integration.
- There are many concerns about ASEAN-India FTA. Participants of AINTT Roundtable were of the opinion that signing of India-ASEAN Services Agreement may not generate effective results until and unless Mutual Recognition Agreements (MRAs) between India and ASEAN in different sectors are signed. Incidentally, India and Singapore had signed Comprehensive Economic Cooperation Agreement (CECA) in 2005, but no MRA has been signed till date. So far, ASEAN has signed MRAs in architecture, legal, professional services etc. India shall consider signing MRAs in the aforesaid sectors with ASEAN in order to create a larger market between them.
- Mobilising financial resources to support connectivity projects for both cross-border and backend linkages is a major challenge. Setting-up of Project Development Fund (PDF) could be an important beginning to build border connectivity, SEZs, attract investment and support SMEs.
- The Project Development Fund (PDF) may support design, finance and implement connectivity projects in the region. To start with, ASEAN and India may take help of several banks and financial institutions, particularly Export-Import Bank of India (EXIM Bank) with US\$ 100 million as equity.
- India and ASEAN have the century ahead of them. India's engagement with ASEAN paves the way for investment cooperation with East Asia. There are huge opportunities in regional production networks, taking

advantage of scale and specialisation. Given the lead that Japan and China have in the region, India has much catching-up to do. Aggressive networking with investment promotion agencies, business councils, and private sector organisations is essential.

Session 4: Way Forward

11. Being the concluding session, it summarised the discussions and suggested a way forward in the three thematic areas discussed in the Roundtable. This session was chaired by Ambassador V.S. Seshadri, Vice-Chairman, RIS and there were four very senior panellists from four prominent ASEAN Think-Tanks. The major conclusions were as follows:
 - Most of the slow or lack of progress in trade liberalisation were attributed to ASEAN's hesitance and limited capacity to liberalise the region. ASEAN indeed stands to benefit a great deal from services liberalisation and trade facilitation. Also rationalising tariff structure would improve ASEAN's resource allocation and competitiveness significantly through strengthening production network and supply chain.
 - Greater effort of ASEAN on capacity building and narrowing the development gap in favour of less developed members would enable ASEAN to have concerted effort in trade liberalisation and enhance as well as strengthen ASEAN centrality.
 - ASEAN would gain even more if all ASEAN members join TPP to enhance ASEAN role in pursuing a balanced TPP and bridging RCEP with TPP.
 - India should play more active role among all dialogue partners to implement Master Plan of ASEAN Connectivity. ASEAN-India Services and Investment Agreement should be signed and implemented. India should take actions to achieve a trade target of US\$ 100 billion with ASEAN in 2015.
 - India should renew the momentum of Mekong-Ganga Cooperation (MGC). This would strengthen the India-ASEAN relations.
 - Development of human resources, youth, trade fairs, cultural activities, Nalanda University projects, etc., should be implemented extensively.
 - Maritime security is needed for a safe and secure trade in the region. India and Mekong countries should introduce more direct air connectivity between them.
 - There should be more joint studies among the members of the AINTT, and the ASEAN-India Centre (AIC) was requested to undertake some joint studies.

- ASEAN and India still have a long sensitive list (approximately 575 items). Items in the sensitive lists have to be eliminated since trade in some of these items has grown in recent years between India and ASEAN.
- Trade facilitation has stronger impact than tariff liberalisation. Trade facilitation has higher impact on countries export than import. ASEAN and India, therefore, should undertake more trade facilitation projects.
- By 2016, Trilateral Highway may be ready. Moving loaded trucks between Mandalay and Yangon is not permitted along the National Highway (N1). Therefore, the old Mandalay road shall be renovated with the help of multilateral organisations such as The World Bank, ADB, etc. Myanmar Ministry of Construction has been constructing a friendship bridge across Mekong river. After the completion, the Trilateral Highway can be extended to Lao PDR without much hassle.
- Greater Mekong Subregion Cross-Border Transport Agreement (GMS CBTA) is relevant to ASEAN-India soft connectivity. India, Myanmar and Thailand should work out rules and regulations for customs and immigration, visa, security, transit, etc. for movement of vehicles and passengers across the Trilateral Highway.
- Establishment of the EAS Secretariat is overdue for some time. India and ASEAN may favourably consider setting up the East Asia Summit (EAS) Group Secretariat.
- A new study has to be undertaken to review and analyse why the FDI flow between India and ASEAN is low, compared to its potential.
- ASEAN and India should favourably consider setting up of an industrial zone for Halal Foods in Malaysia. ASEAN-India project development facility could be a good initiative to support specific projects in the region. While China takes lead role in maritime connectivity under maritime silk route project, India shall undertake initiative in land connectivity. ASEAN and India should work closely for sustainable development in connectivity.
- ASEAN and India shall work more actively on people to people connectivity. Exchange of students, cultural programmes, tourism, education, media, etc., should be taken up.
- Extension of Trilateral Highway to Cambodia and Lao PDR should be the immediate priority of India and ASEAN. A study can be conducted on border connectivity and the development of industrial zones along the Trilateral Highway. Building institutional connectivity is also an essential

element for success of ASEAN-India cross-border connectivity projects. Connectivity projects listed in the Master Plan of ASEAN Connectivity relating to ASEAN-India connectivity shall be implemented.

12. The third Roundtable of AINTT was concluded with a Vote of Thanks by Dr. Prabir De, AIC, New Delhi and Dr. Ngo Xuan Binh, VASS, Hanoi. The participants thanked the Vietnam Academy of Social Sciences (VASS), and ASEAN-India Centre (AIC) at RIS for organising the Roundtable and offering the hospitality. The next Roundtable will be held in 2015. The ASEAN-India Centre will announce the name of host country of the 4th AINTT Roundtable in consultation with the Ministry of External Affairs, Government of India.

About RIS

Research and Information System for Developing Countries (RIS) is a New Delhi-based autonomous policy research institute that specialises in issues related to international economic development, trade, investment and technology. RIS is envisioned as a forum for fostering effective policy dialogue and capacity-building among developing countries on global and regional economic issues.

The focus of the work programme of RIS is to promote South-South Cooperation and collaborate with developing countries in multilateral negotiations in various forums. RIS is engaged across inter-governmental processes of several regional economic cooperation initiatives. Through its intensive network of think tanks, RIS seeks to strengthen policy coherence on international economic issues and the development partnership canvas.

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About AIC

ASEAN-India Centre (AIC), established at the Research and Information System for Developing Countries (RIS), has been working to strengthen India's strategic partnership with ASEAN in its realisation of the ASEAN Community. AIC at RIS undertakes research, policy advocacy and regular networking activities with relevant public/private agencies, organisations and think-tanks in India and ASEAN countries, with the aim of providing policy inputs, up-to-date information, data resources and sustained interaction, for strengthening ASEAN-India Strategic Partnership.



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