

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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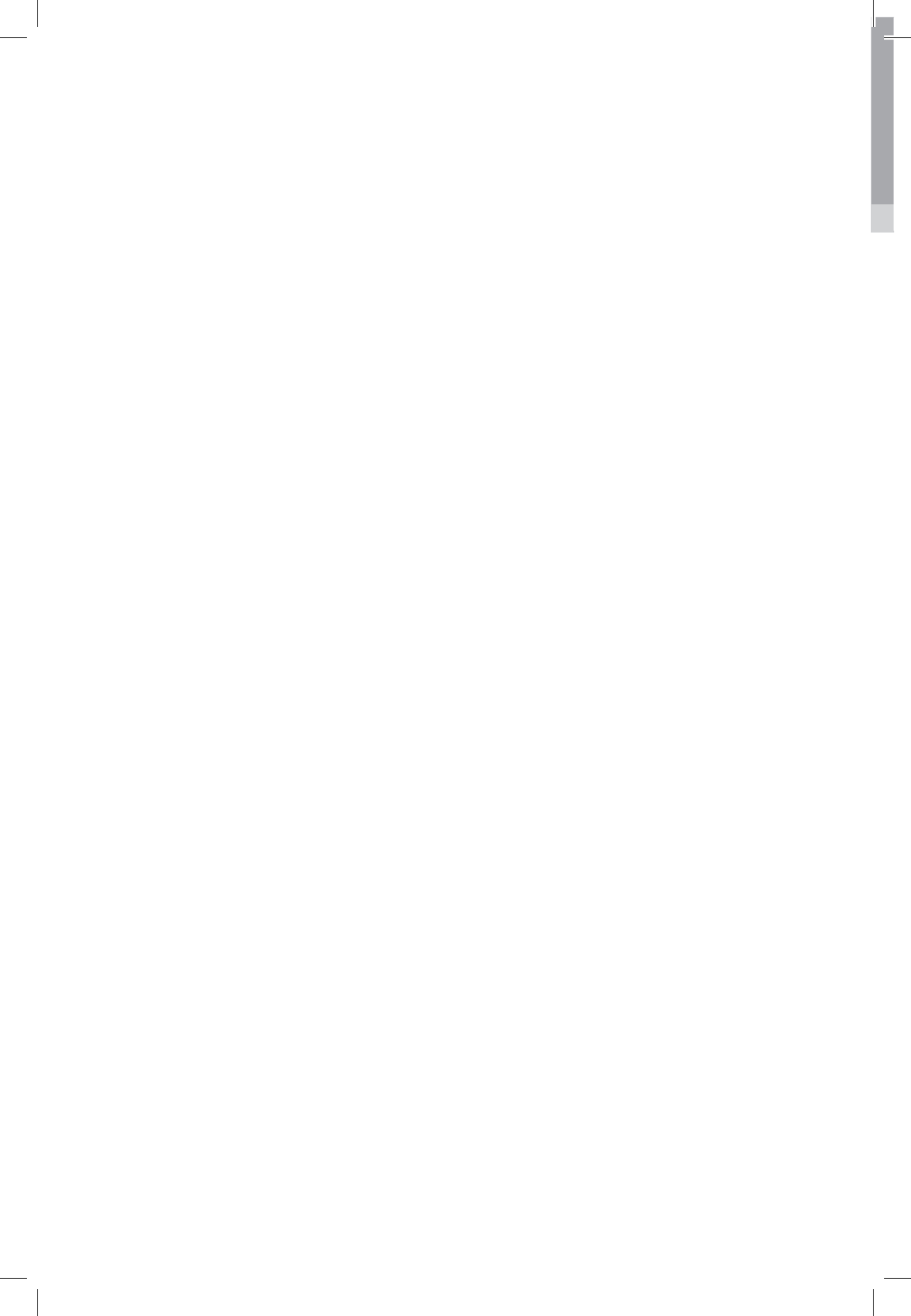
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FOREWORD

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 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 a steady pace; still there are 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 representatives to bridge the knowledge gap. The purpose of the 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.

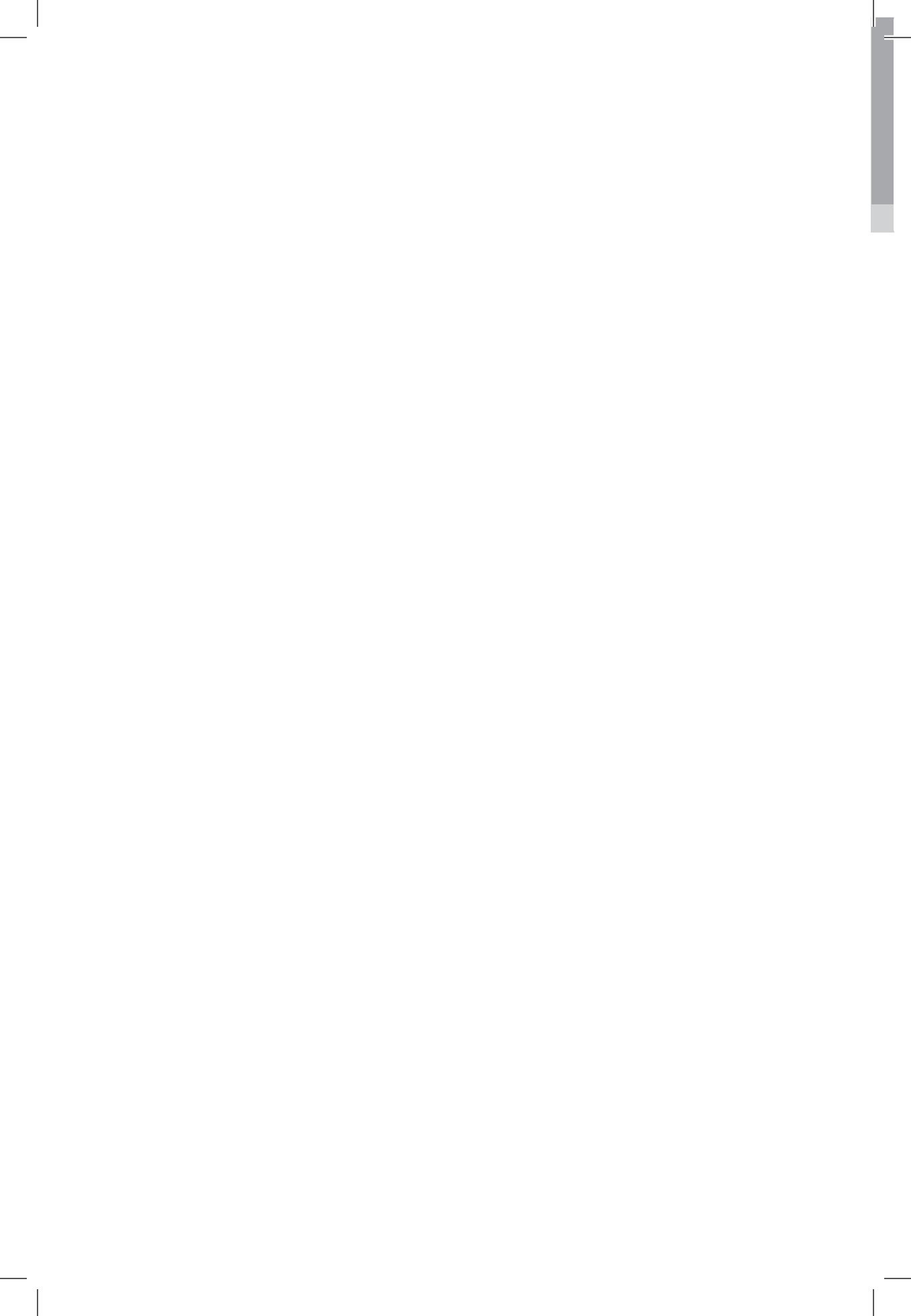
RIS has been deeply involved in the process of strengthening ASEAN-India cooperation since 1992 when India was admitted by ASEAN as a Sectoral Dialogue Partner. The India-ASEAN Eminent Persons Lecture Series was launched in December 1996 to facilitate people-to-people interactions to complement the evolving 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.

July 2015



Sachin Chaturvedi



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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.

LIST OF ABBREVIATIONS

AADCP	ASEAN-Australia Development Cooperation Programme
ACIA	ASEAN Comprehensive Investment Agreement
ADB	Asian Development Bank
ADB I	Asian Development Bank Institute
ADMM+	ASEAN Defence Ministers Meeting-Plus
AEC	ASEAN Economic Community
AIA	ASEAN Investment Area
AIBC	Australia-India Business Council
AIC	ASEAN-India Centre
AICF	ASEAN-India Cooperation Fund
AIFTA	ASEAN-India Free Trade Agreement
AIG	ASEAN Investment Guarantee
AINTT	ASEAN-India Network of Think-Tanks
AISF	ASEAN-India Special Facility
AISP	ASEAN-India Strategic Partnership
AITTA	ASEAN-India Transit Transport Agreement
AMF	ASEAN Maritime Forum
ANU	Australia National University
ARF	ASEAN Regional Forum
ARTNeT	Asia-Pacific Research and Training Network on Trade
ASEAN	Association of Southeast Asian Nations
ASEAN+3	ASEAN, China, Japan, and South Korea
ASEAN+6	ASEAN, India, Japan, South Korea, Australia and New Zealand
BIMSTEC	Bay of Bengal Initiative for Multi-sectoral Technical and Economic Cooperation
BRICS	Brazil, Russia, India, China, South Africa
CATIF	Centre for the Advancement of Trade Integration and Facilitation
CBTA	Cross-Border Transport Agreement

List of Abbreviations

CEA	Cambodian Economic Association
CECA	Comprehensive Economic Cooperation Agreement
CEPA	Comprehensive Economic Partnership Agreement
CICP	Cambodian Institute for Cooperation and Peace
CLMV	Cambodia, Lao PDR, Myanmar, Vietnam
COC	Code of Conduct
COO	Certificate of Origin
CPV	Central Committee of the Communist Party of Vietnam
CSIS	Centre for Strategic and International Studies
DDA	Doha Development Agenda
DOC	Declaration of the Conduct
EAM	External Affairs Minister of India
EAS	East Asia Summit
ERIA	Economic Research Institute for ASEAN and East Asia
EU	European Union
EXIM Bank	Export-Import Bank of India
FDA	Food and Drug Administration
FDI	Foreign Direct Investment
FICCI	Federation of Indian Chamber of Commerce and Industry
FTA	Free Trade Agreement
FTE	Full-time Equivalent
G20	Group of Twenty
GDP	Gross Domestic Product
GMS	Greater Mekong Sub-region
GSM	Geographical Simulation Model
GVC	Global Value Chain
IAEA	International Atomic Energy Agency
ICT	Information and Communication Technology
ICWA	India Council for World Affairs
IDE	Institute of Developing Economies
IFA	Institute of Foreign Affairs
ILO	International Labour Organisation
ISAS	Institute of South Asian Studies
ISEAS	Institute of South East Asian Studies

ISD	Indonesia Service Dialogue
ISIS	Institute of Strategic and International Studies
IT-BPO	Information Technology-Business Process Outsourcing
ITeS	Information Technology-enabled Services
JETRO	Japan External Trade Organisation
JICA	Japan International Cooperation Agency
KIEP	Korea Institute of International Economic Policy
KMTTPP	Kaladan Multi-modal Transit Transport Project
LDC	Least Developed Country
LEP	Look East Policy
LIPI	Indonesian Institute of Sciences
LLDC	Land-Locked Developing Countries
MEA	Ministry of External Affairs
MGC	Mekong-Ganga Cooperation
MIEC	Mekong-India Economic Corridor
MIER	Malaysian Institute of Economic Research
MISIS	Myanmar Institute of Strategic and International Studies
MPAC	Master Plan on ASEAN Connectivity
MRA	Mutual Recognition Agreement
NAFTA	North America Free Trade Agreement
NAM	Non-Aligned Movement
NASSCOM	National Association of Software and Services Companies
NML	No-Man's Land
NTBs	Non-Tariff Barriers
NUS	National University of Singapore
OECD	Organisation for Economic Co-operation and Development
OEM	Original Equipment Manufacturers
OITF	OECD International Transport Forum
OOP	Object-Oriented Programming
PDA	Project Development Assistance
PDF	Project Development Fund
PIDS	Philippines Institute for Development Studies
PMC	Post-Ministerial Conference
R&D	Research and Development

List of Abbreviations

RCEP	Regional Comprehensive Economic Partnership
RIS	Research and Information System for Developing Countries
RKC	Revised Kyoto Convention
ROO	Rules of Origin
RVC	Regional Value Chain
SEZ	Special Economic Zone
SKRL	Singapore Kunming Rail Link
SMEs	Small and Medium Enterprises
SOEs	State-Owned Enterprises
TDRI	Thailand Development Research Institute
TIVA	Trade in Value Added
TKK Road	Tamu-Kalewa-Kalemyo Road
TPP	Trans-Pacific Partnership
UN	United Nations
UNCLOS	United Nations Convention on the Law of the Sea
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNECLAC	United Nations Economic Commission for Latin America and the Caribbean
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNIDO	United Nations Industrial Development Organisation
UNODC	United Nations Office on Drugs and Crime
USD	US Dollar
VASS	Vietnam Academy of Social Sciences
VIISAS	Vietnam Institute of Indian and Southwest Asian Studies
WTO	World Trade Organisation



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. 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 and India.
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 towards 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) agreement.

6. Ambassador V. S. Seshadri, Vice-Chairman, RIS and AIC, in his Special Address presented the relevance of an active network of think-tanks and the objectives of the AINTT Roundtable. He also thanked 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 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 the 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 have 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. 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 the 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 tapping 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 the 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. Promoting traffic rights allowing trucks to cross borders into other country's territory and accepting 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 the Agreement 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 the economic corridor.
- Continue the capital mobilisation including the possibility of the establishing a fund through a 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 with 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, a cooperative dialogue is very important among ASEAN 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.
- The 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 has 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

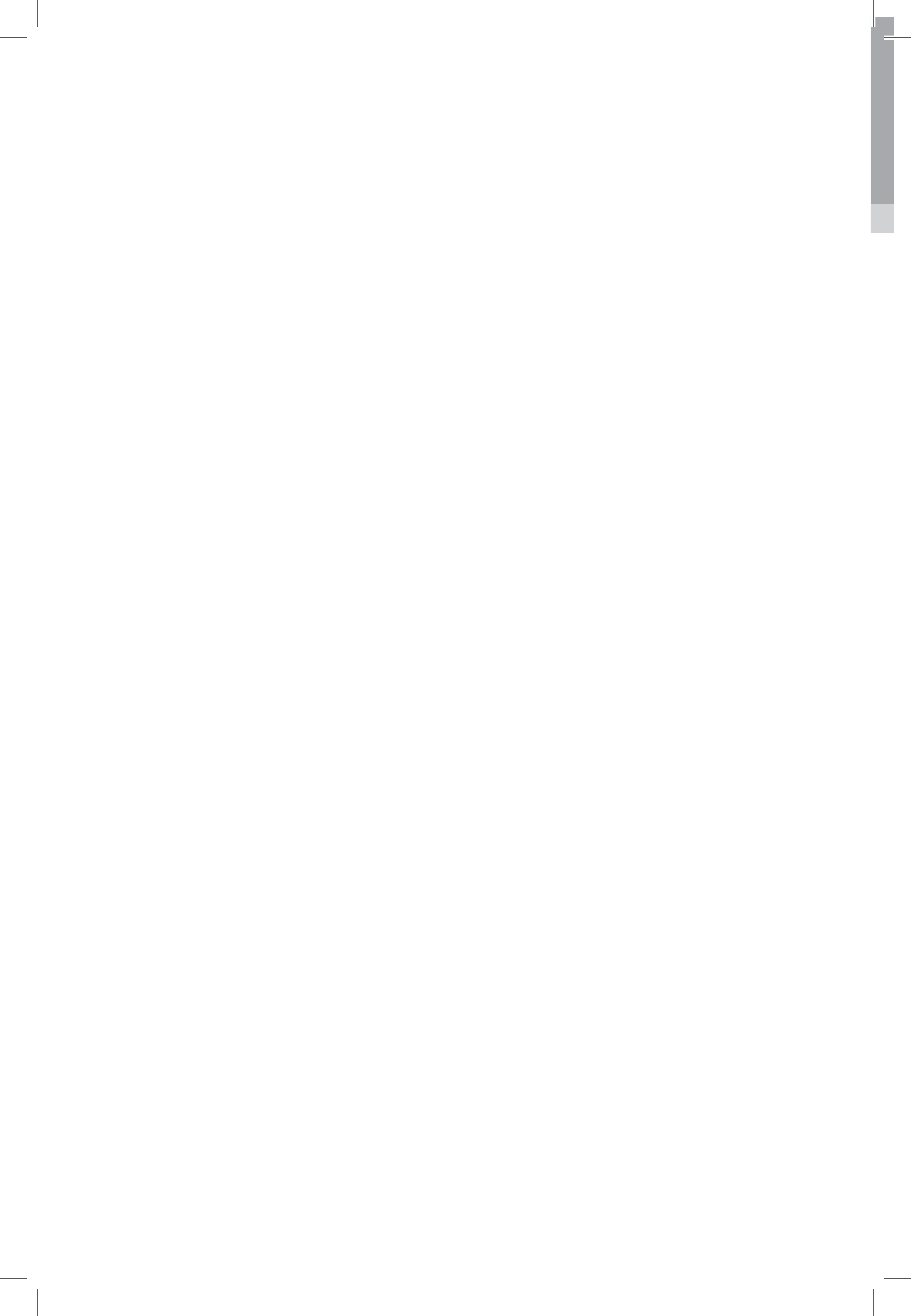
11. Being the concluding session, it summarised the discussions and suggested a way forward in the three thematic areas discussed in the Roundtable. This session was chaired by Ambassador V.S. Seshadri, Vice-Chairman, RIS and AIC and there were four very senior panellists from four prominent ASEAN Think-Tanks. 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 a 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 a 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 an 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 the 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.



AGENDA



Day I: 25 August 2014

13.30 – 14.00 hrs : Registration

14.00–15.00 hrs : Inaugural of the 3rd Roundtable on AINTT

- 14.00–14.10 : Welcome Address by Prof. Dr. Nguyen Xuan Thang, President, Vietnam Academy of Social Sciences (VASS)
- 14.10–14.25 : Keynote Address by H.E. Mr. Pham Binh Minh, Deputy Prime Minister and Foreign Affairs Minister of Vietnam
- 14.25–14.40 : Inaugural Address by H.E. Mrs. Sushma Swaraj, External Affairs Minister of India
- 14.40–14.50 : Special Address by Ambassador V.S. Seshadri, Vice-Chairman, Research and Information System for Developing Countries (RIS)
- 14.50–14.55 : Release of AIC-RIS Volume of 2nd AINTT Proceedings: *Dynamics of ASEAN-India Strategic Partnership*
- 14.55–15.00 : Group Photo
- 15.00 : High Tea
- 18.30 : Welcome Dinner [Venue: Daewoo Hotel]

Day II: 26 August 2014

09.00-09.30 hrs. : Special Address by Ambassador Anil Wadhwa, Secretary (East), Ministry of External Affairs (MEA), Government of India

09.30–11.00 hrs. : **Session 1: Economic Cooperation and Integration**

[Focus of this session would be on regional trading architecture, production networks, financial cooperation and other regional integration issues.]

In chair: Dr. Do Duc Dinh, Former Director General, VASS, Hanoi

Panellists

09.30–09.45 : Dr. Gilberto M. LLanto, President, Philippines Institute for Development Studies (PIDS), Manila

09.45–10.00 : Dr. Yose Rizal Damuri, Head, Department of Economics, Centre for Strategic and International Studies (CSIS), Jakarta

10.00–10.15 : Dr. Amitendu Palit, Head (Partnerships and Programmes) and Senior Research Fellow, Institute of South Asian Studies (ISAS), Singapore

10.15–10.30 : Dr. Vu Minh Khuong, Assistant Professor, Lee Kuan Yew School of Public Policy, National University of Singapore (NUS), Singapore

10.30–11.00 : Q & A

11.00 – 11.15 : Tea/Coffee Break

11.15–13.00 hrs. : **Session 2: Physical Connectivity and Soft Infrastructure**

[Focus of this session would be on discussing the challenges and prospects of ASEAN-India physical connectivity and soft infrastructure such as transit agreement, customs cooperation, etc.]

In chair: Ambassador Pou Sothirak, Executive Director, Cambodian Institute for Cooperation and Peace (CICP), Phnom Penh

Panellists

11.15–11.30 : Dr. Florian A. Albuero, President, Centre for the Advancement of Trade Integration and Facilitation (CATIF), Manila

Agenda

- 11.30–11.45 : Tan Sri Rastam Mohd Isa, Chief Executive, Institute of Strategic and International Studies (ISIS), Kuala Lumpur
- 11.45–12.00 : Mr. Nyunt Maung Shein, Chairman, Myanmar Institute of Strategic and International Studies (MISIS), Yangon
- 12.00–12.15 : Dr. Poon Thiengburanathum, Faculty of Engineering, Chiang Mai University, Chiang Mai
- 12.15–12.30 : Dr. Siviengphet Phetvorasack, Deputy Director General, Institute of Foreign Affairs (IFA), Vientiane
- 12.30–12.45 : Dr. Vo Xuan Vinh, Head, Politics and International Relations Department, Institute for Southeast Asian Studies (ISEAS), VASS
- 12.45 –13.00 : Q & A
- 13.00–14.00 : Lunch Break

14.00–15.30 hrs. : Session 3: Investment Cooperation

[Focus of this session would be on areas relating to investment cooperation. The session will present case studies, discuss the challenges and identify opportunities in infrastructure (backend linkages) ASEAN and in India.]

In chair: Dr. Gilberto M. LLanto, President, PIDS, Manila

Panellists

- 14.00–14.15 : Prof. Ngo Xuan Binh, Director-General, VASS, Hanoi
- 14.15–14.30 : Dr. Shankaran Nambiar, Senior Research Fellow, Malaysian Institute of Economic Research (MIER), Kuala Lumpur
- 14.30–14.45 : Mr. Teddy Lesmana, Researcher (Development Economics), Indonesian Institute of Sciences (LIPI), Jakarta
- 14.45–15.00 : Mr. Ngo Sothath, Secretary General, Cambodian Economic Association (CEA), Phnom Penh
- 15.00–15.15 : Prof. Prabir De, ASEAN – India Centre (AIC) at RIS
- 15.15–15.30 : Q & A
- 15.30–15.45 : Tea/Coffee Break

15.45–17.15 hrs. : Session 4: Way Forward

[Focus of this session would be to suggest a way forward in the three thematic areas discussed in the above three sessions.]

In chair: Ambassador V.S. Seshadri, Vice-Chairman, RIS

Panellists

- 15.45–16.00 : Ambassador Pou Sothirak, Executive Director, Cambodian Institute for Cooperation and Peace (CICP), Phnom Penh
- 16.00–16.15 : Dr. Wisarn Pupphavesa, Adviser, Thailand Development Research Institute (TDRI), Bangkok
- 16.15–16.30 : Mr. Nyunt Maung Shein, Chairman, Myanmar Institute of Strategic and International Studies (MISIS), Yangon
- 16.30–16.45 : Tan Sri Rastam Mohd Isa, Chief Executive, Institute of Strategic and International Studies (ISIS), Kuala Lumpur
- 16.45–17.15 : Q & A

17.15–17.30 hrs. : Concluding Session and Vote of Thanks

- 17.15 – 17.20 : Prof. Prabir De, AIC, New Delhi
- 17.20 – 17.30 : Prof. Ngo Xuan Binh, VASS, Hanoi
- 18.30 : Dinner

KEYNOTE ADDRESS

H.E. Mr. Pham Binh Minh

Deputy Prime Minister and
Minister of Foreign Affairs of Vietnam

Excellency Minister Swaraj

Distinguished Ambassadors and delegates

Ladies and Gentlemen,

1. It is indeed my pleasure to be here today at the 3rd Roundtable on ASEAN-India Network of Think Tanks. I wish to offer a special greeting to our guest of honour, Minister Swaraj. Thank you so much for joining us this morning.

I also wish to thank ASEAN-India Centre (AIC) at RIS and Vietnam Institute of Indian and Southwest Asian Studies (VIISAS) for hosting this event. I am very delighted to see many distinguished participants here with us to discuss issues that are critical to our future ASEAN-India partnership.

Two weeks ago, Minister Swaraj and I took part in the ASEAN-India Ministerial Meeting in Nay Pyi Taw. I recall and fully concur with Madam Minister's views at the meeting that the ASEAN-India Strategic Partnership owes its strength to the fact that your 'Look East' policy meets our ASEAN's 'outward-looking' policy. And, there is synergy and a sense of fraternity in our partnership.

ASEAN welcomes Prime Minister Modi's reaffirmation of India's Look East Policy and cooperation with ASEAN.

Ladies and Gentlemen,

2. During 21st century, particularly since the global economic and financial crisis, the world is moving toward a multi-polar and multi-layered setting with the increasing trend of democratisation.

And people are talking about "the Indo-Pacific" in recognition of the indispensable and inseparable role of India as well as the centrality of ASEAN Community in the future of our region.

With what is going on in the world today, our interests across the region are aligning more closely than ever. The next 5 to 10 year period is crucial to our relations, even more so with ASEAN becoming a full-fledged community, and India a well-established power in the world.

Therefore, it is time for us to build a stronger ASEAN-India strategic partnership in the 21st century. Let me share with you some of my thoughts on the historic potential of our partnership.

2.1. First, just within two decades, ASEAN-India relations have grown rapidly from a sectoral dialogue partnership to a full dialogue partnership and a strategic partnership in 2012. ASEAN always views India as a key element in the evolving regional architecture.

ASEAN sees India as an important pillar of the multi-polar regional order. From early on, India has been a great contributor to the ASEAN Regional Forum (ARF), the East Asia Summit (EAS), and the ASEAN Defence Minister Plus (ADMM+) processes. India's power came not from its might but more so from the soft power derived from its great civilisation and its influence today in the international stage. Traces of India's civilisation and influence straddle across South East Asia as concrete evidence of India's ancient influence and connectivity through this region.

Today, the Asia-Pacific has become a centre of global political economic gravity and a key theatre for the intense interplay among major powers. We recognise that both ASEAN and India stand at an important turning point.

So, we have more shared interests and prominent denominators. We both aspire for a peaceful, stable region, where sovereignty and territorial integrity are fully respected, where the rule of law, especially the fundamental principles of international law such as the UN Charter, the UNCLOS continue to govern inter-state relations, and how inter-state conflicts are resolved, without the threat or use of force.

Such a region of peace and stability is much needed as ASEAN and India are both entering a new strategic phase of development, and accelerating our national goals of reform, economic restructuring for sustainable development.

And as both sides are also engaging in the Regional Comprehensive Economic Partnership (RCEP) negotiations, our destiny and development are all the more intertwined.

For our part, ASEAN is soon becoming a resilient, integrated, inclusive, and harmonious Community by the end of 2015. ASEAN strives to maintain its centrality in the evolving regional architecture.

We are determined to not being a simple “taker” of the regional architecture but also a proactive “shaper” of the evolving architecture with our post-2015 ASEAN Vision.

Today, India is even more powerful globally due to its leading role in the Non-Aligned Movement, G20, BRICS and other multilateral arrangements. India is expected to surpass Japan, Russia and key EU members to become world’s third largest economy by 2020.

Secondly, ASEAN and India also have a shared stake in addressing regional and global challenges. Our cooperation needs to be more effective and efficient as the security and development landscape is experiencing swift and complex conversions.

Traditional and non-traditional security issues have become more acute and complicated than ever. Ethnic and religious tensions and territorial disputes, particularly the East Sea (the South China Sea) and the East China Sea have become more complicated with far-reaching implications.

Thirdly, the elevation of the ASEAN-India partnership is timely and fully relevant to the ongoing trend of globalisation and integration for sustainable development.

With changes in the global economy, international integration is becoming broader in scope and in-depth, focusing more on development and response to global challenges. This trend can be seen by the proliferation of numerous next generation FTAs and mega linkages.

Ladies and Gentlemen,

Against such backdrop, the next decade is crucial for shaping the global and regional landscape, especially the ASEAN-India relations. The profiles of ASEAN and India will also be better defined.

3. So, the question is what we should do to make our partnership genuinely strategic. Let me highlight some areas for our future cooperation.

First, in today’s globalised and interconnected world, our top priority is to work more closely together to ensure an open, inclusive, sustainable and transparent regional architecture for peace and stability in Asia. We also

seek to build up strategic trust, uphold the international law, and consolidate the complementarity of the existing and emerging regional arrangements. To this end, India is and will remain our indispensable partner.

The future development and integration of ASEAN and India largely lie in the East Sea (the South China Sea) and the Indian Ocean. So, our cooperation should focus more on maintaining maritime safety and security, freedom of navigation, and settling territorial disputes through peaceful means on the basis of international law, including UNCLOS 1982.

ASEAN counts on India's continued support to the full implementation of the Declaration of the Conduct (DOC) and early finalisation of the Code of Conduct (COC).

Secondly, we need to do more to forge our economic and trade linkages in order to lay a sound basis for our partnership. This is crucial to sustain the Asia-Pacific region as an engine of global growth. In this connection, we need to expeditiously fulfil the ASEAN-India FTA commitments, and to accelerate the negotiations to establish the Regional Comprehensive Economic Partnership (RCEP).

ASEAN, including Vietnam, is becoming a hub for the strategic partnership, comprehensive partnership and FTA with all the leading global partners. So, there are more tangible opportunities for Indian businesses.

We always welcome India's investment and cooperation, especially in human resources development, healthcare, information technology, and manufacturing in infrastructure.

We can also promote inter-sub-regional cooperation, particularly the Mekong-Ganga Cooperation (MGC) and Bay of Bengal Initiative for Multi-sectoral Technical and Economic Cooperation (BIMSTEC), and ASEAN-India Highway Network. These projects are important to accelerate regional integration, alleviate poverty and narrow the development gap.

Thirdly, I share Madam Minister's perspective that connectivity should be developed in all dimensions of our strategic partnership. Physical, institutional and people-to-people connectivity should be our priority. Youth exchange and interactions are most important.

Fourthly, in our interconnected world, it is imperative to enhance global dimension of our cooperation in response to common challenges. In my view, our region's immediate needs are to address climate change, natural disasters, epidemics, food-water-energy security, maritime safety and security, terrorism and cyber security.

Fifthly, we should continue to support and work with each other at international fora, notably the UN, WTO, G20 and the Non-Aligned Movement.

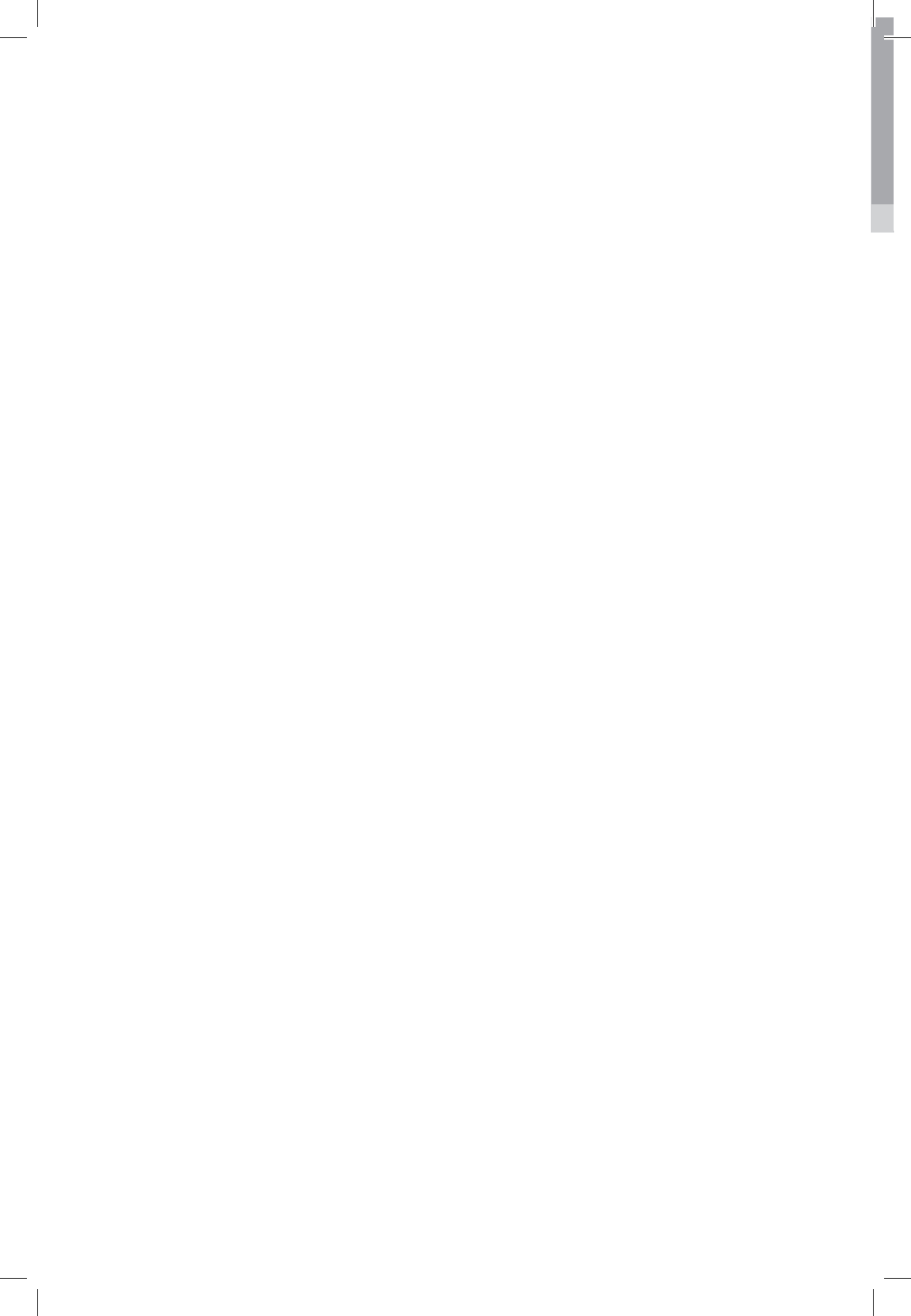
We stand ready to work with India to make the voice of developing countries heard, and to ensure equitable, democratic and transparent global governance. Vietnam continues to strongly support UN reform and India's permanent membership of the UN Security Council when it is reformed.

4. With our vast shared interests and values, we have reasons to firmly believe that ASEAN-India traditional bonds will be strengthened, our mutual trust will be enhanced and our partnership will be deepened. Vietnam is ready to be one of the gateways for India's stronger engagement in South East Asia.

Let me take this opportunity to thank you all for your championship and invaluable contributions to deepening Vietnam-India fraternal ties and ASEAN- India partnership.

I hope you will have fruitful deliberations at this Roundtable.

Thank you very much.



INAUGURAL ADDRESS

H.E. Mrs. Sushma Swaraj

External Affairs Minister of India

Your Excellency, Deputy Prime Minister and Foreign Minister of Vietnam,
Mr. Pham Binh Minh

President of the Vietnam Academy of Social Sciences, Prof. Dr. Nguyen Xuan
Thang

Vice Chairman of RIS and ASEAN-India Centre, Amb. V.S. Seshadri

Distinguished Speakers and Panellists

Representatives of Think Tanks from ASEAN countries, RIS and the ASEAN-India
Centre

Ladies and Gentlemen,

I have been looking forward to this 3rd Roundtable of the ASEAN-India Network of Think Tanks. At my meeting with the ASEAN Foreign Ministers in Nay Pyi Taw on 9 August 2014, I found great synergy of thinking and expectation from the ASEAN-India Strategic Partnership. Members of the strategic community in our countries should be partners in the endeavour of ASEAN and Indian Governments to take this relationship to new heights, with increased speed and relevance to our region.

The ASEAN-India Strategic Partnership also anchors our common ambition at multilateral and global levels, whether at the East Asia Summit (EAS), in RCEP or at other fora. I, therefore, look forward to your suggestions and ideas during the course of the Roundtable to add to this momentum of integration between ASEAN and India.

I would like to inform you that the new Government in India is a strong believer in such a participative approach to bring together the members of the strategic community, the industry, the experts and professionals, and the youth

in our countries to further our common agenda of development, progress and prosperity.

This is particularly necessary when we assess the ambitious agenda of ASEAN and India connectivity. In my meeting with the ASEAN Foreign Ministers recently, I emphasised the importance of the 'C' of connectivity to the five Ts that the Government of India is pursuing – Tradition, Talent, Tourism, Trade and Technology.

Connectivity implies more than geographic linkages between us. It involves also institution-to-institution and people-to-people linkages. Even geographic connectivity becomes a stronger concept if we include a multimodal approach that integrates land, sea and air connectivity, bring in the soft infrastructure to advance trade integration and facilitation through joint transit arrangements, and allow easier movement of goods and people.

I am, therefore, particularly pleased to see the focus of the 3rd Roundtable on “ASEAN-India: Integration and Development” in the context of connectivity, its soft infrastructure, economic, trade and investment cooperation and integration of the economic space defined by ASEAN and India. These are matters of the highest priority in our relations with ASEAN. I hope that you will be able to give us some substantive recommendations on how we can further this very ambitious but vital agenda on the ground.

I am told that you have all been made aware of an extremely comprehensive report completed recently by RIS and Amb. Seshadri on “Transforming Connectivity Corridors between India and Myanmar into Development Corridors”. This Report has some very sound groundwork. It places special focus on the land bridge provided by Myanmar for India’s connectivity to ASEAN. Myanmar is also the country where we are currently involved in enhancing geographic connectivity.

We have completed 160 km of the Tamu-Kalewa-Kalemyo (TKK) Friendship Road as part of the Trilateral Highway from Moreh in India to Mae Sot in Thailand. We are committed to another 120 km in the Kalewa-Yargyi sector and the refurbishment of 71 bridges on the TKK Road. Myanmar and Thailand are to complete their respective segments. We have also resolved to begin negotiations on a Transit Transport Agreement between India-Myanmar-Thailand for the Trilateral Highway. We are undertaking the Kaladan Multimodal Project in Myanmar, including the port at Sittwe towards completion. There are possibilities for collaboration in terms of SEZs at Kyaukpyu and Dawei.

Looking at the synergies in our regional and global approaches to further economic growth, prosperity, peace and stability, it is important that we accelerate the ongoing integration of the economic space between ASEAN

countries and India. If we look at our economic space as one, there is tremendous scope to enhance trade and investment, create jobs and improve standards of living across our region.

The linking together of this economic space, which will determine the quality of life of 1.8 billion people between our countries, can be accelerated if we establish production and manufacturing networks and create financial mechanisms to support this integration. Investment cooperation can be given a boost by building up the backend linkages to connectivity, whether in India's North East and Eastern seacoast or in the hinterland in ASEAN countries along the corridors for physical connectivity. There are opportunities here for creation of infrastructure and capacity in manufacturing and industrial development, for skills training and vocational education, for establishing logistics chains, energy grids and food processing capacities, which in turn, can help us address complex issues pertaining to energy and food security in our region.

Some of the ASEAN economies need to build their capacities in the production and we can be your partners in bringing both capacity and stability into your markets. Development economics needs to be interpreted in new ways to make this happen.

Indian companies already have a strong presence in Indonesia, Singapore and Malaysia and are now becoming part of the development story in Myanmar. In fact, there is more outflow of Indian FDI to ASEAN countries than vice versa. This will help bring in the necessary momentum to our trade and investment linkages and achieve the target of US\$ 100 billion by 2015 and US\$ 200 billion by 2020. We can build on synergies in our approach to regional trading mechanisms such as the Regional Comprehensive Economic Partnership.

As Governments, we also need to look at a more functional visa regime between us, with long-term visas for businessmen and professionals and their families.

There is also tremendous potential for tourism between us, which is still at a fraction of what the numbers can be. We need to integrate our business and tourism sectors with better air connectivity. We should find ways of seamlessly encouraging our people-to-people interfaces, which have been our collective strength through centuries.

I hope that your discussions will take note of these aspects and suggest some specific recommendations for consideration by ASEAN and Indian Governments.

I would also like to see your recommendations feed into the Delhi Dialogue VII on 11-12 March 2015, especially since the ASEAN-India Centre is now a partner of Delhi Dialogue.

Before we inaugurate Delhi Dialogue VII, ASEAN Foreign Ministers and I would take cognizance of the recommendations and outcome documents from the multiple Track 2 and Track 1.5 events which would be held in the run up to DDVII by its nine Partners and five Associates. We have added some key Industry Chambers and Think Tanks from India as Associates to this process from this year onwards to strengthen participation from Indian Industry in the connectivity agenda before ASEAN and India.

With 26 dialogue mechanisms, 7 Ministerial level meetings, a structured interface for engagement between the strategic community in our region, exchange programmes for media, students, farmers, diplomats, and the anticipated opening of our new Mission to the ASEAN in the near future, we are building a strong foundation for our future ambition.

My ASEAN colleagues and I have asked our Senior Officials to begin work on the drafting of the next Plan of Action for 2016-2021. We would like to see greater attention to meeting requirements on the connectivity agenda, in all its dimensions, and add in new areas such as education and vocational training, healthcare and medical training, building energy security and food security into the capacity building agenda of the ASEAN-India Strategic Partnership.

I also hope that when you deliberate all of this tomorrow, you will keep in mind the fundamental strength of the ASEAN-India Strategic Partnership – the people, who share a civilisational heritage of ideas, knowledge, practices, culture and a capacity to partner each other. This capacity has been built over centuries. It has a natural comfort level, which can only come about through centuries of interface on the principles of openness, receptivity to one another and trust.

We are privileged that we are deliberating and defining the future contours of a partnership with longstanding positive heritage, immense current capacity and increasing relevance for the future of East Asia.

Ladies and Gentlemen, I wish you an interesting and useful set of discussions and I look forward to your conclusion and recommendations.

Thank you.

SPECIAL ADDRESS

Ambassador V. S. Seshadri

Vice-Chairman, RIS and AIC

Deputy Prime Minister and Minister of Foreign Affairs of Vietnam H.E. Mr. Pham Binh Minh

Minister for External Affairs of India H.E. Shrimati Sushma Swaraj

H.E. Mr. Anil Wadhwa, Secretary (East)

Professor Dr. Nguyen Xuan Thang, President of Vietnam Academy of Social Sciences

Heads of Indian diplomatic missions to various countries in this region

Distinguished Panellists and Speakers and members of the Think-Tank Fraternity of this region

Ladies and Gentlemen,

On behalf of the Research and Information System for Developing Countries (RIS) including its Chairman, Ambassador Shyam Saran, I would like to extend a warm and cordial welcome to all of you to this Third Roundtable of ASEAN-India Network of Think-Tanks. I would like to, in particular, convey our gratefulness to the Deputy Prime Minister and Minister of Foreign Affairs of Vietnam H.E. Mr. Pham Binh Minh for kindly agreeing to deliver the Keynote Address and to the Minister for External Affairs H.E. Shrimati Sushma Swaraj for consenting to inaugurate the proceedings. The august presence of your Excellencies has enabled our gathering to acquire great importance. Your views and suggestions will provide valuable guidance and direction to our discussions today and tomorrow. It is very important that the think-tanks on Track 1.5 or 2 have such regular interactions with political leaders and decision makers in Track 1. It is also a welcome coincidence of our meeting and the meeting of the Heads of Indian diplomatic missions in the region that has enabled us to have the presence at this inaugural session of all these senior Indian Ambassadors and High Commissioners, actively promoting ties with countries in this region.

I also take this opportunity to convey our sincere thanks to our co-host, the Vietnam Academy of Social Sciences, and to Professor Dr. Nguyen Xuan Thang in particular, for all the excellent arrangements and host facilities. RIS had the opportunity and privilege of hosting Professor Dr. Nguyen Xuan Thang only recently in New Delhi and Kolkata, as part of our Eminent Persons Lecture Series. His lectures were very well received and extensively covered by our local press.

RIS has been involved in interacting with think-tanks in the region for more than a decade now. An ASEAN-India Centre has also been established last year at RIS that is now witnessing a steady stream of activities. RIS is also the focal point in India for this more systematic Annual Roundtable of AINTT which began two years ago in 2012. A primary objective of this Roundtable is to provide policy inputs to the governments of India and the ASEAN countries on future areas of cooperation. It is regarded as a high quality research platform for the policymakers, academia, professionals and the research community. While the first Roundtable was held in New Delhi in 2012, last year the second Roundtable took place in Vientiane, Laos and this year we are holding it in Hanoi, Vietnam. Holding this important network meeting on a rotational basis in different venues, we believe it will also bring in a welcome local flavour and perspectives into our discussions.

ASEAN today is a market of over 600 million people with a combined GDP of US\$ 2.5 trillion dollars. The bustling economy of Vietnam is an illustration of the dynamism of this region. As steady progress is being made towards the establishment of the ASEAN Economic Community, discussions are already underway among various think-tanks about moving ASEAN forward beyond AEC over a medium term till 2020 and beyond, and to see how it can achieve further sustained high and equitable growth.

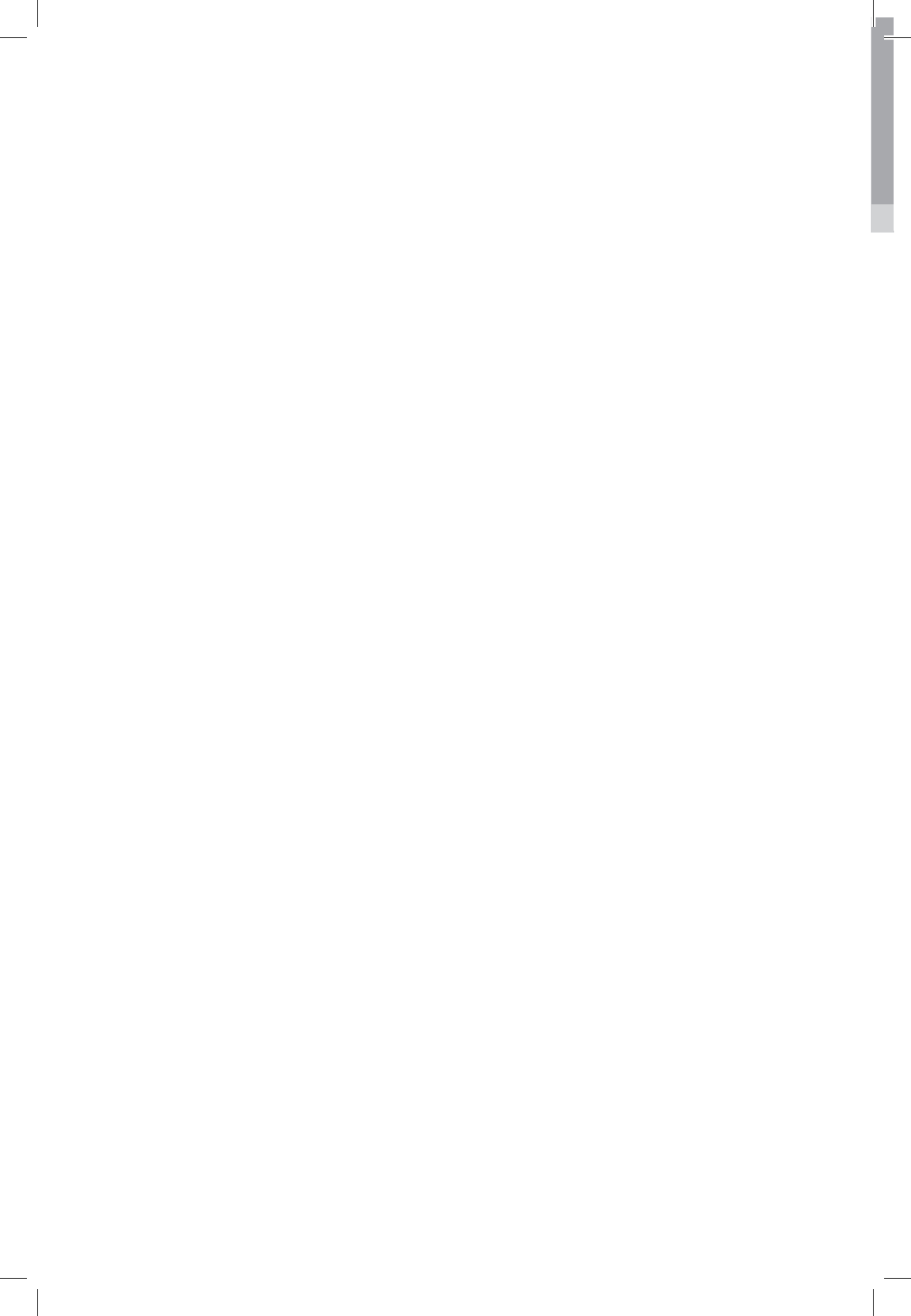
India is a market of over 1.23 billion people with a GDP of US\$ 1.842 trillion. While our growth slowed in the last couple of years, registering growth less than 5 per cent, the current year is expected to see some revival with expectations of 5.4 per cent to 5.9 per cent growth. The assumption of office by the new government and the announcement of several reform measures and initiatives have already led to high expectations with the stock market registering record level. If the growth projections are realised, it can form the basis for our reversal to a 7 per cent to 8 per cent annual growth in the not so distant future. It could be expected then that even our bilateral trade and investment with ASEAN could also lead to more accelerated expansion. I think this optimistic outlook provides an interesting setting for the Roundtable discussion.

With the Commemorative Summit in 2012, ASEAN-India relations have been elevated to the Strategic Partnership level. This is set for further strengthening

of relations once the FTA on services and investment becomes effective. ASEAN and India are now also negotiating the Regional Comprehensive Economic Partnership (RCEP) Agreement along with other partners. With both sides showing keenness to deepen and widen their economic partnership, there is need to dwell on a range of issues, including trade in services, investment and connectivity, and development cooperation.

Keeping all these in view, the third Roundtable has been designed to discuss the theme “ASEAN-India: Integration and Development”. There will be three main sessions. The first session will focus on economic cooperation and integration seeking to examine aspects like regional trading architecture, production networks, financial cooperation and other regional integration issues. The second session will be devoted for discussing the challenges and prospects of ASEAN-India physical connectivity and soft infrastructure. In RIS, we had recently undertaken a study on how the various connectivity corridors under development between India and Myanmar can be transformed into development corridors. A copy of this Report is being circulated to all participants, which we hope will facilitate discussions during this session. The third session will focus on investment cooperation possibilities. The potential for building supply chains and further strengthening the infrastructure are some of the priority areas for exploration. There will also be a session on ‘Way Forward’ and we are very pleased that we have amongst us several experts and senior representatives from ASEAN countries, apart from RIS, who will be contributing to the discussion.

I would also like to thank here both the coordinators, Prof. Dr. Ngo Xuan Binh, Director General, Institute of India and Southwest Asian Studies, Vietnam Academy of Social Sciences (VASS), and Dr. Prabir De, Professor, RIS for all the preparatory work that has gone into making the holding of this event possible.



SPECIAL ADDRESS

Ambassador Anil Wadhwa

Secretary (East), Ministry of External Affairs
Government of India

President of the Vietnam Academy of Social Sciences, Prof. Dr. Nguyen Xuan Thang

Vice-Chairman of RIS and ASEAN-India Centre, Amb. V.S. Seshadri

Distinguished Speakers and Panellists

Representatives of Think-Tanks from ASEAN countries and the ASEAN-India Centre

Ladies and Gentlemen,

1. It is my pleasure to share thoughts with you today on some key aspects of the ASEAN-India Strategic Partnership. You have already heard the External Affairs Minister of India yesterday on her priorities for this important relationship and the qualitative momentum that she would look to bring together with the ASEAN Foreign Ministers, to specific issues on the agenda.
2. Let me begin, therefore, by reiterating that the relationship with the ASEAN countries continues to be the foundation of India's Look East Policy. We see it as a strategic partnership with implications for the ASEAN-India region, its integrated economic space and its 1.8 billion people. We also agree with our ASEAN friends on its relevance as an anchor of peace and stability in East Asia and the contribution that we can bring collectively to issues on the global agenda.
3. Looking ahead, we would continue our 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. We have a strong foundation to our partnership across the three pillars of political-security, economic and socio-development cooperation.
4. India is partnering with the ASEAN countries in the negotiations on the Regional Comprehensive Economic Partnership (RCEP). We have common

objectives relating to enhancement of our production and manufacturing networks, strengthening of our financial systems, eradication of poverty, sustaining self-sufficiency in agricultural production, and enhancing the availability of educational and employment opportunities for our youth.

5. The FTA on Trade in Goods, which we signed in 2009, has helped to bring about steady increase in trade volumes between ASEAN and India. It now stands at US\$ 76 billion annually and we are pursuing a target of US\$ 100 billion by 2015. There is a trade imbalance in favour of the ASEAN. ASEAN Economic Ministers and their Indian counterpart are also meeting today in Nay Pyi Taw to improve trade and commerce. I hope that you will be able to discuss practical ways in which ASEAN and India can take advantage of this new FTA to increase jobs, standards of life, industrial and economic capacities and opportunities for partnership. For instance, if each of you looks at what the FTA in Services and Investment can do for your respective countries, you would be able to write out the formulae and the equations that we, as Officials, need to implement on the ground.
6. A key dimension to economic cooperation and integration will be the re-energising of the ASEAN-India Business Council and the ASEAN-India Business Fair, which is to have annual regularity. We saw the utility of these mechanisms in 2011 and 2012 when India hosted them. We should now look at these being hosted in an ASEAN country. Malaysia has already established a Secretariat to the AIBC in Kuala Lumpur.
7. Economic experts amongst you would have closely followed the implementation of the FTA on Trade in Goods in recent years. Your suggestions towards a review of its performance would be of great value.
8. As our Minister said yesterday, connectivity in all its dimensions is receiving the highest priority on the ASEAN-India agenda. In addition to our efforts in Myanmar, we have instituted, since last year, an annual meeting of the ASEAN Connectivity Coordinating Committee, and India, which not only does a stock-taking of work underway, but is also looking at the utility of economic clusters and back-end linkages, SEZs and economic nodes along the connectivity corridors and ways to encourage an inter-modal approach that can integrate land, sea and air routes with hinterland economic activity. This meeting is going to be held on 8 September 2014 at Nay Pyi Taw, and your brainstorming today on the link between soft infrastructure and physical connectivity and investment cooperation to find financial solutions for this capital intensive agenda would be of relevance.
9. Progress in intra-ASEAN connectivity will also assist the objective of enhancing connectivity between ASEAN and India. But the physical

infrastructure can be utilised only if we also agree on the soft infrastructure necessary to permit movement of traffic and goods on these economic corridors. We have, therefore, proposed that India-Myanmar-Thailand begin negotiations on a Transit Transport Agreement for the Trilateral Highway. We need to see suggestions on how Tier II and Tier III cities in India can develop business and tourism linkages with destinations in ASEAN on a year round sustainable scale. This will assist efforts to broaden air connectivity beyond just some of the big capitals in ASEAN and the metros in India. We had made available 18 such routes to ASEAN some years ago and we are keen on their utilisation at the earliest. We have also offered the ASEAN an Open Sky Policy on Cargo on *quid pro quo* basis.

10. The creation of soft infrastructure is still in development mode within ASEAN itself. But this should not be a limitation to discussions on such soft infrastructure linkages between ASEAN and India, because the agenda of connectivity cannot progress effectively if these various elements – creation of infrastructure, the establishment of soft infrastructure and the integration of economic activity in the hinterland along these corridors of connectivity is taken on in a sequential manner. This work has to be simultaneous.
11. As you heard yesterday, we are looking to begin work on the next Plan of Action for 2016-2021. I hope your recommendations will have the specificity needed to make them action items for such a Plan. It will also help the search for investment solutions to realise these objectives. We have had some discussions with International Financial Institutions such as The World Bank and Asian Development Bank (ADB) and also representatives from Indian Industry. We would like to see the ASEAN Infrastructure Bank as a partner to ASEAN-India connectivity.
12. When we look at back-end linkages, we would like to draw on your expertise in identifying specific Industry that could catalyse the utilisation of connectivity corridors for economic and investment cooperation. Should we, for instance, orient our future Centres for English Language Training and Entrepreneurship Development to such activity? I would like your suggestions to include specific locations for such activity. I would urge that you keep in mind also that this agenda cannot progress on the shoulders of Governments alone. It needs the professionalism and the orientation to investment that is found in the private sector.
13. Your recommendations on the way forward would be circulated to the participants of Delhi Dialogue VII on 11-12 March 2015, and to the ASEAN and Indian Foreign Ministers ahead of that event.

14. As you debate these very specific issues, you would, of course, take cognizance of the 26 dialogue mechanisms, including Ministerial level meetings in agriculture, foreign affairs, trade, tourism, new and renewable energy, environment and telecom and the high level dialogues in Science and Technology and the SME sector, that have been utilising the ASEAN India Cooperation Fund, the Science and Technology Development Fund and the ASEAN India Green Fund to implement projects under the Plan of Action for 2010-2015. These projects had been suggested to the ASEAN Secretariat between September 2011 and November 2012. Projects and programmes worth US\$ 1.04 million have already been implemented; another set of over US\$ 17 million is under implementation and projects worth US\$ 30 million are still under discussion and finalisation between ASEAN and India.
15. Between the activities of the ASEAN-India Centre in the last one year, multiple editions of Delhi Dialogue and AINTT, the business “markers” that were organised along the route of the ASEAN-India Car Rally and the sail training ship INS Sudarshini’s expedition in 2012, the Investment Roundtables and the AIBC discussions, we have consensus on the potential and relevance of economic and investment cooperation and integration between ASEAN and India, using the instrument of physical connectivity and its soft infrastructure.
16. What we would like to now have as an input from members of our strategic community in the region, are the specific projects that we can consider. We need a holistic approach, which looks at creation of infrastructure, generation of economic activity, development of local capacity and Industry, and issues such as energy availability and environmental management in a coherent manner.
17. This will not only add to the substance of the ASEAN India strategic partnership, but will also contribute to our capacities to partner with each other in the East Asia region in terms of its geo-political and geo-economic dynamics, and help us to sustain our combined role as growth engines for the global economic recovery.
18. I could, perhaps, now take two or three questions. I do have to leave soon since we are also holding, simultaneously, a meeting of our Regional Heads of Missions with the External Affairs Minister here in Hanoi.

ABOUT AINTT

The increasing complexity of the global economic environment makes it imperative to establish effective network of institutions, media and business houses involved in the policy dialogue, which can generate considered documents for policymakers to take informed decisions. With the Free Trade Agreement (FTA) between India and ASEAN in effect from 1 January 2010, India-ASEAN partnership has taken a new shape.

India's engagement with the ASEAN is at the "heart" of its Act East Policy. We are convinced that India's future and our economic interests are best served by greater integration with our Asian partners. The implementation of the ASEAN-India FTA in 2010 has opened up new vistas of trade cooperation between the two partners. With both sides showing active interest to deepen and widen the process of economic integration through agreements on services, investment, etc., there would be an increasing array of issues on trade, investment, connectivity, etc., which need to be addressed to strengthen the partnership between India and ASEAN. Deliberations between these organisations would help provide well-considered policy inputs to the governments.

Promoting a long-term cooperative partnership based on equality, shared ownership and mutual respect will enable both India and ASEAN achieve long-term national and regional development goals. In order to realise this objective, policy dialogue among relevant institutions, media and business community from India and ASEAN assumes utmost importance. These deliberations would not only help in promoting awareness about the potential of the India-ASEAN partnership, but would also help in exploring new vistas for strengthening regional cooperation.

The Roundtable of ASEAN-India Network of Think-Tanks (AINTT) is an outcome of Indian Prime Minister's Statement at the 7th India-ASEAN Summit, where he suggested establishment of an India-ASEAN Roundtable comprising think-tanks to bridge the knowledge gap. One of the primary objectives of this Roundtable is, therefore, to provide policy inputs to the governments of India and the ASEAN countries on future areas of cooperation. RIS was identified as the nodal point from India to organise the Roundtable. Another purpose of the interaction between think-tanks is to deepen the ASEAN-India partnership through policy research and advocacy. RIS envisages this forum as high quality

research platform for the policymakers, academics, professionals, and the research communities.

RIS has been involved in interacting with think-tanks, particularly from the ASEAN region, for a number of years. The first major initiative in this regard was the International Conference that RIS organised in 2004 on ASEAN-India Vision 2020 at New Delhi on behalf of the ASEAN-India Network of Think-Tanks (AINTT). The AINTT was formed following a decision taken by the Leaders of ASEAN and India at their First Summit held in November 2002. Besides coordinating with think-tanks as a part of the India-ASEAN engagement, RIS is also actively involved in several other think-tank networks. These include Economic Research Institute for ASEAN and East Asia (ERIA); Asia-Pacific Research and Training Network on Trade (ARTNeT), coordinated by UNESCAP; and BIMSTEC Network of Policy Think-Tanks, among others.

AINTT Secretariat is located at the ASEAN-India Centre (AIC) at RIS. To know more about this network, please contact Dr. Prabir De at prabirde@ris.org.in.



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Synergies for Stronger Economic Cooperation Services in the Philippines and India

Gilberto M. Llanto*#

1. Introduction

In the past decades, the ASEAN and India have developed into economic powerhouses and drivers of global economic growth in their respective spheres of operation. Their respective growth paths have differed. But, ASEAN developed significant trade and investment links more with East Asia than with India and the rest of the Indian sub-continent. India's major trade partners are OECD countries. India has developed its manufacturing capacities to supply the vast Indian sub-continent markets. The country has moved up the technological and industrial ladder and developed trade and investment ties with OECD countries. This paper first discusses ASEAN-India trade and investment relations, and then deals with services, specifically information technology and business processing outsourcing industry as an area for greater economic relations between ASEAN and India, and in particular, between the Philippines and India. It recommends certain measures to strengthen this emerging area of cooperation.

The ASEAN's trade and investment links with East Asia have been through the regional production networks that have enabled the region to exploit relative comparative advantages in trade, and also to contribute to the production of high value export goods such as automobiles, computer, and other electronic products. The ASEAN-East Asia production network is an integrated system, where each participating country produces different components (intermediate inputs) of a final product. Substantial foreign direct investment (FDI) has been poured into ASEAN, mainly by Japan, and later, the Korean FDI has been driving the flourishing regional production networks.

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The author thanks Ma. Kristina Ortiz for research assistance.

The strategy of openness to FDI and linking to regional and global value chains has worked well for ASEAN in stimulating the growth of manufactured exports to East Asian and OECD countries. India is rather behind in using regional production networks and global value chains as a strategy to link with the emerging economies of ASEAN as well as East Asia.

The two economic powerhouses, namely, ASEAN and India, have realised the importance of greater economic cooperation and partnership and have signed the ASEAN-India Trade in Goods Agreement in Bangkok in August 2009. This is a welcome development because it creates one of the largest free trade areas in the world with a combined GDP of US\$ 2.8 trillion and a market of 1.8 billion people. The Trade in Goods Agreement, which entered into force in January 2010, provided for the liberalisation of tariffs on 90 per cent of products traded between ASEAN and India, and will eliminate tariffs on 4,000 product lines by 2016. Immense possibilities to expand outputs and employment drawing from the synergies of very dynamic economies participating in this trade agreement have arisen.

However, one specific obstacle is the potential rise of protectionism that keep hindering the free movement of goods under this agreement. There is a concern that Indian producers of palm oil and rubber, among others, will face very stiff competition and lose markets to more efficient ASEAN suppliers. There is fear among politicians and businessmen that a “flood of cheap imports . . . will cripple [Indian] domestic industries” (Morarji 2012). Francis (2011) echoes this apprehension about an adverse impact on Indian semi-processed and processed agricultural products and close substitutes. Calculations seem to indicate an adverse impact on Indian small and medium enterprises (SMEs) in food and other agriculture-related products, some intermediate goods and light manufacturing products.

The upside of the ASEAN-India Free Trade Agreement with ASEAN pointed out by Francis (2011) comes in terms of import liberalisation in intermediate inputs that will encourage multinational corporations to undertake production rationalisation across the region in the transport equipment, machinery, chemicals and iron and steel sectors. This could pave the way for India’s deeper integration in production networks in these sectors, which will allow the country to participate in global value chains of such higher value-added products so far. Regional production networks have not been a strategy followed by India. Francis (2011) argues that in the past India failed to exploit the production network-driven export growth that has served well the ASEAN countries.

In this regard, Indian scholars, who calculated that the overall benefits of free trade would far outweigh the cost to native industries, argued that protectionist

sentiment should be resisted.¹ The ASEAN-India FTA works in favour of India because it will enable the country to exploit regional production networks in the ASEAN. On the other hand, it also works as well for the ASEAN in view of expanded markets, investments, and technical expertise that Indian firms may bring.

India's "Look East Policy" no doubt spurred the formulation of this Agreement. Morarji (2012) attributes this change in attitude to a series of events starting from the Indian balance of payments crisis and subsequent economic liberalisation in the 1990s, the collapse of the Soviet Union, and ASEAN's success as a model of regional cooperation. Nataraj (2010) sees a different driving motivation, namely, to expand markets, counter Chinese influence in the region and improve India's standing as a regional power. According to her, India needs FTA with ASEAN considering that India's share in ASEAN imports is 2.1 per cent against 13 per cent for China. The China-ASEAN FTA makes Chinese goods cheaper in the ASEAN market.

2. Trends in ASEAN-India Trade and Investment

From a small base of US\$ 2.9 billion in 1993, bilateral trade between ASEAN and India grew to US\$ 12.1 billion in 2003 with an annual growth rate of 11.2 per cent. In 2012, while bilateral trade increased to US\$ 71.8 billion from US\$ 68.2 billion in 2011, the positive aspect is that ASEAN-India relations seem to have established a firm foothold in the respective partners' trade and investment portfolio (ASEAN Secretariat, 2014a).

Foreign direct investments from India, meanwhile, swung from negative US\$ 1.7 billion in 2011 to US\$ 2.6 billion in 2012. However, the ASEAN Secretariat reported that this slightly went down to US\$ 1.7 billion in 2013 (ASEAN Secretariat 2014b). This contrasts with the vibrant ASEAN-East Asia trade and economic relations, where FDIs and regional production networks have been the channels for significant trade and investments between these bilateral partners. India's share of FDIs going into Asia has been 1.1 per cent.

ASEAN-India economic and trade relations are insignificant compared to that of ASEAN with East Asia, but there is scope for intensifying trade and investment activities with appropriate policy and institutional reforms pursued by both parties. The greater potential for trade and investment relationship is visibly present. Available data indicates that India's share of total FDI inflows in Asia was around 7 per cent in 2013 (UNCTAD, 2014).

Meanwhile, the ASEAN countries have realised the importance of India as an emerging regional partner and its significance for their political and economic future. By 2010, India has become the ASEAN's 6th largest trade partner, while

ASEAN has emerged as India’s 4th largest trading partner in 2009, next to the EU, United States and China. Current areas of collaboration include the following: trade and investment, science and technology, tourism, human resource and infrastructure development (Morarji 2012). The convergence of both economic and political interests seems to be natural reasons for these two economic powerhouses to establish closer and stronger relations. The partnership has started on a positive note, but this “requires continued nurturing” in order to grow and flourish (Asher, Sen and Srivastava 2001).

For the Philippines, in particular, the share of exports to and imports from India has been quite small, if one looks at combined flows within ASEAN countries and India. The value of export and import goods is relatively insignificant (Figures 1 and 2). From 2009 to 2012, India’s share was just 3.6 per cent of the total. India represents a very small share of FDIs from Asian countries coming into the Philippines, averaging only 0.52 per cent from 2010 to 2012 (Figure 3). This indicates a potential for improving trade and investment relationship with India.

Figure 1: Value of Commodities Traded with ASEAN and India, Imports

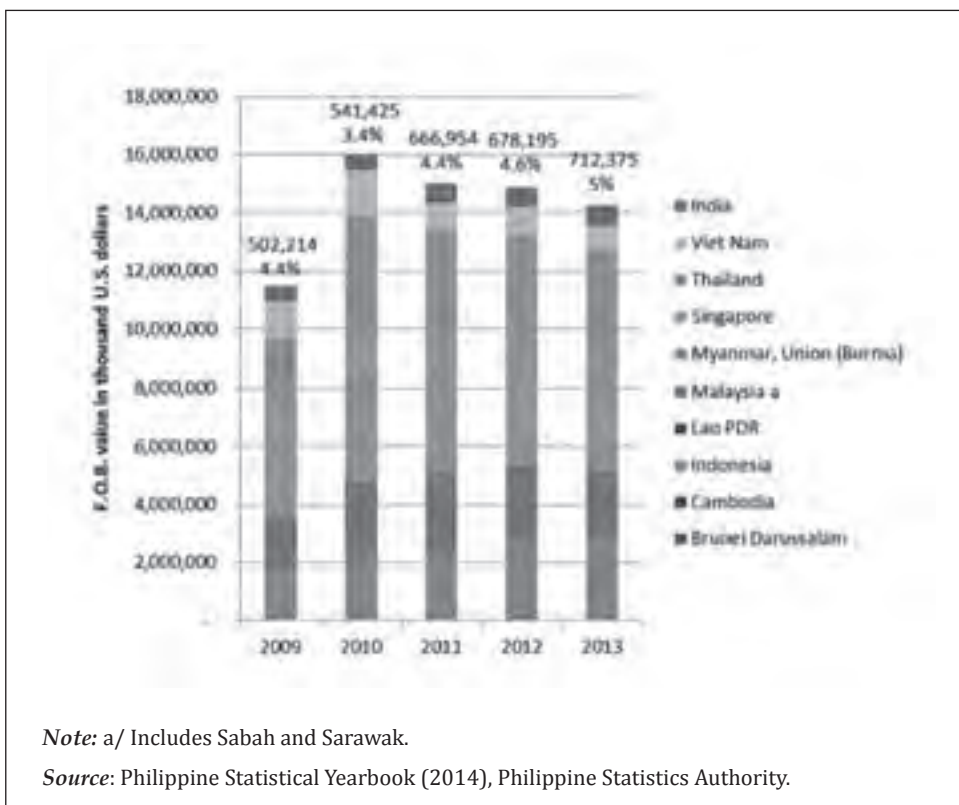


Figure 2: Value of Commodities Traded with ASEAN and India, Exports

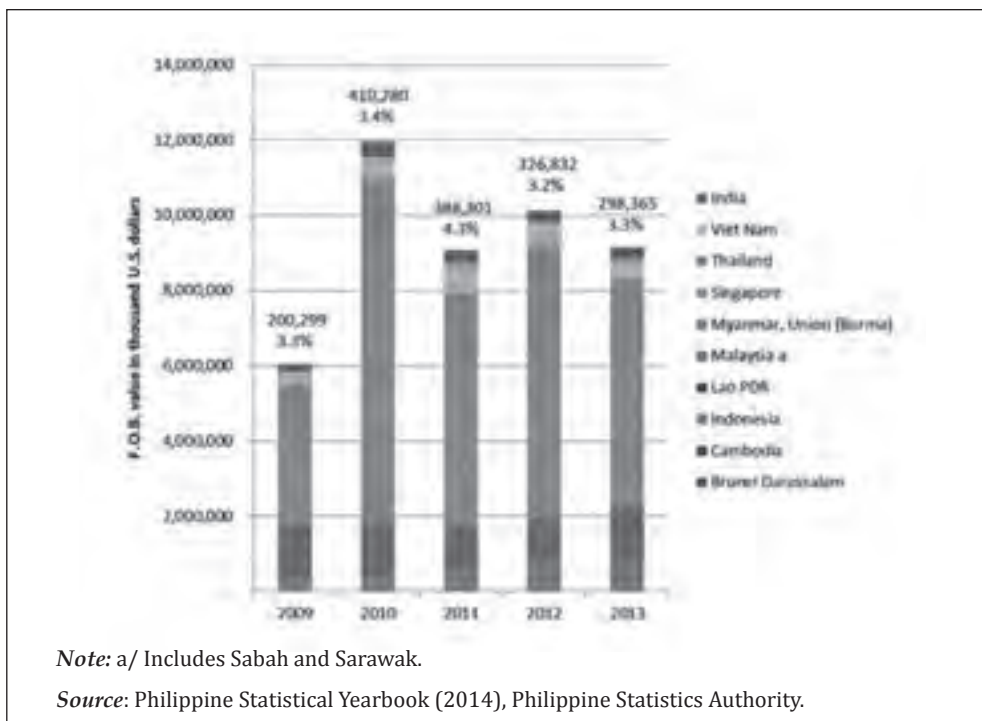
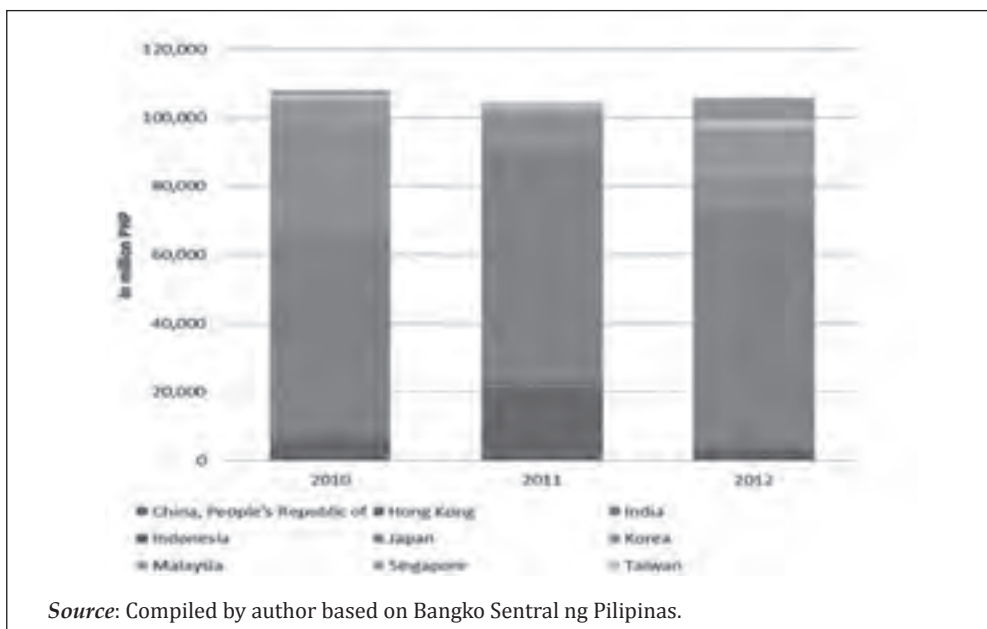


Figure 3: Approved Foreign Direct Investment from Asian Countries, 2010 to 2012



3. ASEAN-India Trade in Services and Investment Agreement

A second pathway for stronger economic relations and cooperation is the anticipated signing of the ASEAN-India Trade in Services and Investment Agreement, for which negotiations were completed nearly two years ago. This much-anticipated agreement presents an opportunity to expand economic cooperation in such areas as banking, tourism, education, information technology and telecommunication. The agreement is timely as it will position both ASEAN and India to take advantage of global value chains in which high-quality services such as banking, telecommunication, and logistics are critical infrastructure for regional trading and regional production networks.

Under this trade and investment agreement, the ASEAN and India can capitalise on each other's strengths and natural endowments to take advantage of possible synergies in trade and various areas of services. Services complement manufacturing operations in several ways, such as: transport, logistics and warehousing, banking and insurance, business services, professional services, and communication services. Efficient service support to manufacturing operations will be critical in boosting efficiencies in manufacturing and industry and also in regional distribution and merchandising of manufactured exports.

India and the Philippines are currently strong players in the IT-BPO services markets. It is noted that services in these two countries are used both for final consumption and intermediate inputs in the production process. As an intermediate input, services are a vital element in maintaining efficient global value chains (GVCs). Services (e.g., distribution and communication services) are vital for efficient movement of goods from production to consumption. Serafica (2014) notes that the "growing prominence of GVCs has added a new urgency to develop competitive services". Global value chains have a development impact through direct GDP and employment gains, and also by providing opportunities for technology dissemination, skill building and industrial upgrading (Serafica 2014). This indicates that services could be a strong pathway for India and the Philippines, both service-oriented countries to "increase participation (in the global value chains) and enjoy bigger gains by way of higher value added, more jobs, and greater productivity improving spillover effects." Looking at both ends of the value chain, service activities can involve research and development (R&D) and design at the conception stage; distribution networks, advertising and marketing services, and repair and maintenance facilities at the end of the chain (Serafica 2014).

The potential benefits to India from the agreement on trade and services with the ASEAN are huge (Nataraj 2010). According to the Federation of Indian Chamber of Commerce and Industry (FICCI), the ASEAN-India FTA will

provide greater market access to Indian professionals and service providers. The ASEAN region is a net importer of services, with imports reaching nearly US\$ 186 billion in 2007. The comparable figure for 2013 was US\$ 298.6 billion (ASEAN Secretariat 2014c). On the ASEAN side, there are also immense benefits as more efficient services will reduce the cost of doing business and improve the competitiveness and productivity of the ASEAN firms participating in regional production networks.

Turning to the India-Philippines trade in services, both countries can use the ASEAN-India Trade in Services and Investment Agreement as a mechanism to exploit greater synergies in their respective IT-BPO services where the two countries have developed world class capabilities.

4. IT-BPO Industry of the Philippines

A more open and freer investment climate in services will bring greater cooperation between the two countries. The Federation of Indian Chambers of Commerce in the Philippines has identified information technology as a potential area of great synergy between the two countries, where India is a global leader.

Among countries in dialogue partnership with India on services, Philippines has the competitive advantage and experience in providing information technology-business outsourcing (IT-BPO) services to many parts of the globe. The Philippine service sector growth has been exceeding 7 per cent in the past few years, and the share of financial intermediation, real estate, renting, and business activities, which are substantial parts of the IT-BPO industry, are the highest among the service sector activities. The Philippines has started to develop comparative advantage in several areas of this emerging industry (Tables 1 and 2). Export revenues in 2012 amounted to US\$ 12.5 billion, with contact centres contributing the most.

Table 1: Export Revenue, by IT-BPO Category

(US\$ million)

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Contact Center	561	949	1,330	1,732	2,489	3,938	5,126	6,166	7,062
Transcription	4	8	19	25	24	54	75	122	198
Animation	8	11	23	27	35	46	54	60	69
Software Development	98	160	455	852	1,148	1,553	1,928	2,381	2,613
Other BPOs	217	259	462	855	1,592	2,126	2,288	2,432	2,561
Total Revenue	888	1,388	2,288	3,490	5,288	7,717	9,470	11,160	12,503

Source: BSP (2013).

IT and BPO services have earned substantial foreign exchange for the country. Based on the results of the 2012 Survey of IT-BPO services conducted by the ASEAN Secretariat, the total IT-BPO export revenues hit US\$ 12.5 billion in 2012, although voice BPO services still accounted for the large chunk of revenues at US\$ 7.1 billion. Total direct employment reached around 770,000 in 2012 from 680,000 in 2011 (Table 2).

The industry has evolved from providing call centre services into becoming a globally competitive provider of many IT application services, business processing services, and engineering services. Competency in knowledge process outsourcing including business and financial research, data analytics, animation, and other high-end processes are emerging. In engineering services, there is emerging capacity for downstream and upstream product engineering from concept design to simulation of design engineering. The IT-BPO industry has developed a large client base in OECD countries, principally the United States (Table 3).

Table 2: Employment, by IT-BPO Category, 2004-2012

(number of persons)

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Contact Centre	65,006	96,246	153,683	169,748	212,372	255,765	329,597	433,183	487,757
Transcription	901	1,785	4,956	6,621	4,321	7,060	9,131	11,084	16,997
Animation	1,488	1,864	4,482	4,323	5,656	3,732	3,908	3,973	4,164
Software Development	11,975	17,829	42,657	44,870	49,893	46,987	49,516	55,464	64,922
Other BPOs	15,118	20,278	42,267	45,994	82,893	131,267	143,975	175,761	196,092
Total Employment	94,488	138,002	248,045	271,556	355,135	444,811	536,128	679,464	769,932

Source: BSP (2013)

The Philippines has become an important destination of international IT-BPO. The country is number one in voice BPO services with more than 330,000 full-time equivalent (FTE) employees, and second in non-voice/IT-BPO with more than 200,000 FTEs.² Global offshore services market is growing at a healthy pace and will be more than double by 2016. Non-voice BPO is expected to expand and drive up market growth even as voice and IT-BPO also continues to grow. It is noted that industry-specific services, e.g., banking, healthcare, media, etc., have gained a significant share of the market compared to traditional non-voice services.³

Table 3: Export Revenue, by Country of Destination, 2012

(US\$ million)

IT-BPO Category	USA	Canada	Europe1	Japan	India	China	Other Asia*	Australia-New Zealand	Middle East	Africa	Others	Total Exports
Contact Centre	6,722	9	102	7	-	-	30	191	-	-	1	7,062
Transcription	59	-	134	5	-	-	-	-	-	-	-	198
Animation	-	-	-	38	-	-	32	-	-	-	-	69
Software Development	1,402	-	335	753	-	7	5	110	-	-	1	2,613
Other BPOs	1,234	29	668	257	16	6	230	68	2	6	45	2,561
Total Industry	9,416	38	1,239	1,060	16	13	297	369	2	6	47	12,503
Per cent Share	75	0	10	8	0	0	2	3	0	0	0	100

Note: *Includes countries in West, Central, and South and East Asia.

Source: BSP (2013).

India is a global leader in software development and other IT services, which defines how greater cooperation between the two countries can be exploited. The global and regional markets for IT-BPO services are huge, where India and the Philippines can combine together and expand and deepen the services. There is a potential to scale up and expand the scope of service delivery across many sectors. Table 4 shows the relative comparative advantages of India and the Philippines in the IT-BPO industry.

Table 4: Comparative Table on the IT-BPO Advantages in the Philippines and India

India	Philippines
India has the “first mover advantages” in developing an export-oriented industry	Among the most cost-competitive destinations for IT-BPO services
Large pool of technical, managerial, and entrepreneurial human resources	Growing number of young, English-proficient, and service-oriented workforce
Stronger capabilities in higher-end IT services, and BPO exports	Has outperformed other countries in developing BPO voice exports
Relatively higher IT infrastructure	IT-BPO exports grew by 46 per cent annually from 2004 to 2008 and continued to expand by 18 per cent-30 per cent annually from 2009 to 2012

The Philippines and India have the demographic advantage and competitive expertise in services, especially in IT-BPO services (Figure 4). Both countries have the advantage of a relatively young and skilled workforce, which are tuned to the demands of the market place in OECD countries. Their respective educational and training institutions have produced world-class workers that are now populating the IT-BPO industry.

In particular, the Philippines has a rising English speaking population, and service-oriented workforce, and it is among the most cost-competitive destinations for IT-BPO services. As a result, the Philippines has outperformed other countries in voice-based BPO exports (Mitra 2013). India, having the “first mover advantages” in developing an export-oriented industry, has a large pool of technical, managerial, and entrepreneurial human resources, and has stronger capabilities in higher-end IT services and software, engineering services, and BPO exports. India has substantial earnings from IT-BPO and related services both in the export and domestic markets (Table 5), which demonstrates its competitive strength in the former and the vastness of its domestic market for such services.

Figure 4: Population of the Philippines and India, by Age Group, 1950 to 2100

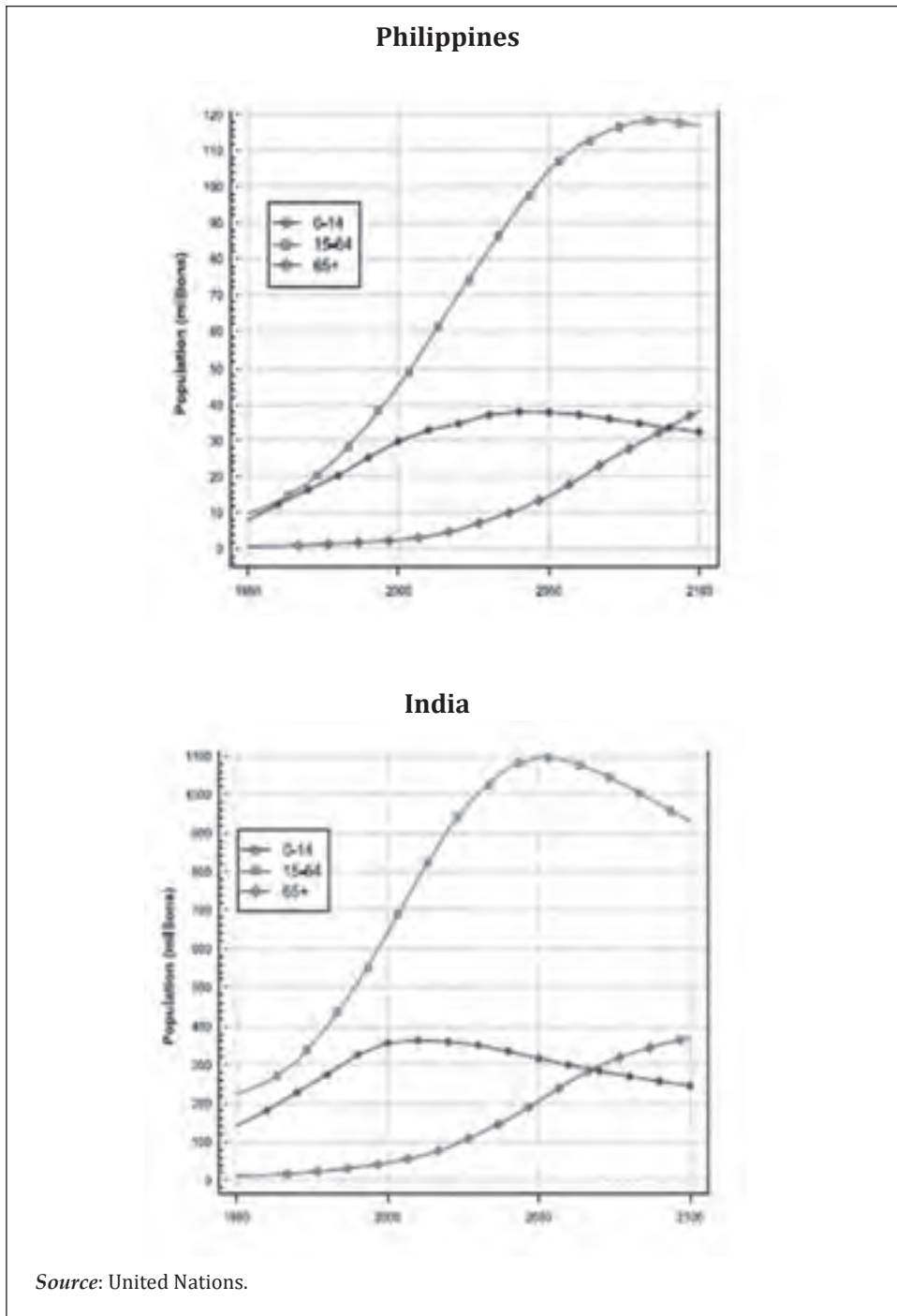


Table 5: IT-BPO Industry Revenue and Employment by Service in India

Revenues and Employment	2003-04	2008-09	2009-10	2010-11	2011-12	2012-13 ^p
REVENUES						(US\$ billion)
Export Market						
Information technology services	7.3	25.8	27.3	33.5	39.9	43.9
Software products and offshore software product development	0.8	2	2.1	2.4	2.7	2.9
Engineering services	1.7	7.6	7.9	9	10.3	11.2
Business process outsourcing	3.1	11.7	12.4	14.2	15.9	17.8
Total Exports	12.9	47.1	49.7	59	68.8	75.8
Domestic Market						
Information technology services (incl. engineering)	3.1	8.2	9.1	11	12.2	12.4
Software products	0.5	2.7	3	3.5	3.7	3.8
Business process outsourcing	0.3	1.9	2.3	2.8	3.1	3.1
Total Domestic	3.9	12.8	14.3	17.3	19	19.3
Total Export and Domestic Markets						
Information technology services and engineering services	12.1	41.6	44.3	53.5	62.3	67.5
Software products and offshore software product development	1.3	4.7	5	5.9	6.4	6.7
Business process outsourcing	3.4	13.6	14.7	17	19	20.9
Grand total information technology services, products, engineering, and business, process outsourcing except hardware	16.8	59.9	64	76.3	87.7	95.2
EMPLOYMENT						('000)
Information technology software and services exports	296	958	1003	1153	1295	1407
Business process outsourcing exports	216	738	770	826	879	917
Domestic market (IT software and services and business process outsourcing)	318	500	527	562	601	640
Grand Total	830	2196	2300	2542	2775	2964

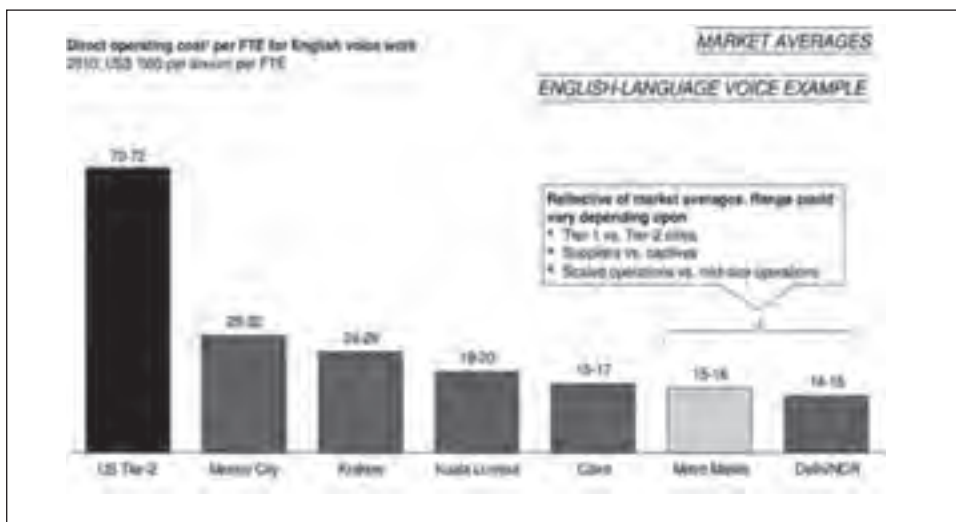
Note: p=provisional projections, Fiscal years ending March 31.

Source: NASSCOM (2009-2013) as cited in Mitra (2013).

The Philippines appears to be a viable investment destination for growing operations such as IT-BPO business services. In particular, India can tap the Philippines as a hub for expanding the ASEAN IT-BPO services chains. Meanwhile, the Philippines may benefit from the technology and expertise transfer from higher-end Indian services. The rationale for increased cooperation between India and the Philippines is illustrated in Figure 5, which shows that the two countries are the most cost-competitive destinations for IT-BPO services. It should be noted that India and the Philippines also have the technical and managerial expertise for providing IT-BPO services. They are both lower-cost and competitive destinations for such services.

Both countries can exploit their demographic advantages, high proficiency in English language and expertise in IT-BPO services, and their relative cost competitiveness vis-à-vis other countries in Asia to create economies of scale and scope in the services sector. This partnership will serve the forthcoming ASEAN Economic Community (AEC) and the larger ASEAN-India markets for services. Table 6 presents the ASEAN markets for IT-BPO services especially in Malaysia, the Philippines and Thailand.

Figure 5: Market Averages English Language Voice Example



Note: 1 - Ongoing costs only; excludes margins/mark-ups, centralised corporate overheads, initial investment, set-up costs, and travel costs; Exchange rates for local currencies with respect to the U.S. dollar have been averaged for 12 months from 1 October 2009 to 30 September 2010.

Source: BPAP, Everest Global, and Outsource2Philippines (2010).

Table 6: IT-BPO Outsourcing Industry Revenue in ASEAN and India, 2008

Economy	IT-BPO Industry Revenue (US\$ billion, 2008)	IT-BPO Industry Revenue (per cent of GDP, 2008)	IT-BPO Industry Revenue (US\$ per capita, 2008)	Global IDI Ranking (2010)
Southeast Asia				
Indonesia	1.8	0.4	7.7	101
Malaysia	2.7	1.2	98.2	58
Philippines	6.1	3.5	67.6	92
Thailand	2.6	1	38.1	89
Vietnam	0.6	0.7	7.1	81
South Asia				
India	51.5	4.2	43.2	116

Source: Mitra (2013).

5. Concluding Remarks and Recommendations

There is a great potential to scale up and expand the scope of service delivery across many sectors especially through global value chains. India and the Philippines have demonstrated their capacity to provide efficient IT-BPO and related services, an area for collaboration as both countries continue to look for regional trade and investment opportunities. The Philippines can be viewed as a viable investment destination for growing IT-BPO business services as demonstrated by its past and present performance. In particular, India can tap the Philippines as an IT hub as it tries to expand towards the ASEAN IT-BPO services chains. Together both countries can provide IT and related services to the ASEAN region that is looking forward to the formation of an economic community in the near future. Because of their relative comparative advantages, both countries stand to benefit from stronger mutual cooperation. The Philippines, in particular, will benefit from the transfer of Indian technology and expertise in higher-end IT services, while India will find a strong partner in its attempt to latch to ASEAN regional production networks, or regional value chains. To make this happen, the following are recommended:

- Provide more information and exposure to private business sectors in both countries on their comparative strengths and potential for providing IT-BPO and related services.
- Establish greater government-private sector cooperation and coordination in both countries in investing in human resource development and infrastructure, especially those covering the logistics and telecommunication sectors.

- Harmonise the taxation of IT-BPO and related services in both countries to reduce tax disparities and cost of doing business.
- Ensure greater openness to FDIs and movements of natural persons by reducing barriers to entry arising from government policies, rules and regulations.
- Continue with reforming regulatory frameworks and improving trade facilitation in both countries.
- Develop stronger people to people contact through business councils, business summits, sports and cultural exchange, educational exchanges, technological cooperation, twinning of universities and research institutes.
- Maintain regular interaction and dialogue between political leaders to develop mutual trust and commitment.
- Conduct trade-related audit of the laws and regulations affecting services to remove those laws and regulations that unnecessarily create barriers to trade in services between the two countries.

Endnotes

- ¹ Morarji (2012) quoting Baladas (2009) "India, Southeast Asia and FTA: Strengthening Economic Integration," Institute of Peace and Conflict Studies, Issue Brief No. 114, August.
- ² FTE stands for full time equivalent. It is defined as "the ratio of the total number of paid hours during a period (part time, full time, contracted) by the number of working hours in that period Mondays through Fridays. The ratio units are FTE units or equivalent employees working full-time. In other words, one FTE is equivalent to one employee working full-time. For example: You have three employees and they work 50 hours, 40 hours, and 10 hours per week – totaling 100 hours. Assuming a full-time employee works 40 hours per week, your full time equivalent calculation is 100 hours divided by 40 hours, or 2.5 FTE." Source: <http://www.businessdictionary.com/definition/full-time-equivalent-FTE>.
- ³ BPAP, Everest Global, and Outsource2 Philippines (2010).

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Regional Value Chains, RCEP and India's Priorities

Amitendu Palit*

1. Introduction

India is currently negotiating the Regional Comprehensive Economic Partnership (RCEP). The RCEP comprises sixteen countries including the ten economies belonging to the Association of Southeast Asian Nations (ASEAN), China, India, Australia, New Zealand, Japan and Korea. It is the largest Free Trade Agreement (FTA) that India is negotiating in terms of aggregate market size of the negotiating group, populations of member countries and contribution to global trade.

The RCEP is following the principle of 'ASEAN centrality' in the negotiations. The principle assumes ASEAN to be central in the emerging regional architecture, i.e. functioning as the 'hub' in a 'hub and spoke' trade framework. The RCEP is expected to evolve as a framework that will have the ASEAN as its core in determining its functional capacity. This is natural since the RCEP is essentially a collection of countries from the region that already have bilateral FTAs with the ASEAN. China, India, Australia, New Zealand, Japan and Korea are all connected to the ASEAN as part of the ASEAN+1 FTA networks that the ASEAN has concluded bilaterally with all these countries.¹

The RCEP aims to have 'broader and deeper engagement with significant improvements over the existing ASEAN+1 FTAs'.² While declaring emphatically that the existing ASEAN+1 FTAs among the negotiating members will remain, and that special and differential circumstances of different members, particularly the Least Developed Countries (LDCs) would be fully recognised, the RCEP, nonetheless, would seek to achieve considerable expansion on existing market access in various ASEAN+1 FTAs. In this regard, though, it is not expected to be as ambitious as the Trans-Pacific Partnership (TPP), which

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is another significant regional trade architecture evolving in the Asia-Pacific.³ The TPP is particularly ambitious as it is dealing with several contentious trade issues such as labour, environment, State-Owned Enterprises (SOEs), government procurement, competition policy, investment, intellectual property and investor-state-disputes (ISDs). In all these areas, most of which have barely figured in the WTO and are also mostly absent from various ASEAN+1 FTAs, the TPP is aiming to achieve regulatory convergence among its members. While not being as ambitious as the TPP, the RCEP, nonetheless, is still expected to discuss some of these controversial trade issues including trade in services, investment rules, intellectual property and competition policy.

The RCEP is a significant agreement for India as it is the only mega-regional trade agreement that India is a part of. By being present in the RCEP, India can expect to contribute significantly to the rule-making process of the new regional trade architectures in the Asia-Pacific. The RCEP also provides to India formal preferential access to regional markets which it does not enjoy right now (e.g. Australia, China, New Zealand), and preferential access over and above what it has through bilateral agreements in the markets of the other negotiating members. Furthermore, the RCEP enables India to embed deeply in the economic and trade architecture of the Asia-Pacific by allowing its industries to integrate closer in the regional value chains.

2. India, ASEAN and the RCEP: The Value Chain Perspective

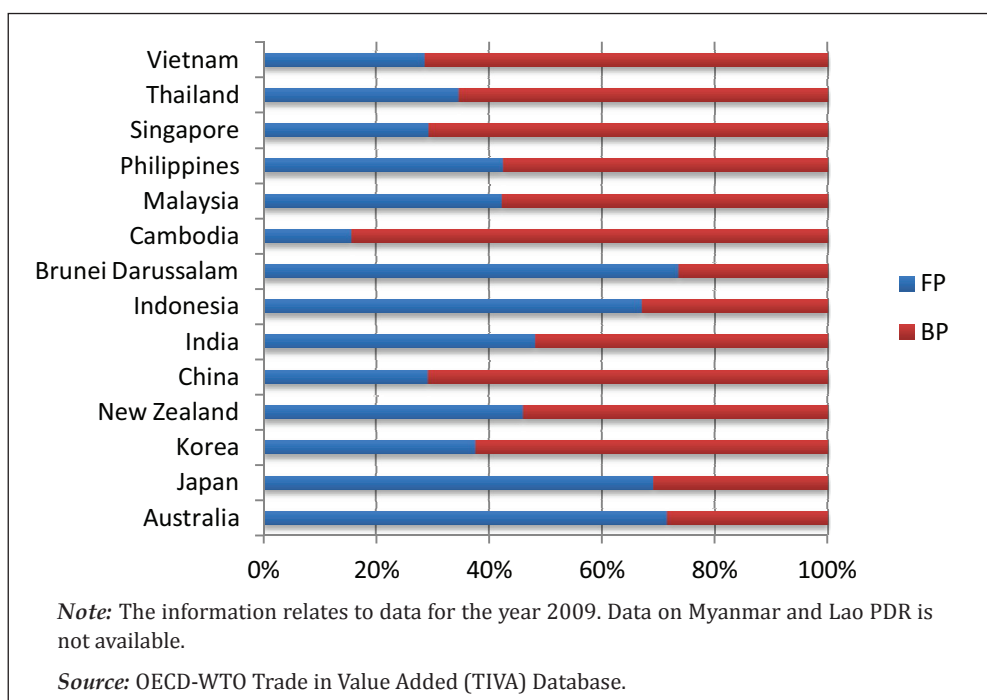
The RCEP includes a group of heterogeneous economies with varying levels of income, economic development and structural characteristics. Presence of high-income natural resource abundant economies like Australia, Brunei and New Zealand is accompanied by heavily export-oriented middle-income economies engaging vigorously in regional and global trade such as China, Malaysia, Thailand, the Philippines and Vietnam. There are large emerging markets like India and Indonesia with large populations, abundant primary resources and trade-enabling demographic features like young population, characteristics that are selectively shared by the RCEP's LDCs, Cambodia, Lao PDR and Myanmar. Finally, the RCEP has industrially mature economies like Japan, Korea and Singapore, through which their liberal external sector policies followed for several years, have become major players in global value chains (GVCs).

The heterogeneous collection of economies negotiating the RCEP leaves little doubt about the varying natures and degrees, by which these economies are participating in various industrial GVCs. The Asia-Pacific region is renowned for its active intra-industry trade and considerable lengths of several GVCs run through the region. The ASEAN economies play prominent roles in these GVCs (Figure 1). These are through both as suppliers of inputs

for final product exports of other countries (forward participation, FP) and use of imported inputs of other countries in their own exports (backward participation, BP). Countries with high forward participation are typically those with competitive advantages in upstream ends of value chains, either as suppliers of raw materials for agricultural and primary commodity exports and in extractive industries (e.g. Australia, Brunei, India, Indonesia, New Zealand), or with diversified industrial bases containing heavy industries capable of producing upstream industrial intermediates in chemicals, steel and other industries (e.g. Japan). On the other hand, countries with high backward participations are typically those that re-process and add further value to imported inputs and export the same again. Most Southeast Asian economies display this characteristic (Singapore, Malaysia, Thailand, Vietnam, Cambodia, the Philippines), as does Korea and China, with backward participation ratios in GVCs higher than forward participations, underscoring their importance as major processing centres.

India is not a prominent participator in the Asia-Pacific's intra-industry trade like most of the Southeast Asian economies. Indeed, among the RCEP, India and New Zealand have the lowest participations in GVCs. However, this observation should not in any way undermine the fact that India is slowly involved in some major GVCs running through the region. This has happened due to its greater economic integration with the regional economies, particularly in Southeast Asia, through greater trade and cross-border investments.

Figure 1: RCEP Members: GVC Participation



Since the early years of the last decade, and more specifically from the beginning of the deadlock at the WTO over the implementation of the Doha Development Agenda (DDA), India has been actively pursuing FTAs. Southeast and Northeast Asia have been the key focuses of India's FTA policy. Thailand was the first country in the region with which India embarked on a preferential trade agreement,⁴ followed by Comprehensive Economic Cooperation agreements (CECAs) with Singapore and Malaysia, and CEPAs with Japan and Korea. India is also at various stages of negotiating FTAs with Australia, New Zealand and Indonesia. Over and above these agreements, India has concluded both the trade in goods, and the trade in services and investment agreements with the ASEAN. The India-ASEAN goods trade FTA has been operational from January 2010, while the services agreement was signed in September 2014.

The various FTAs mentioned above, as well as the general buoyancy in the India-ASEAN trade during the last decade⁵ have facilitated the integration of the Indian producers in the GVCs running through Southeast Asia. The process has also been helped by improvement in movements of cross-border capital flows between India and ASEAN. Singapore is now the largest source of inward FDI into India, while long-term investments from Malaysia, Indonesia and Thailand into India have increased over time. On the other hand, Singapore has become the largest source of outward FDI from India. As cross-border capital flow has increased further between India and the ASEAN economies, Indian producers would integrate deeper in the regional supply chains. The literature and empirical evidence on industrial value chains point to the intricate connection between trade and investment in growth of value chains, where MNC investments in various locations are determined by the specific roles that producers from these countries are expected to play in value chains. This is evident from the automobile, garment and electronics value chains in the Asia-Pacific.

India's presence is noted in some major GVCs running through the Southeast Asian region. These include automobiles, pharmaceuticals, basic chemicals, food products, garments and metals. Automobiles are a typical example of foreign investments that are facilitating integration in GVCs. The establishment of assembling facilities in India by the Japanese and Korean OEMs (original equipment manufacturers) such as Honda, Suzuki and Hyundai and their sourcing of components from the region has connected India to the auto component manufacturing GVCs running through the ASEAN countries like Thailand, Malaysia and the Philippines. On the other hand, pharmaceutical formulation manufacturers in India, particularly the generic producers, have been sourcing chemical intermediates and bulk drugs from several countries in Southeast Asia, as well as China.

While pharmaceutical formulations reflect downstream specialisations of Indian producers with considerable backward integration, the opposite is noticed in readymade garments and apparels, where most of India's participation in regional value chains is at the upstream end, as suppliers of natural and synthetic fibre and producer of fabric. The upstream specialisation, largely as raw material suppliers, is noticed in food products and metals as well. Notwithstanding these examples, from a broader industry perspective, and from that of most ASEAN members involved in extensive intra-industry trade, India is principally a final demand market. Except for the industries mentioned above, India's presence in other industrial value chains is limited to being a consumer of final products assembled within the ASEAN. It significantly explains the India's trade deficits with most of the major ASEAN economies.

The growth of the RCEP offers opportunities of integrating deeper in several value chains. Apart from auto components, pharmaceutical formulations and garments, forward participation possibilities through upstream specialisation exist in mining and quarrying activities. Greater Indian investments in mining industry in the RCEP member economies like Indonesia, Myanmar and Australia also offer such scope, as they do for similar investments in metals, in addition to India's being a regional supplier of essential metal ores like aluminium. Forward participation, as mentioned earlier for textiles, is a distinct possibility in leather footwear and accessories value chains. India's proficiencies in production of raw hides and skins as well as tanning and semi-finished leather put it in a fairly competitive position at the upper end of the value chains. These advantages can be optimally exploited by combining them with good design facilities and tie-ups with major retailers. The same advantages can be reproduced in textiles as well. Some further upstream opportunities can be realised in basic chemicals value chains, where India's refining capacities, particularly in the private sector, puts it in a competitive position for producing scale-intensive petrochemical residues like industrial gases, plastics and pigments.

As mentioned earlier, downstream possibilities through greater backward participation continue to exist in pharmaceutical formulations. Finally, considerable opportunities exist in jewellery value chains, particularly in downstream segments of producing fashion jewellery utilising semi-precious stones imported from various parts of the ASEAN region, particularly Myanmar and Cambodia. These opportunities can be further exploited in processing of diamonds as well.

3. Negotiating Priorities and Issues

The objective of playing larger roles in value chains is going to be a major priority for India in the ongoing RCEP negotiations. In this respect, India's priority would

be similar to those of several other negotiating members, particularly the ASEAN economies that are already engaged in intensive intra-industry trade and are therefore key parts of various industrial value chains.

As can be seen from the various opportunities that India has in different value chains, the majority of these, at least in the initial stages, are more in the upstream segments of various industries. While there are exceptions like pharmaceutical formulations and jewellery, greater upstream roles imply India's larger participations in the GVCs running through the region as suppliers of raw materials and semi-finished intermediates at the relatively early stages of the value chains. Other regional economies and RCEP members are expected to source these raw materials and intermediates from India for greater processing. Sustained value addition by Indian industries over a period of time, however, requires greater forward participation in these chains with the objective of executing more upstream functions. This would make India's presence in various value chains more exhaustive.

India has recently embarked on major industrial initiative like 'Make in India' that aim to develop India into a global manufacturing hub.⁶ The success of the initiative would require transforming India from a greater consumer of final products to a producer of finished or considerably semi-finished goods, for further consumption by other countries. India is yet to emerge as a major processing centre in the region. But, as it strives to produce more advanced intermediates in various industries thereby increasing its 'upstreamness' in value chains, it should also focus on greater use of intermediate imports by its own industries for enabling more efficient production of final outputs for exporting to other countries. This dual emphasis will enable India to sustain its forward participation advantages as a core supplier of major raw materials and intermediates, and would also help in utilising backward participations effectively through efficient use of imports in its final product exports. This is ideally the intra-industry value chain-based relationship that it should aim to develop with the ASEAN economies through the RCEP and its other existing FTAs with countries of the region.

As the RCEP negotiations move ahead, it is important for India to anticipate its advantages in value chains and participate in the negotiations accordingly. An important aspect in this regard is to recognise the inseparability of trade and investment in the context of value chains. Opportunities in the GVCs, as explained earlier, are mostly outcomes of export-inducing investment decisions taken by MNCs and large firms with cross-border operations. The RCEP negotiations should be utilised by India for facilitating such investments by Indian firms in various RCEP countries. Several ASEAN countries, such as Myanmar, Cambodia, Laos, Vietnam, Indonesia and Thailand can provide useful opportunities for Indian businesses in this regard.

At the same time, it is essential to make the RCEP yield rules that facilitate both forward and backward participations in the value chains through efficient exchange of raw materials and intermediates. The rules of origin (ROOs) measuring value addition for products for being eligible for preferential treatment are important in this regard. These ROOs must be simple and easily comprehensible for enabling users to obtain maximum benefits. Complicated ROO conditions, like those in the existing India-ASEAN goods FTA insisting on simultaneous satisfaction of minimum value and change in product classification, are difficult for users to satisfy and end up discouraging use of FTAs. Such rules need to be avoided keeping in mind the importance of making RCEP as user-friendly agreement as possible.

India should also utilise the RCEP for revising 'inverted' duties, wherever possible, as such duties discourage use of imported inputs by Indian producers.⁷ Finally, the key to efficient functioning of global value chains and the abilities of various country producers to optimally participate in them are through efficient trade facilitation practices. Given India's relatively poor track record in this regard, it is essential for India to work on various trade facilitation measures, particularly logistics, for ensuring greater presence and role in the regional value chains. The RCEP can be an excellent platform in this regard.

India is currently reviewing its existing FTAs for their better utilisation by domestic exporters. One of the reasons behind the possible low utilisation of these FTAs is lack of adequate knowledge about the benefits they can produce. Disseminating such knowledge, particularly from a value chain perspective, is essential. India's various FTAs with ASEAN are being selectively utilised by industries such as automobiles for extracting advantages of the regional value chains. These utilisations need to become wider and diverse. Knowledge of the RCEP, and the importance of involving domestic industry as a key stakeholder in its negotiations, is important. With the RCEP negotiations about to enter their seventh round, India needs to explain the benefits of engaging at the RCEP to the domestic industry in a constructive fashion. The importance of participating in value chains is critical in this regard. Connecting the benefits of the RCEP to the significance of a new initiative like the 'Make in India' is a useful strategy for having domestic industry as a willing partner. Lack of such willingness might end up making the RCEP a less-utilised FTA like some of India's other existing FTAs with Southeast Asia and the Asia-Pacific.

4. Concluding Remarks

There is no doubt that the RCEP would lead to strengthen value chains between India and ASEAN. Along with it, we need to build connectivity among the ASEAN and India, not only in physical side, but also in digital and human. India and

ASEAN may undertake new policy measures for strengthening the value chains. Sectors which offer potential value chains need incentives from both ASEAN and India.

Endnotes

- ¹ While China, India, Japan and Korea have individually signed FTAs with ASEAN, Australia and New Zealand are jointly parts of a common FTA with the ASEAN.
- ² 'Guiding Principles and Objectives for Negotiating the Regional Comprehensive Economic Partnership (RCEP)'. Available at: <http://www10.iadb.org/intal/intalcdi/PE/CM%202013/11581.pdf>. (accessed on 14 October 2014).
- ³ The TPP is being negotiated by Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the US and Vietnam. It has finished more than twenty rounds of negotiations and is close to conclusion.
- ⁴ While India and Thailand are discussing a comprehensive FTA covering trade in goods, services and investment, till now, they have had an Early Harvest Scheme (EHS) that eliminated duties on 82 export items, beginning from September 2004. http://commerce.nic.in/trade/international_ta_current_details.asp (accessed on 21 October 2014).
- ⁵ India's trade with ASEAN has experienced a ten-fold increase from US\$ 7.1 billion in 2000-01 to US\$ 74.4 billion in 2013-14. See Export Import Data Bank, Department of Commerce, Ministry of Commerce and Industry, Government of India; <http://commerce.nic.in/eidb/default.asp> (accessed on 21 October 2014).
- ⁶ The Indian Prime Minister Narendra Modi launched the initiative on 25 September 2014. See <http://makeinindia.com> for more details on the initiative.
- ⁷ An 'inverted' duty structure is one where duties on imported inputs and intermediates are higher than those on the final product.

Implications of No-man's Land on Seamless Transport and Trade

Florian A. Albuero*

1. Introduction

This paper intends to explore the impact of No-man's Land (NML) on border trade and its implications in facilitating trade across bordering territories. The focus of this paper is on land transport system, which include both road and rail transport, and, therefore, the discussion on air and sea transport system is excluded. A large amount of global trade is carried out overland, according to WTO (2010). But due to continuing break-up of production into several components, the assembly plants are located in different locations, and thus the need to move raw materials, parts, and components across many territories. For example, between 1990 and 2007, the volume of freight transported by road (measured in tonne per kilometers) tripled compared to rail and inland waterways, at least for countries in the OECD International Transport Forum (OITF). More interestingly, two-thirds of this road transport for the EC-15 countries travelled less than 50 km (in China 63 per cent of freight transported on land is less than 100 km). As developing countries actively participate in the globalisation process, land transport becomes crucial even in archipelagic territories as production networks evolve.

There is substantial empirical evidence that suggests that a necessary condition for efficient international trade is a transport system, in all its modalities, that is seamless. There is an increasing number of studies which point to the high (tariff-equivalent) costs of "behind-the-border" barriers that include all non-price constraints to efficient movement of goods across borders. The costs imposed by transport barriers, for example, range from 1.3 to 36 per cent, but, are not quite helpful in zeroing-in actual barriers (Albuero, 2014 for a summary; Wang and Duvall 2014 for Asia-Pacific costs). Even if we move towards paperless trade as means of facilitating movement of goods, physical barriers remain important and the question is what constitutes them? It is often

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overlooked that for many adjoining countries there is a vast expanse of territory, called “no-man’s land”, which breaks a potentially smooth connectivity among them. This is especially true of developing countries (and even for the developed countries as well), where a seamless transport system is even more critical.

2. No-man’s Land

Theoretically, No-man’s land (NML) is a demarcation area between two sovereign territories; in practice it is an area in which cargoes from vehicles of one territory are transferred to vehicles of the other territory. This exchange of cargoes between the territories is due to restrictions imposed by the territories on the entry of such vehicles into each other’s territories.

Based on anecdotal evidence, there is a significant delay and damage to goods due to the existence of “no-man’s land”. Indeed this NML is caricatured by those who travel across borders, understanding a life among those who are in-between territories. On the other hand, NML has also been subject of art competition that actually recognises these but aim for re-designing future ASEAN borders (Association of Siamese Architects, 2013).¹ Traveling within NMLs, for example, indicate different physical terrain characteristics reflective of neglect in terms of paved roads, functional road services, and obviously absence of government presence. In part, this is a product of disputed areas due to insufficient historical mapping of territories, and has, therefore, continued to prevail until now.² Even without NML there are outcomes of cross-border trade that have the same effects as an existence of NML, i.e. “like-NML”. Indeed, this is manifested, even if there is binding free-trade-agreements. A concrete illustration can be found in the North America Free-Trade-Agreement (NAFTA) itself. In contrast, with the US-Canada border, which allows cargo trucks from the two countries traffic rights into each other’s territories, there are restrictions between the US and Mexico in the southern part. Mexican trucks are limited to commercial zones around the US border towns and cities (between 3 and 25 mile). Shipments beyond this require transfer of cargoes from Mexican trucks to US trucks in the vicinity of the border, as in the NML in other contiguous countries (Frittelli, 2014). One consequence of this type of NML activity is higher transport costs, delays, and other additional barrier to cross-border trade. Haralambides and Londono-Kent (2004) raised the question that why it takes longer to travel a few miles into the border than from Chicago, Illinois to Laredo, Texas of 1,600 miles.

3. NML in ASEAN

Factual evidence reveals wide variation in the distances of this NML from the last border town of one country to the first border town of the adjoining country although this would also depend on the conveyance used (e.g. road or rail). If we look at the ASEAN countries, 8 of the 10 members have land borders

with other countries within ASEAN and outside of ASEAN. The length of their land borders range from about 381 kilometer of border between Brunei and Malaysia and 2,130 kilometer of border between Lao PDR and Vietnam. Table 1 below captures this length of land border among ASEAN countries and with India. Both the Philippines and Singapore do not have land borders with other ASEAN members.³ Two points are worth noting. First, the wide variation in the length of land borders does not mean that the connected countries have wide openings between them. Second, the number of designated borders means there are official checkpoints and is part of the larger road (and/or rail) network from where goods and people cross borders. Often the number of checkpoints is even much less than the number of designated borders that are still part of road networks. The addition of India in Table 1 is illustrative of the fact that many of the ASEAN members have borders with other non-ASEAN countries indicating the connectedness among countries. For example, Myanmar has borders with 5 countries (2 non-ASEAN); Lao PDR with 5 countries all of which are ASEAN countries; Indonesia with 3 (2 non-ASEAN); and India with 8 (7 non-ASEAN). See the number of countries with borders in the country column of Table 1.

Table 1: Kilometers of Land Border: ASEAN and India

Country (No. of countries with borders)	Brunei	Cambodia	India	Indonesia	Lao PDR	Malaysia	Myanmar	PHL	SIN	Thailand	Vietnam
Brunei (1)	X	0	0	0	0	381	0	0	0	0	0
Cambodia (3)	0	X	0	0	541	0	0	0	0	803	1,228
India (8)	0	0	X	0	0	0	1,463	0	0	0	0
Indonesia (3)	0	0	0	X	0	1,782	235	0	0	0	0
Lao PDR (5)	0	541	0	0	X	0	0	0	0	1,754	2,130
Malaysia (3)	381	0	0	1,782	0	X	0	0	0*	506	0
Myanmar (5)	0	0	1,453	0	235	0	X	0	0	1,800	0
Philippines (0)	0	0	0	0	0	0	0	X	0	0	0
Singapore (0*)	0	0	0	0	0	0	0	0	X	0	0
Thailand (4)	0	803	0	0	1,754	506	1,800	0	0	X	0
Vietnam (3)	0	1,228	0	0	2,130	0	0	0	0	0	X

Note: *Connected to Malaysia by Causeway and Bridge.

Source: Author.

Besides land borders, countries may have even more maritime borders. In ASEAN, many members except Lao PDR have more maritime borders (neighbours) than land borders (e.g. Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam). While maritime disputes appear to be more prominent exemplified

by competing claimants to a number of islands in the West Philippines Sea, these maritime borders do not really have the same significance to cross-border trade though they are clearly no less important for trade and development.

The clearer evidence of NML, however, is in the configuration of border checkpoints. In the absence of more comprehensive data we merely illustrate its relevance in some of the border checkpoints. Table 2 below gives the number of border checkpoints for the Greater Mekong Sub-Region (GMS) countries except China. The number of border checkpoints has obviously increased and the infrastructure may have also improved. But for many of these, there are still patches of areas which are considered NML. The distance between the last border town of one country to the first border town of the adjoining country is usually where cargoes are unloaded and re-loaded to country-specific trucks. These distances are sometimes too short or too long.

Table 2: Border Checkpoints in ASEAN GMS (2004)

(Number)

	Cambodia	Lao PDR	Myanmar	Thailand	Vietnam	Total
Cambodia	X	0*	0	3	? (2)	5
Lao PDR	0*	X	0*	9	10	19
Myanmar	0	0*	X	3	0	3
Thailand	3	9	3	X	0	15
Vietnam	? (2)	10	0	0	X	12
Total	5	19	3	15	12	54

Note: *With borders but no border checkpoints, ? : Not indicated with a border checkpoint in ASEAN but there is at most 2 reported elsewhere.

Source: ASEAN Secretariat, Jakarta.

Between India and Myanmar, the distance from Moreh to Tamu is less than 5 kilometer while the distance between Petrapole, India and Benapole, Bangladesh is 36 kilometer.⁴ Within ASEAN it is 17 kilometer from Poipet, Cambodia to Aranyaphratet, Thailand; 20 kilometer from Mukdahan, Thailand to Savannakhet, Lao PDR; 4.6 kilometer from Moc Bai, Vietnam to Bavet, Cambodia. At these stretches, goods are unloaded from one country's trucks and reloaded on trucks of the other country. For border checkpoints covering shorter distances, the goods may be unloaded and reloaded at one of the checkpoints. What often characterises these road lengths is relatively insignificant especially where good infrastructure can be found in the border gates of the border towns. The relative improvements, for example, in Phuentsholing, Bhutan are not readily evident in the 6 kilometer-stretch to Jaigaon, India across the border (De *et al.*, 2008 for comprehensive survey in South Asia). On the other hand, more seamless movement occurs between Brunei and Malaysia through its Limbang District – 43 kilometer to Kuala Lurah West Brunei and 15 kilometer to Puni East Brunei.

4. Policy Implications

The implied policy of development institutions is difficulty in supporting and financing infrastructure in the “no-man’s land” for various reasons. Where there is no direct sovereign ownership of the NML, or disputed, financing programmes face problems of identifying the borrowing authority. Neither can joint governments be borrowers in the sense of delineating proper liability of loan covenants. Unless the NML territory has a clear unambiguous ownership, development organisations may be hesitant to provide resources or technical assistance.

Historical evidence points out that this is a vestige of medieval wars, which have no place in modern economies.⁵ The costs to the existence of “no-man’s land” ranges from trade inefficiency, unexploited territories, which could be developed for border facilities, to greater cooperation and sharing of facilities and capacities such as customs controls for juxtaposed territories and truly seamless travel.

What is needed is to consider a whole range of initiatives to minimise if not eliminate the hindrance NML imposes on the efficient movement of goods across borders. A recalibration of territorial boundaries may be a way to close some cadastral gaps using historical records and latest technology, to arrive at seamless borders that would then pave the way for greater cross-border cooperation through, for example, common facilities.

Promoting traffic rights among the adjoining countries allowing trucks to cross borders into the adjoining country’s territory for cargo delivery and accept back haul cargoes as well would be another measure that would make NML redundant and raise connectivity. This will entail auxiliary measures (e.g. dual licenses of trucks, joint ventures among haulers, truckers and general logistics services). However, the extent to which this may be effective leaves NML intact, which may remain undeveloped and create a break in infrastructure from one country to the other. Moreover, it is not clear how far traffic rights are going to be extended or limited in terms of actual trucks that traverse the NML. Experiments in traffic rights, whether the Bush or Obama Administration for the US-Mexico connections, or the GMS Cross-Border Transport Agreement (CBTA), have invariably been self-limiting and muted in impact.

The NMLs can be productively developed into economic corridors bundling services and facilities, hosting production bases and network, and hub for horizontal and vertical linkages into the countryside. This direction appears to be promising although the magnitude of public investments and infrastructure could be overwhelming. But, the more important qualification to such a direction is that it assumes many of the elements in the global value chain (GVC) that can be captured within the confines of NML between borders,

whether by virtue of strong interventions, creating state-operated enterprises to drive the initiatives, or forging agreements with neighbouring and adjacent territories. The movement of the GVC, however, has been difficult to predict as various intra-firm transactions dominate trade in value added made more complex with the addition of bundled services. Thus, the corridor itself may be under-utilised as production center, despite provision of facilities and locator incentives, among others, as market forces dictate the way parts, components, raw materials, and their related services functions settle within the GVC. In other words, economic corridors are certainly appealing as a way to comprehensively address border opportunities, while, at the same time, displaying concerns for multi-faceted issues of development (e.g. poverty alleviation, inclusiveness, SME participation). Whether, in fact, this approach will fly on a long-term sustainable basis remains to be seen. It can, however, potentially optimise the use and value of NML with it becoming integrated in both trade and development. The degree to which the concerned countries are embedded in GVC and the ever-evolving nature of trade-in-value-added creates some uncertainty in putting all these in an economic corridor.

Permeating across these different directions is the likely impact of paying particular attention to the soft side of connectivity – trade facilitation, information exchange and customs cooperation as part of a larger modernised border authority. No doubt there is significant contribution of all these to seamless cross-border trade. These presuppose that there is no physical gap in the transport of goods across borders in the form of NML, or like-NML, or that there are institutional vehicles, which will largely accentuate the effects of soft infrastructure. Thus, in the case of US-Canada in NAFTA traffic rights coupled with advanced manifests, the availability of insurance and bonds, and harmonised regulations have ensured transport and trade integration. Deploying soft infrastructure will speed up the movement of goods across borders – but imagine what it would be without the NML and if it is combined with other related measures.

5. Conclusions

In conclusion, the existence of NML or like-NML between borders poses a barrier to a more seamless transport and trade raising costs, reducing competitiveness, and weaker ability to integrate with the GVC. This becomes more acute for land-locked countries whose goods may have to traverse many borders before reaching their transport gates, or final destination. What seems to be first-best is to remove the NML or like-NML. This will allow the adjoining countries to adopt procedures or processes that are in line with best practices or recommended under the Revised Kyoto Convention (RKC). Customs offices, for example, could be located at a common border crossing and the RKC standard is that “... the customs administration concerned shall correlate the business hours and

competence of those offices..."⁶ Similarly, at common border crossings, "...the customs administrations concerned shall, whenever possible, operate joint controls..."⁷ Finally, where there are plans to establish a new customs office or convert an existing one into a common border crossing, "...they shall, whenever possible, cooperate with neighboring customs to establish a juxtaposed customs office to facilitate joint control..."⁸ In terms of actual implementation of joint customs control, the RKC again lays out "best practice" procedures, i.e. "...the customs controls of the exporting administration are conducted at the same time as the customs formalities of the importing administration (or near simultaneously) by officers from both customs administrations...". In addition, "...the customs controls are conducted within a common area where customs officers of both administrations are established whether in separate buildings or in a single facility..."⁹ This first-best is of course ideal. More importantly best practices in overseeing movement of goods across borders as part of overall package of measures ensure that efficiency is achieved. Alternative solutions other than those aimed at removing the "like-NML" (i.e., liberalising transport access) will still keep the NML area either unattended or by-passed in case of joint traffic rights. What is critical is to make the NML a productive part of trade and developing it as an economic corridor in some modest ways may do the trick.

Endnotes

- ¹ [http:// borderlesscompetition.com](http://borderlesscompetition.com)
- ² For example, the India-Nepal borders show some NML brought about by low-altitude surveys which would differ from high-altitude survey (Kansakar, n.d).
- ³ Singapore is connected to Malaysia via Causeway Bridge and Bridge.
- ⁴ But the distance from Petrapole Railway Station to Jessore Benapole Highway is only 5 kilometers. Some of the distances indicated here come from the website <http://distancesfrom.com>.
- ⁵ More often seen in movies where protagonist gladiators fight in NML and once the skirmishes are over each of the factions carry their dead and wounded to their respective territories.
- ⁶ General Annex, Chapter 3.3.
- ⁷ Ibid., Chapter 3.4.
- ⁸ Ibid., Chapter 3.5.
- ⁹ General Guidelines on the Interpretation of General Annex.

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ASEAN-India Strategic Partnership: Physical Connectivity and Soft Infrastructure

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1. Introduction

Myanmar for over five decades had been isolated from the main stream international community. During this long period, Myanmar had limited official contact with neighbouring countries at the border. Myanmar opened up very quickly in 2011 after President U Thein Sein's government came in power. With the opening up of the country to the rest of the world and ASEAN's adoption of the blue print of the three pillars of political and security, economic and social and culture integration, the term "connectivity" has become a frequently used term for connecting ASEAN to India as well as China to the Indian subcontinent placing Myanmar at the crossroads between these countries. Indeed, there is now talk that Myanmar is a bridge to connect South Asia and Southeast Asia as well as China and South Asia. Myanmar must seize this opportunity and also try to gain maximum benefits from this position.

2. Myanmar's Border Trade with Neighbouring Countries

Myanmar was ostracised by the West after the military took over power in the country in 1988. The country came under a range of sanctions imposed by the West ostensibly because of human rights violations. Under these circumstances, Myanmar had no choice but to turn over to China for assistance. The main feature of the close relations with China was the opening up of the border for conducting border trade. Border trade was actively carried out at the border town of Muse in Myanmar and Ruili in China. Later on, more border towns on both sides were designated for border trade. On the other hand, along the Myanmar-India border, the border town of Tamu in Sagaing Region and Moreh in Manipur State in India serve as trading

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posts. Now, a second border checkpoint has been established at Rih in Chin State of Myanmar and Champai in Mizoram State of India. Similar border checkpoints to allow border trade have been opened with other neighbours, i.e. Thailand, Laos and Bangladesh. As the conduct of border trade does not involve transportation by trucks across the border, there are no standardised agreements between Myanmar and its neighbours on transport overland. Currently, the border trade is conducted under bilateral agreements and arrangements.

With China, Myanmar has signed a border trade agreement as well as an agreement on border areas management and cooperation. The latter agreement relates to the facilitation of the livelihood and exchange of visits of the people living in the border areas. Part V of the said Agreement in particular provides for the border crossing and maintenance of law and public order in border areas. Part VI relates to border trade. There is also a provision for border crossing of trucks and riverine craft into each other's territory with the prior approval of the local authorities of the other side. However, this provision is only of a general nature and no specific details are set out in the agreement. Likewise, Myanmar also signed an agreement of the same nature with Laos. With Thailand, the border trade points are regulated in accordance with the bilateral arrangements prescribed by the local authorities and are approved at the central level. With Bangladesh, Myanmar signed the Border Ground Rules to conduct cross-border activities between the two countries. With India, the border activities at designated places along the border are being carried out through similar arrangements.

Myanmar's border trade volumes with its neighbours are quite significant. The total two-way border trade for the year 2013-14 is – with China a total of US\$ 3.774 billion, with Thailand US\$ 670 million, with India US\$ 48.6 million and with Bangladesh US\$ 14 million, adding to a total of US\$ 4.5 billion. Some of the goods that come through the border, transit Myanmar, and are re-exported to another neighbouring country. However, this import and re-export process through the border is a time consuming one and sooner than later the need for a multilateral agreement to facilitate transit land transport must be realised.

In order to connect physically India to ASEAN, the Trilateral Highway Project has been agreed upon between India, Myanmar and Thailand. This route will connect India and Thailand through Myanmar passing through the border towns of Tamu-Moreh along the India-Myanmar border and Myawaddy-Mae Sot along the Myanmar-Thailand border. Major portion of this highway already exists but in some places, especially between Yargyi and Monywa covering a distance of about 70 mile, the road is in a poor state of condition and the road from Kawkareik to Myawaddy needs to be upgraded to conform to international

standards. The latter section of the highway is particularly mountainous and the terrain is rugged. The road over the Dawna range is so narrow that at any given time it could accommodate only one vehicle big or small in one direction. There is no space for a vehicle heading in opposite direction at any given spot along the road. Thus, vehicles headed towards Thailand and towards Myanmar must use it on alternate days. India has agreed to undertake to improve the Yargyi-Monywa section, while Thailand will take care of the Kawkaik-Myawaddy section. Moreover, India has agreed to extend financial assistance of up to US\$ 500 million to complete and upgrade the existing highway in Myanmar. There is also a possibility of extending the Trilateral Highway to Laos, Cambodia and Vietnam. It is expected that the Trilateral Highway could be commissioned for use by vehicles by 2016.

Myanmar does not have practical experience in managing procedures to facilitate cross-border transport. Whatever arrangements and procedures that exist for cross-border traffic are now being carried out on an ad hoc basis. Therefore, there is a need to work out for a land transport agreement, which will cover customs, immigration, quarantine, police and trade procedures in details between India and ASEAN. Such an agreement would expedite border formalities.

3. Soft Infrastructure

With regard to soft infrastructure for cross-border transport, the Southeast Asia region already possess two multilateral agreements, namely, the ASEAN Framework Agreement on the Facilitation of Goods in Transit, which was signed by the ten ASEAN Ministers in Hanoi on 16 December 1998 and the Cross-border Transport Agreement (CBTA) which was signed by all six countries of the Greater Mekong Sub-region (GMS). Although the signing of the agreement has been done, its ratification is yet to be completed among the member countries. Out of the major regional corridors in the GMS, the Northwestern Corridor, the Southern Corridor, the East-West Corridor and the North-South Corridor pass through Myanmar. In addition, part of the Asian Highway, AH-1 and AH-2, also transit Myanmar. There is also the Trilateral Highway project, connecting India to Thailand via Myanmar with the possibility of extending to Laos, Cambodia and Vietnam.

Some countries in ASEAN, such as Vietnam, Cambodia, Laos, Thailand, Malaysia and Singapore already have cross-border transport agreements and bilateral agreements to facilitate the movement of goods overland. As mentioned earlier, several economic corridors identified in the GMS pass through Myanmar and the Asian Highway as well as the Trilateral Highway transit Myanmar. However, there is yet to be actual transport of goods through the highways and

economic corridors. As such, the soft infrastructure for cross-border traffic is not in place at the border checkpoints which Myanmar share with its neighbours.

We have studied the documents drafted by the ASEAN-India Center at RIS which relates to ASEAN-India Transit Transport Agreement (AITTA): An Indicative Outline. We welcome this initiative taken by AIC and agree that the AITTA should be discussed between India, Myanmar and Thailand for eventual signing as well as implementing the agreement before the completion of the Trilateral Highway.

4. Present Procedures Involved in Myanmar's Border Trade with China

There is no cross-border goods transport agreements between Myanmar and its neighbours by land route. The actual procedure which is in force for border trade with China is to allow trucks from Myanmar into Chinese border town called Ruili. At the designated place the goods to be imported from China are unloaded from Chinese trucks and reloaded onto Myanmar's trucks, after customs formalities at the border checkpoints, Myanmar's trucks return to Myanmar. The inspection of goods takes place beyond the border town of Muse at the inspection facility in a place known as 105 miles. The goods are then transported to Mandalay via Lashio, and yet in another place just before Mandalay the goods are again subjected to inspection by the departments concerned. This procedure consumes a lot of time and adds extra cost to the goods reaching their final destination.

In addition to these inspections, there are also mobile teams comprising officials from the Department of Border Trade, Customs Department, Police and local administrative officers that frequently check vehicles for illegally imported merchandise. As the name suggests, the teams are moving between the border towns and cities like Lashio and/or Mandalay. These time consuming and stringent measures are taken because there are a lot of goods imported into the country from the border towns without paying duties and taxes. In fact, some analysts estimate that only around 15 per cent of the goods coming through the border have cleared customs duty and commercial taxes. Such corrupt practices are prevalent not only along China-Myanmar border but also along the Thai-Myanmar border.

It is hoped that when the legal instruments are in place to govern through transportation along the border checkpoints between Myanmar and its neighbours, corruption will be brought down and duplication of inspection procedures inside the country could be avoided.

5. Conclusion

As more and more economies of the countries in Southeast Asia, South Asia and China are integrated, the use of overland connectivity through Myanmar using the GMS economic corridors, Asia 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 reduction in the prices of goods and also by timely transport of goods which often include perishables.



Beyond ASEAN Connectivity: Potential ASEAN-India Strategic Partnership

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1. Introduction

The purpose of the paper is to focus on enhanced ASEAN connectivity and its potential implication for ASEAN and for ASEAN-India connectivity through the implementation of the Master Plan on ASEAN Connectivity (MPAC).

Association of Southeast Asian Nations (ASEAN), a political and economic organisation of ten countries located in Southeast Asia, aims to accelerate economic growth, social progress, socio-cultural evolution among its members, e.g. Indonesia, Malaysia, Philippines, Singapore, Thailand, Brunei, Myanmar, Cambodia, Laos, and Vietnam. This process of collaboration is continued via different agreements and declarations with other countries to become ASEAN+3 (China, Japan, and South Korea), and ASEAN+6 (India, Japan, South Korea, Australia and New Zealand).

ASEAN, as a region, is more geographically dispersed and not physically contiguous, compared to China and India. These member states have diversified in terms of policies, priorities and institutions. The fast growing Chinese and Indian economies justify the importance of a stronger ASEAN connectivity. Enhanced ASEAN connectivity will strengthen ASEAN's role at the centre of ASEAN+6 economic integration and the emergence of an Asian Economic Community (AEC).

Nowadays, India has been recognised as a key strategic partner to fulfill stability and growth to the AEC. The relations between India and ASEAN has seen a steady progress since the policy was initiated in early 90s. India became a sectoral dialogue partner of ASEAN in 1992, which was upgraded to full dialogue partnership in 1996. Since 2002, we have had annual Summits with ASEAN.

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2. Enhanced ASEAN Connectivity

Enhanced ASEAN connectivity addresses the disadvantages of the ASEAN region and at the same time engenders a more cohesive, investment-attractive, resilient, and dynamic economic community in the ASEAN region. This intra-regional connectivity encourages economic growth, narrows the development gaps by sharing the benefits of growth with poorer groups and communities, enhances the competitiveness of ASEAN, and connects its member states within the region and with rest of the world.

Development and achievement of enhanced ASEAN connectivity would need a common ASEAN vision with a long-term and sustainable approach for connectivity, taking into consideration the need to promote local economic and social development and connectivity, mitigating environmental impacts, and synchronising domestic connectivity with regional connectivity.

To achieve the ASEAN vision, ASEAN has put in place numerous programmes and initiatives for building and enhancing regional connectivity and some good progress has already been made. They are called as Master Plan on ASEAN Connectivity (MPAC). It consists of enhanced physical infrastructure development (physical connectivity), effective institutional arrangements (institutional connectivity), empowered people (people-to-people connectivity), and operationalisation of ASEAN connectivity. Building an enhanced ASEAN Connectivity requires not only the development of new strategies and institutions, but also investment in more effective implementation of existing and future initiatives (ASEAN Secretariat, 2011).

3. Geographical Simulation Model (GSM) Framework

In this paper, Geographical Simulation Model (GSM) framework has been used to understand the impact of connectivity on economic growth. The Geographical Simulation Model (GSM), also called IDE-GSM, is developed by The Institute of Developing Economies (IDE) and Japan External Trade Organisation (JETRO). It has two major objectives: (i) to determine the dynamics of locations of populations and industries in East Asia in the long-term, and (ii) to analyze the impact of specific infrastructure projects on the regional economy at sub-national levels. This model is based on spatial economics. It explains the spread of economic activities within a general equilibrium framework. The main components of spatial economics are: (i) increasing returns; (ii) imperfect competition; (iii) love of variety; and (iv) endogenous agglomeration forces (Kumagai, 2008).

Therefore, GSM is used to simulate the impacts of connectivity improvement, particularly in reducing the direct and indirect costs due to the physical and non-physical barriers, such as the better transport and expanded interconnectivity and also reducing tariff, non-tariff, and social and cultural barriers. Figure 1 illustrates key components for direct and indirect costs of logistics between

two locations. Some programmes of MPAC such as ASEAN highway network, Singapore Kunming Rail Link (SKRL), inland waterways network, maritime transport system are vital for the seamless movement of goods and tradable services within the region and to the rest of the world, and to establish integrated and seamless Multimodal Transport Systems. These projects would make ASEAN as a Transport Hub in the East Asia region (ASEAN Secretariat, 2011).

The model allows mobility of workers within each country and between sectors. There are agriculture, five manufacturing and service sectors (Kumagai *et al.*, 2008). The schematic description of the model is found in Figure 2.

The GSM incorporates geography as “topology” of cities and routes. This representation of geography has several advantages. It makes possible to incorporate the realistic choice of routes in logistics, and the minimal distance between any two cities is calculated considering every possible route between them.

There are key regional/zone variables, such as nominal wage rates in three sectors, land rent, regional income, regional expenditure on manufactured goods, price index of manufactured goods and of services, average real wage rates in three sectors, population share of a location in a country and population shares of a sector in three industries within one location (Kumagai *et al.*, 2011).

Figure 1: Key Components of Direct and Indirect Costs between Two Locations due to MPAC Implementation

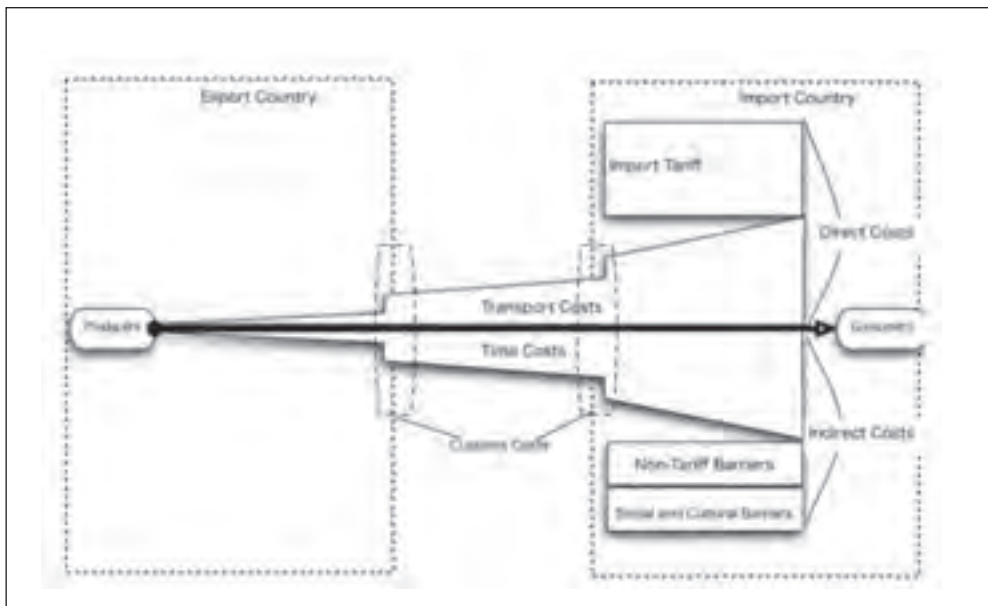
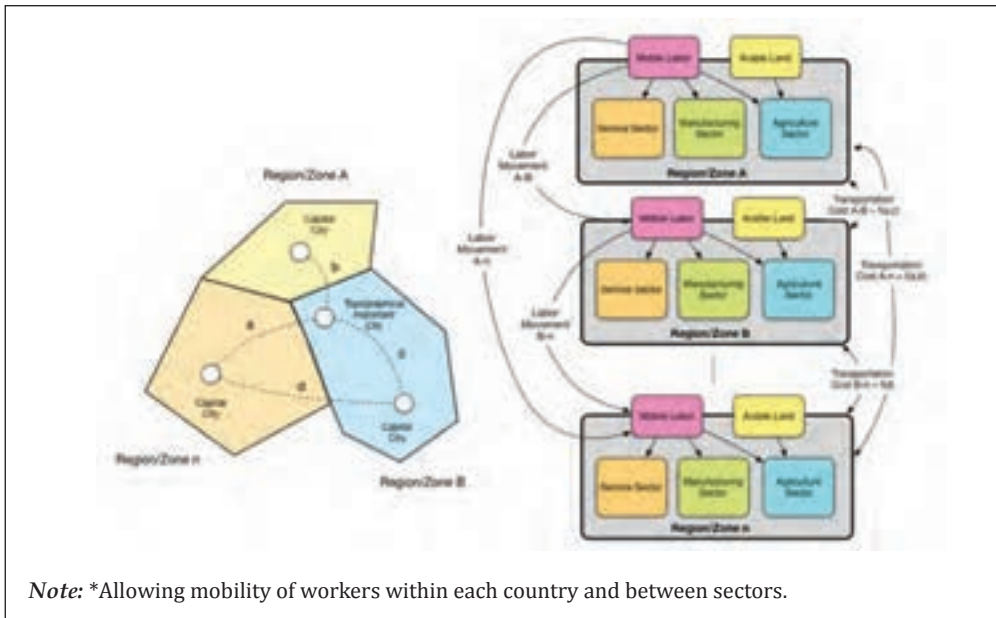


Figure 2: Schematic Diagram of Geographical Simulation Model (GSM)*



4. Scenario Development

There are two key scenarios: (i) No AEC Development in connectivity and (ii) MPAC is implemented. The conditions of these two scenarios are shown as follows:

- No AEC development: The conditions of routes of ASEAN are assumed as year 2005. There is no further development. Also, in 2020, the “congestion” at borders between neighbouring countries is reflected in the route data as an increase in border crossing time. Therefore, the time at border is assumed to double in 2020. Tariff and non-tariff barriers among ASEAN countries are assumed to be the same as 2005. The reduction is found in tariffs and non-tariff barriers among non-ASEAN countries or between an ASEAN country and a non-ASEAN country continues.
- MPAC implemented: The conditions of routes are updated at 2010 and 2015, reflecting the development according to MPAC. In 2020, the “congestion” at borders between neighbouring countries is reflected in the route data as an increase in border crossing time. Time at border doubled in 2020 but halved by trade facilitation. Tariff and non-tariff barriers are updated according to various trade agreements including AEC.

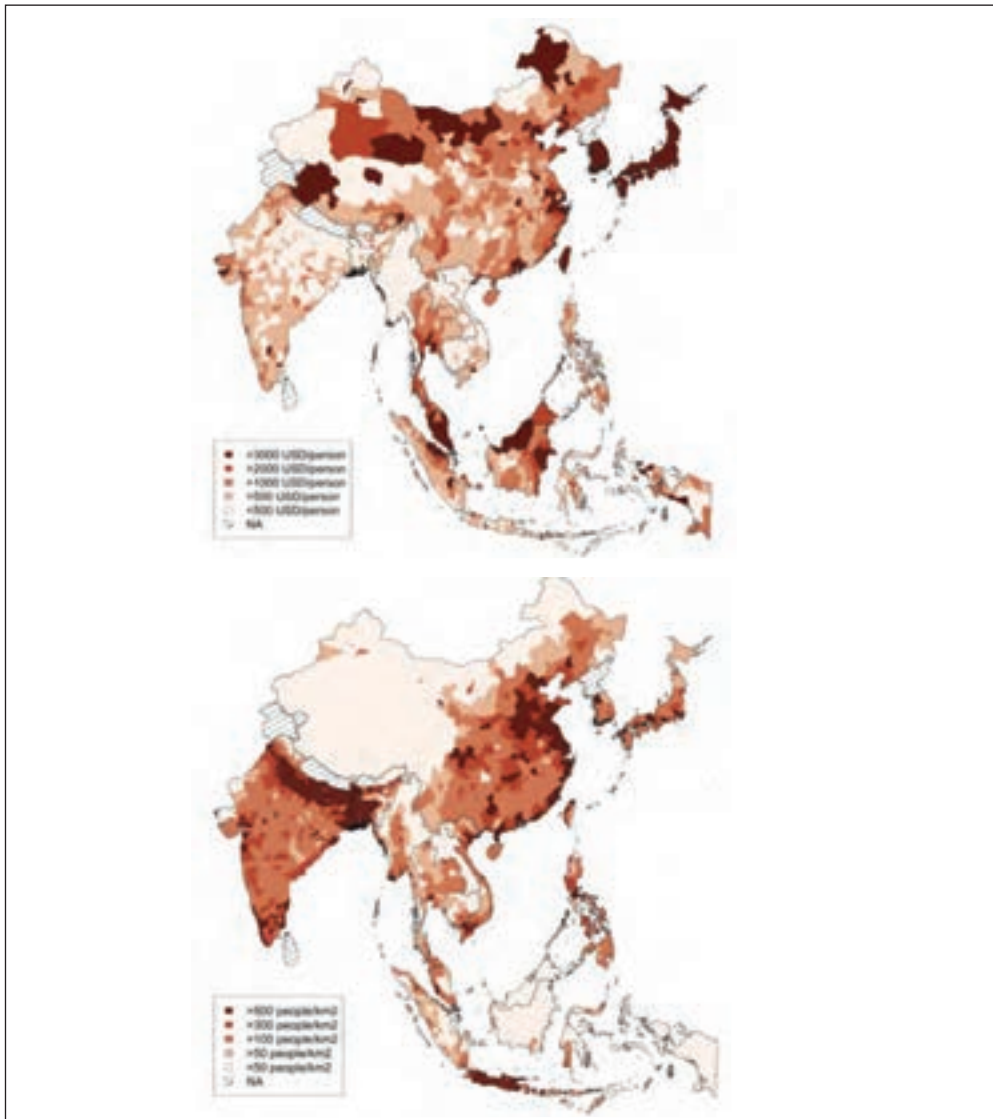
Figure 3 shows GDP and population density, depicts key characteristics of this region. Once the connectivity has been established, workers are allowed to mobilise within each country and between sectors.

5. Impacts of Connectivity within ASEAN and Spillover Effects

The simulation results show the impact of MPAC implementation on economic growth. Figures 4 and 5 reflect positive impacts on GDP growth around the region, particularly in Myanmar, Laos, northern part of Indonesia, the eastern side of Malaysia, and the southern part of Vietnam. However, it also shows the negative impacts on GDP growth to southern part of Indonesia, Cambodia, and northern Philippines. Table 1 illustrates the differences among ASEAN countries.

For Indonesia, Philippine, and Vietnam the negative growth refers to the move of countries growth poles. It can benefit in reducing their national disparities. However, for Cambodia, the regions near Laos border gain and the other parts lose. So, southern corridor in GMS will compliment AEC development.

Figure 3: GDP and Population Density (Year: 2005)



For India, it reflects both positive and negative impacts on GDP growth around the region. The southern part and some of eastern part of India are shown a positive growth. However, in central area and north-east India are shown as negative growth.

Table 1: GDP Growth Differences between No AEC Development and AEC Development with MPAC Implemented in Year 2030 of ASEAN Countries

Country	Difference between GDP Growth (%)
Myanmar	2.29
Brunei	2.12
Laos	1.16
Indonesia	0.39
Singapore	0.36
Malaysia	0.26
Thailand	0.05
Vietnam	0.05
Philippine	0.01
Cambodia	-0.02

Figure 4: GDP Growth Differences between No AEC Development and AEC Development with MPAC Implemented in Year 2030 (Overall)

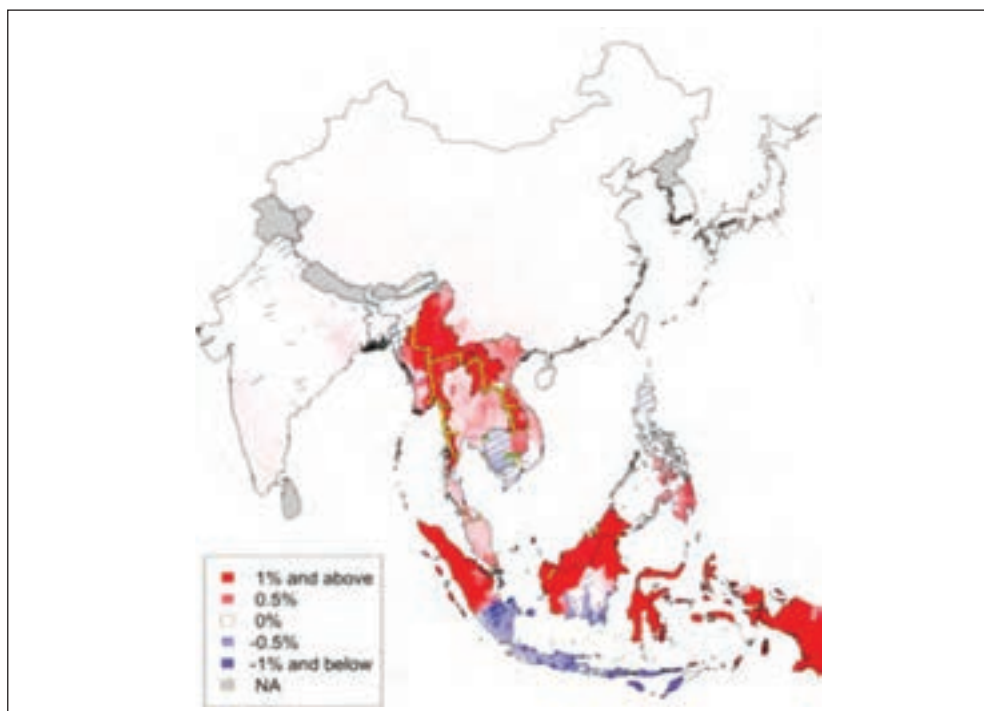
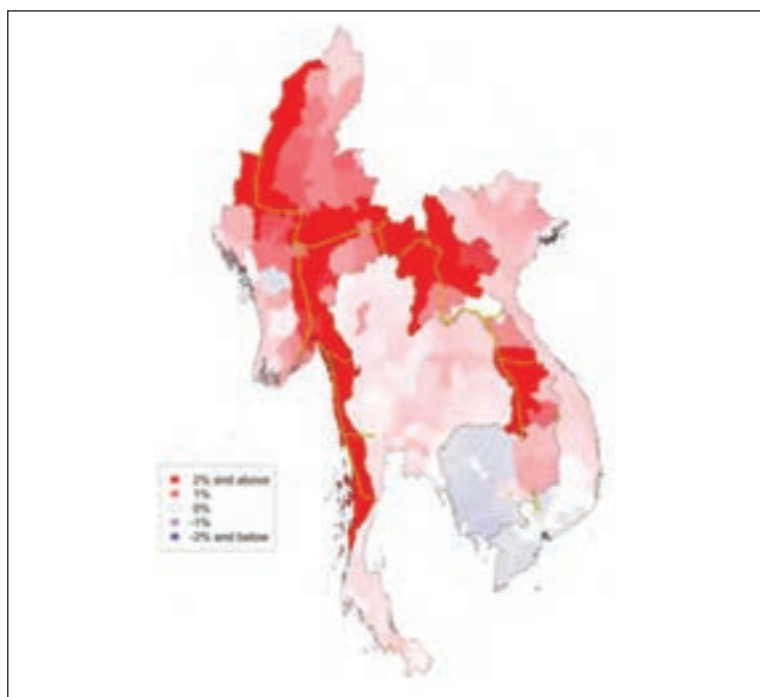


Figure 5: GDP Differences between No AEC Development and AEC Development with MPAC Implemented in Year 2030



In 2030, the ASEAN countries would gain an additional 0.32 per cent better for their growth rate when they implement MPAC. The simulation shows percentage share of each countries of those benefits from implementing MPAC in Table 2. They are ranked from Indonesia, Myanmar, Malaysia, Singapore, Thailand, Laos, Vietnam, Brunei, Philippine, and Cambodia, respectively.

Table 2: Economic Benefits between No AEC Development and AEC Development with MPAC Implemented in Year 2030 of ASEAN Countries

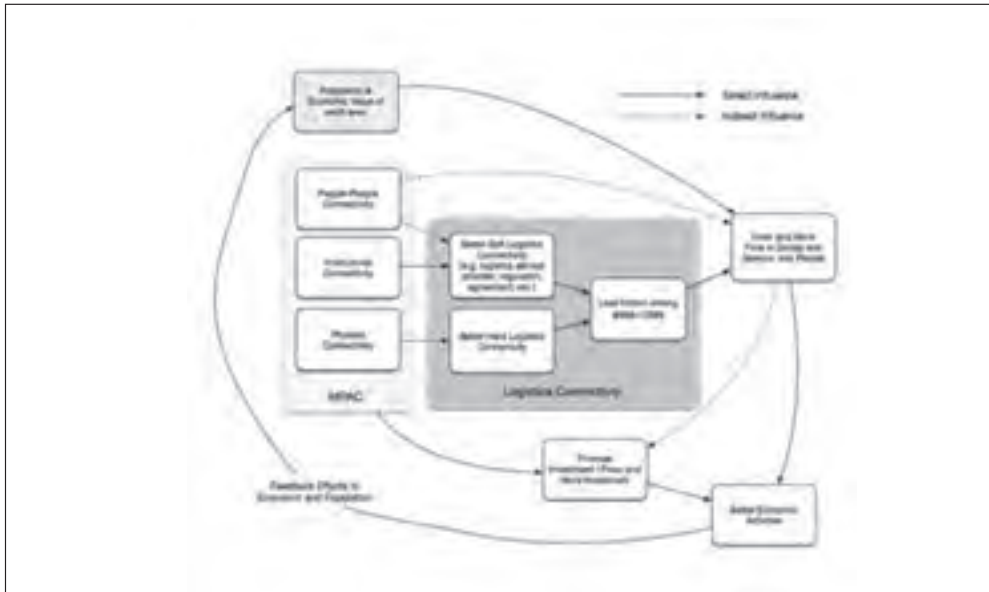
Country	RGDP (US\$ million)	Share (%)
Indonesia	12582	47.8
Myanmar	5876	22.3
Malaysia	2361	9.0
Singapore	2189	8.3
Thailand	1804	6.9
Laos	654	2.5
Vietnam	500	1.9
Brunei	316	1.2
Philippine	60	0.2
Cambodia	-45	-0.2

6. Lessons Learned

The results depict different critical issues of connectivity, particularly the physical ones. They consist of the following:

- Logistics connectivity is the operationalisation of the overall connectivity plan, i.e. physical connectivity, institutional connectivity, people-to-people connectivity, and implementation of ASEAN connectivity. Logistics connectivity plays a critical part of the overall process of ASEAN Economic Community development. Figure 6 illustrates the schematic relationship and reinforcement loop between connectivity and economic growth.
- For logistics connectivity, infrastructure can be classified into connectivity within nation (internal-connectivity) and between nations (intra-connectivity). It also can be categorised as hard and soft infrastructure. Furthermore, connectivity consists of several modes of transport, such as railway, roadway, inland waterway, marine waterway, airway and pipeline.
- Typically, the bottlenecks are located at border areas, such as border facility, ports, and terminal. Therefore, the overall improvement at these nodes can provide greater efficiency.
- Another kind of bottleneck is still related at soft infrastructures, such as regulation, custom, agreement, etc. These are related to institutional connectivity. For example, Cross-Border Transport Agreement (CBTA) is a major soft infrastructure for intra-regional connectivity among Great Mekong Sub-region (GMS) countries. Practically, the implementation is challenging.
- Not all countries will benefit equally from enhanced connectivity and economic integration. These benefits will be different according to the existing and future logistics network (both internal and intra-regional connections) and the agglomeration and dispersion forces. Some may have positive effects, others have negative effects.
- In overall, enhance logistics connectivity not only depicts improved economic growth but also the potential of narrowing the development gaps by sharing the benefits of growth with poorer locations and communities.
- Nonetheless, logistics connectivity can bring negative effects to some cities or areas if they are not competent for more openness competition in this flattened world.
- Northeast India growth will be less than expected as development and growth will be attracted to Myanmar. There are some marginal benefits of enhanced ASEAN connectivity for India's main ports/economic nodes.

Figure 6: Schematic Framework of a Feedback Loop among MPAC, Logistics Connectivity, Flow of Goods, Service, and People, Population and Economic of Each Areas



7. Concluding Remarks

If India wants to fully benefit from the effect of enhanced connectivity in ASEAN, India would need to upgrade its infrastructure, institutional framework, and the capability of its domestic logistics service providers. Logistics connectivity is a key part of the overall development of ASEAN. The challenge is to let each country view the overall picture and the long term effects, as a win-win situation. Logistics connectivity between ASEAN and India is very critical for practical ASEAN-India Strategic Partnership.

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Appendix I: General Modelling Framework

Spatial Economic and General Equilibrium Framework

This model is based on spatial economics. It explains the spread of economic activities within a general equilibrium framework. The main components of spatial economics are: (i) increasing returns; (ii) imperfect competition; (iii) love of variety; and (iii) endogenous agglomeration forces (Kumagai, 2008).

The balance of agglomeration forces against dispersion forces determines the distribution of economic activities, which is a key concept of spatial economic. There are many types of agglomeration and dispersion forces (see Table 1). Thus, observed spatial configurations of economic activities have much variety. With exogenous shocks, the spatial structure is organised by itself, and the core-periphery structure evolves through structural changes.

Table 1: Balance of Agglomeration Forces against Dispersion Forces

Desperation Forces	Agglomeration Forces
Transport Costs	Economy of Scale
Immobility of Labor	Larger Market
Higher Factor Prices	Intermediate Inputs

Krugman (1991) shows that a symmetric structure is maintained when transport costs reach a high enough level; core-periphery structures emerge when transport costs reach a low enough level. Formalising, transport costs between regions are exogenous factors and express all distance resistance. Mobile workers choose a preference between regions based on wage rates and prices in both regions. When transport costs are large enough, the dispersion force overcomes agglomeration forces. Firms cannot afford to play harsh competitive price games even in a somewhat larger market because profit from the distant market is small. Thus, economic activities disperse. However, as transport costs decrease to a low enough level, agglomeration forces surpass the dispersion force. Firms can enjoy large markets and low procurement costs even with harsh price competition by locating in a large market because the profits from such distant markets are large. Thus economic activities can agglomerate in the region” (Kumagai, 2011).

The IDE-GSM incorporates geography as “topology” of cities and routes. This representation of geography has several advantages. It makes it possible to incorporate the realistic choice of routes in logistics and the minimal distance between any two cities is calculated considering every possible route between them.

Key Assumptions

In GSM, the agriculture sector is assumed to be perfectly competitive and the production is depicted by Cobb-Douglas function of land and labour, where the efficiency of production at a region is different. The transportation costs of agricultural goods are assumed to be zero and the nominal wage rate to be the same within a region/zone and between sectors (Masahisa, Krugman, and Venables, 1999; Kumagai, 2011).

In manufacturing sector, monopolistically competitive environment is assumed and its technology is to be increasing returns to scale, where labour and intermediate inputs of the same sector are required. The price index of intermediate inputs reflects all the distribution of the sector. These specifications depict circular causation which is based on agglomeration economies; the more firms are concentrated, the more workers migrate. Differently from agricultural good, manufacturing products incur product specific-transportation cost, which is modelled in iceberg manner. Firms choose the minimum cost route of transports from various network connections and several transportation modes, such as road, ship, train and air. The model also includes the estimates of some border cost measures such as tariff rates, non-tariff barriers, other border clearance costs, trans-shipment costs, etc., (Masahisa, Krugman, and Venables 1999; Kumagai, 2011).

In service sector, the production function is characterised by increasing returns to scale technology with labour input only. Similarly to manufactured goods, service also incurs iceberg-type transportation costs.

Consumers are also assumed to possess the same utility function. This assumption is very conservative but there is no other proper assumption at this moment, given that we are not able to adjust consumer utility function dynamically. Income effects are included in our model, and the simulation results are not quite sensitive to this assumption. This implies that expenditure share of each good is the same among individuals. Regional incomes are depicted by regional GDPs, called RGDPs. Land rent from agricultural sector is included in the regional income of the region where the land locates (Kumagai, 2011).

Labour Movement Decision

Migration decision of workers is characterised by differences of real wage. The movement of workers ensures the wage equalisation among sectors. Among region, there is a difference in migration dynamics. In the same region/zone, price index is assumed to be identical. When there is a nominal wage difference among sectors, workers in lower wage sector move to higher wage sector. Among regions price indexes are different. If there is real wage difference among regions, workers are assumed to move the region of higher real wage.

Since each worker conceives real wage which reflects price index and nominal wage rate, when there is a region of higher real wage, some workers can enjoy higher real wage with moving there. As long as there is a real wage difference between any two regions, there is migration between regions.

Data Framework

The data framework of our simulation covers 17 countries, 1715 regions/zones, 4226 cites, and 7044 routes. Each country is sub-divided into states/provinces/divisions. Each state/province/division is represented by its capital city (see Figure 1 in paper). It also covers four modes of transports, such as air, land, sea, and rail. The data is based mainly on the official data from the department of statistics of each country. Regional GDP (RGDP) of agriculture, five manufacturing, and service sectors are derived. Five manufacturing sectors are agricultural and food processing, garment and textile, electronics, automotive and the others. The data is for year the 2005. In order to capture the geographical spread of population and economic activities, the following figures show population density and GDP density which is GDP per square km (see Figure 2 in paper).

Structure of Model and Calibration

GSM is built on Java™ and object-oriented programming (OOP) technologies. It is able to forecast the dynamics of populations and industries at the sub-national level. It works in the following steps (Kumagai, *et al.* 2008):

1. Initialisation and Calibration: The data on regions and routes are loaded from prepared data input files, e.g. CVS files. Regional and data related to the routes between regions must be compatible. For example, names of cities on route data must appear in the regional data together with other attributions of the cities (regions), especially latitude and longitude. Each region and industry set their own “A(r),” the technology or efficiency parameter. Then, A(r) is calibrated just to absorb the difference between theoretically computed nominal wage and the actual nominal wage in each region. For example, if actual GDP for a region is higher than theoretically estimated RGDP, then “A(r)” in the region is calibrated to match the theoretical and actual GDPs. Furthermore, “A(r)” can reflect various industrial infrastructures in regions such as: Electricity, Water supply, Telecommunication, Human resources, Efficiency of Public sector, etc.
2. Determination of Short-Run Equilibrium: The GSM calculates the short-run equilibrium (equilibrium under a given population distribution) values of GDP by sector, employment by sector, nominal wage by sector, price index, and other variables based on the distribution of population. The GSM uses iteration techniques to solve the multi-equation model.

3. **Population Dynamics Calculation:** Once short-run equilibrium values are found, the GSM calculates the dynamics of population or movement of labour based on differences in real wages among countries, regions, and industries. The GSM is able to set the speed of adjustment for inter-country, inter-region, and inter-industry labour movements.
4. **Output Results:** To examine related variables in time series, the GSM exports equilibrium values of GDP by sector, employment by sector, nominal wages by sector, price index, and other factors for every single year in several formats from database and spatial presentation
5. **Repetition of Step 2:** Now, new equilibrium under new distribution of population is found. We assume this cycle as one year and return to Step 2. In the analyses presented in this chapter, the typical simulation is run for 25 years.

Strengthening ASEAN-India Strategic Partnership: Lao PDR Perspective

Siviengphet Phetvorasack*

1. Introduction

The main objective of this paper is to present the Lao PDR's perspective on ASEAN-India Strategic Partnership (AISP) with particular reference to connectivity. The Lao PDR as a part of AISP considers that the physical connectivity plays a crucial role in developing infrastructure in the ASEAN member states and India. Particularly, it would contribute to Lao PDR economy in terms of economic growth, regional integration and trade and investment cooperation.

2. Close and Cordial Longstanding Relations between Lao PDR and India

In September 2010, former President of India H.E. Mrs. Pratibha Devisingh Patil visited Laos. Then, the former Indian Minister of External Affairs H.E. Mr. Salman Khurshid attended the 7th Laos-India Joint Commission for Bilateral Cooperation in Vientiane in September 2013, while in December 2012, Prime Minister of the Lao PDR H.E. Mr. Thongsing Thammavong visited India to attend the 20th Anniversary of ASEAN-India Summit and the Lao Deputy Prime Minister and Foreign Minister H.E. Mr. Thongloun Sisoulith visited India in September 2012.

In addition, Vice-Minister of Foreign Affairs and Laos' ASEAN SOM Leader H.E. Mr. Alounkeo Kittikhoun attended the 16th ASEAN-India Senior Officials' Meeting, held on 23-24 June 2014 in Bandar Seri Begawan, Brunei Darussalam. The Meeting reviewed the cooperation between ASEAN and India over the past years, particularly the substantial progress in the implementation of the Plan of Action to implement the ASEAN-India Partnership for Peace, Progress and Shared Prosperity (2010-2015) and the Vision Statement adopted by ASEAN and India Leaders at the ASEAN-India Commemorative Summit, held on

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20 December 2012 in New Delhi, India to mark the 20th Anniversary of ASEAN-India Dialogue Relations. The meeting also charted out future directions as well as made preparations for the upcoming Post-Ministerial Conference (PMC) 10+1 Session with the Republic of India and the 12th ASEAN-India Summit in August and November 2014 in Myanmar, respectively.

Since 1994, Laos and India have signed several agreements, which contribute to bilateral relations in various fields such as trade and investment, the promotion of small and medium-sized enterprises, agriculture and national defence to foster socio-economic development and also human resource development. As a matter of fact, India has been providing about 200 scholarships each year to train the Lao nationals. Economic and political relations between Laos and India have been progressively fostered and developed over the last decade.¹

3. Role of AINTT for Regional Integration

In the era of globalisation, although many countries have been affected by the financial and economic crisis in 1997 and subsequently in 2008 with recession, unemployment and inflation, they continue to manage themselves successfully, overcoming the negative impacts on their own economies and creating the new chapter of economic, trade and investment cooperation with the aim to strengthen positive trends of regional integration and economic growth, namely, ASEAN, ASEAN-India, ASEAN-China, etc. These economic and trade groupings (ASEAN and ASEAN-India, etc.) have played an important role for promoting FDI, FTAs and their economic strategic partnership, based on mutual interests and reciprocity through track one and track two (Think-Tank Networks) cooperation and intervention, in order to push forward Plans of Action, recommendations approved by all relevant Parties.

Bearing in mind that the ASEAN-India Network of Think-Tanks (AINTT) was an initiative announced by the Prime Minister of India during the 7th ASEAN-India Summit in Thailand in 2009, to provide an essential bridge between the think-tank communities in ASEAN countries and India. The 2nd roundtable of the AINTT was held on 10 September 2013 in Vientiane, Lao PDR. It was co-organised by the Research and Information System for Developing Countries (RIS), New Delhi and Institute of Foreign Affairs (IFA), Ministry of Foreign Affairs of the Lao PDR, Vientiane. The second roundtable of the AINTT was successfully wrapped up and came up with broad recommendations.

The Institute of Foreign Affairs (IFA) attaches great importance to the role of AINTT with close collaboration and kind support from RIS. Despite the fact that the third roundtable of the AINTT took place on 25-26 August 2014, in Hanoi, Vietnam, all participants discussed and shared their points of view on the way forward and recommendations that were discussed at the 2nd AINTT in

Vientiane, Lao PDR. India has been very supportive of the objective of an ASEAN Community by 2015 and the Initiative for ASEAN Integration. There is no doubt that the Master Plan on ASEAN Connectivity (MPAC) has also played a key role in encouraging and narrowing the development gap between the MPAC and the AISP to complement each other in terms of physical connectivity, and an effective implementation of the ASEAN-India Plan of Action 2010-2015.

It is not exaggerated to say that the AINTT roundtables have been successful in bringing recommendations and way forward, which led policy initiatives.

4. Lao PDR Perspective on ASEAN-India Physical Connectivity and Soft Infrastructure

Laos shares its northern border with China and is landlocked by four other countries – Cambodia, Myanmar, Thailand and Vietnam. In this regard, Laos is deploying the utmost efforts to pursue a strategy of gradual transformation from a land-locked to a land-linked country by prioritising the development of road transport networks in the region. This strategy is in line with “the Laos’ socio-economic development plan”² as well as other regional initiatives including ASEAN-India Strategic Partnership. This will facilitate Laos elevation from the Least Developed Country (LDC) status by 2020 and to the ASEAN Community building, particularly the ASEAN Economic Community (AEC) by 2015, which will demonstrate fruitful cooperation within ASEAN, thus contributing as a driving force of Asia in forming new global partnerships. One significant goal of the AEC vision is to enhance regional connectivity in terms of physical, institutional and people-to-people connectivity. These three dimensions are crucial elements as stated in the MPAC, which was adopted at the 15th ASEAN Summit, held in Thailand in 2009. Subsequently, at the 16th Summit in Hanoi, 2010, ASEAN leaders focused on clear targets and timelines to further develop the plan. These actually go beyond ASEAN and aim to connect ASEAN to other regions. India has been a very important Dialogue Partner of ASEAN. The leaders of ASEAN and India have adopted a “Vision Statement” in 2012 in New Delhi at the Commemorative Summit, marking two decades of dialogue relations, and elevated the ASEAN-India relationship to the level of a “Strategic Partnership”. The Statement building on an already robust relationship, charts the future of ASEAN-India Cooperation towards peace and shared prosperity. In order to achieve this common goal, and while making important contribution to ASEAN efforts in building its community by 2015, it is necessary that we take concrete steps to ensure that the initiatives set out in this strategic Vision Statement are translated into firm action.

This is part of the efforts by Laos to support the growth strategy that focuses on physical connectivity and soft infrastructure. Dr. Prabir De mentioned: “connectivity promotes trade, brings people closer, and integrates

the economies... Openness or globalisation is potentially beneficial to all but requires appropriate policy designs to realise it. Improving connectivity is essential for the region's prosperity, continued growth and, most importantly, poverty reduction."³ Laos has actively engaged in the implementation of overall internal, regional and domestic integration. Connectivity plays an important role in its socio-economic development, whilst poor connectivity will not fulfil this ambitious plan. There is no doubt, therefore, connectivity plays a vital role for connecting ASEAN with India and parts of the world, particularly in the aspects of physical connectivity and soft infrastructure. In doing so, ASEAN and India will get a huge benefit from the connectivity such as more FDI attractions due to systematic infrastructure and soft infrastructure that are compatible. The flow of goods, services, tourism, capital and people from intra- and extra- region will become more efficient. Laos has shown its efforts in taking advantage of the globalisation by unwaveringly joined the WTO on 3 January 2013. Under WTO procedures, Laos has officially become the WTO's 158th member on 2 February 2013".⁴ The WTO membership for Laos has played a core role in strengthening not only its national economy but also physical connectivity and soft infrastructure related to transport, information and communication technology (ICT), and energy, telecommunication services, etc. The soft infrastructure projects could be launched in Laos with the financial support and technical assistance from India through the ASEAN-India Cooperation Fund. It is more argued that India should take lead in soft infrastructure, particularly in telecommunication services modernisation in CLMV countries, in collaboration with the ASEAN developed countries. In this context, ASEAN and India should exert more efforts and cooperation to effectively implement the ASEAN-India Plan of Action 2010-2015, combining with the realisation of no-direct physical connectivity between CLMV and India and minimising the high cost of transportation between ASEAN and India. It is assumed that the ASEAN-India cooperation should take into consideration its capital investment in the soft infrastructures, related to investment in improving the commercial environment for businesses in CLMV countries but relevant to the national laws of these countries. For instance, possible projects in Laos may include enabling or providing skills training for public and private sectors, who work for SMEs across the CLMV countries. Laos covers over 90 per cent of SMEs, which represent an important sector of the country. Laos need skill improvement in order to compete with other ASEAN countries. Financial support through ASEAN-India Cooperation Fund would be needed to strengthen the country's business and vocational training, English language training courses for public and private sectors, etc.

The SMEs in Laos would play an influential role for ASEAN-India cooperation in relation to labour cost. In Laos, the labour cost is cheaper, compared to that in other ASEAN countries. This advantage could gain good momentum for attracting

more FDI in relation to road construction, transportation, telecommunication, ICT under the AISP framework, particularly those entrepreneurs and business people coming from the ASEAN and India. On the other hand, unskilled labours in Laos need more professional and vocational training, particularly the young people, in order to meet the demand of ASEAN-India labour markets.

There has been a greater need for seamless connectivity with high speed internet access, regardless of demographics, occupation or geography. Connectivity is the foundation on which real technology advancements are built and telecommunication service providers are laying the foundations for the connected world.

Nonetheless, we need to work to fully realise the information technology potential that the digital age is offering. To support this change, the soft infrastructure like the telecommunications industry will be one of the pragmatic cooperation. It needs to be adopted and innovated, and in this regard closer cooperation is required. Ultimately, the infrastructure needs to be in place to meet the demands for the next generation network, in order to avoid the anticipated explosion in mobile data use and the capacity crunch. Regular investment would be required to support a wider spectrum of mobile services. Thus, we need to remove regulatory constraints so that we can develop effective infrastructure that is based on open standards, providing maximum benefit for customers at minimum cost to the operators. Global interoperability, is vital to enable connectivity amongst new systems and services, and targeted regulation will also foster innovation and help us to create healthy competition. The full cooperation of regulators is imperative in ASEAN-India markets where services and products are marked in neighbouring geographies. Network sharing is a further enabler for connectivity and it has been widely used by operators for some time. In the recent wake of technological advancements, anti-trust issues and less binding agreements are being considered, in order to overcome the complexities at a financial, technical and regulatory level.

Given the vast amounts of data exploring across network in today's connected world, we also need to achieve the right balance between data sharing, privacy and security. This is of particular importance in the telecommunications industry, where customer data is shared and can be used for cross-selling, which has further significance, given the rise in services such as mobile banking.

Laos acknowledges that improved systems of transportation and communication are potential economic drivers. Laos further recognises that connectivity is vital for linking the country with neighboring countries and also with global partners. It is encouraging to note that through "Look East" policy, India has been an active contributor to ASEAN integration.

Laos is deploying the utmost efforts to transform from a land-locked to land-linked country. We should further strengthen our cooperation in connectivity, particularly infrastructure development such as India-Myanmar-Laos-Vietnam-Cambodia road network as well as India-Myanmar-Thailand highway connecting Laos and Cambodia. Therefore, India should continue to render support by not only sharing India's best expertise and technology but also funding contributions. If the aforesaid projects are realised, it is without saying that out of the increase in the volume of trade, goods and other merchandise, the movement of people will also increase by several folds. This can be qualified as the true connectivity among the countries. By doing so, the building of trust will be solidified.

5. Recommendations

The following recommendations of the paper should be taken into consideration:

- To meet the soft infrastructure goals, India should continue its fruitful association with other ASEAN countries, particularly with the least developed countries. In Laos, the projects of Laos-India were found beneficial. India should continue its generous support and provide technical assistance to the Lao PDR in the area of physical connectivity.
- ASEAN physical connectivity will take time to achieve the goals. For this reason, the framework of the connectivity should be more focused on and/or prioritised.
- Continue the capital mobilisation including the possibility of the establishing a fund, bank or specific financial institution in order to develop the infrastructure, especially physical and soft infrastructure.
- Continue to negotiate this connectivity with their neighbours across many spheres in order to implement the existing agreements or by making new ones as required.
- The AINTT should continue to play a constructive role in joint efforts towards stronger ASEAN-India relations and regional integration in the years to come. Provide new and further concrete recommendations for deepening relations and realising the ASEAN-India Vision Statement.
- ASEAN and India need to collectively respond to the opportunities offered by their geographical and comparative advantages and to the competitive challenges brought about by global trade and investment environment. Enhancing ASEAN-India connectivity can potentially place the two regions at the centre of growth and development and maintain the good momentum of economic cooperation.

6. Conclusion

To conclude, this paper has demonstrated the importance of the regional connectivity, particularly in physical infrastructure, which plays a crucial role for Lao PDR's socio-economic development strategy. This is a key for Laos to graduate from the LDC status by 2020 as well as to realise the common objective in the regional integration and the framework of ASEAN-India connectivity. In doing so, India should enhance its role as a key partner for ASEAN. At the same time, the AISP should continue to take lead in monitoring the process of implementation of the ASEAN-India Plan of Action 2010-2015, ensuring that the no direct physical connectivity between CLV countries and India are really built in the near future. There is no doubt that this connectivity will contribute to minimising the costs of transportation, freer movement of labour, expanding more access to ASEAN and Indian markets, attracting more FDI from each other and facilitating the free movement of goods and labour through economic and trade cooperation and integration. It is hoped that under the leadership of the AISP, the physical connectivity and soft infrastructure will be materialised in the context of the ASEAN-India Plan of Action, paving the way for making ASEAN and India closer.

The Third Roundtable of AINTT has witnessed the unity in diversity among ASEAN and India, harmonising the business and marketing framework, stimulating friendship and cooperation in many aspects, promoting better understanding between the two regions and working together for the common interests. To end, it is recommended that the AISP should continue to render support and assistance by organising conferences, symposium, AINTT, etc., with the objective to learn lessons and share more experience and views on various issues in the context of ASEAN-India framework, to invite experts and scholars of ASEAN and India to the roundtable of AINTT so that the common interests and better understanding would be prevailed. Laos as a member of ASEAN also gives its high appreciation and support to the role of the AISP by using the roundtable of AINTT as a platform to provide more opportunities and chance to think-tanks network from ASEAN and India to discuss, exchange and share their points of view on issues related to the ASEAN-India cooperation. Laos actively participates in many conferences, symposiums and roundtables in order to learn lessons and share knowledge related to promoting the good relationship and cooperation between Laos and India. The IFA will work closely with the RIS in order to promote research and studies cooperation, to learn lessons from each other in relation to the AISP and to cement the good relationship and cooperation between the two institutes. Finally, Laos and India have had very good cooperation. India gives many scholarships to Lao government officials and students to study in universities in India, it also provides technical support to the National Plan of Social and Economic Development of Laos helping

Laos to reduce the national poverty and graduate from the landlocked least developing country (LLDC) status by the year 2020. All efforts rendered by the Indian government and the AISP are highly appreciated by the Lao people and government. It is believed that the future roundtable of AINTT will continue to give its support to the Lao PDR.

Endnotes

- ¹ The seminar, entitled 'Trade and Investment Opportunities in Lao PDR- Supporting Current Vision and Policy of the Governments of the Republic of India and Lao PDR,' was held at the Lao Plaza hotel in Vientiane on Monday, 8 September 2014.
- ² The initial session of the Seventh National Assembly, during 15-24 June 2011 at National Assembly. Ministry of Planning and Investment Vientiane, 7 October 2011.
- ³ De. P (2011) "ASEAN-India Connectivity: An Indian Perspective" in in F. Kimura and S. Umezaki (eds.), *ASEAN-India Connectivity: The Comprehensive Asia Development Plan, Phase II*, ERIA Research Project Report 2010-7, Jakarta: ERIA, pp.95-150.
- ⁴ Lao PDR informed the WTO on 3 January 2013 that it has ratified its membership agreement. Under WTO procedure, that means Lao PDR will officially become the WTO's 158th member on 2 February 2013.

India's Relationship with ASEAN: Seizing Trade and Investment Opportunities

Shankaran Nambiar*

1. Introduction

The purpose of this paper is to explore relevant policy directions on India's engagement with ASEAN in the subject of investment. India has an interest in ASEAN, particularly in strengthening its economic relations. This has been evidenced by a long string of initiatives, perhaps most strikingly evidenced by the ASEAN-India FTA. ASEAN, for its side, realises that it can be a more formidable economic force in the globe if it was to strengthen itself within the region. It is towards this end that ASEAN is working and in that context it is attempting to form the ASEAN Economic Community (AEC). Taking AEC a step further, ASEAN member states are negotiating with the ASEAN+1 partners on the Regional Comprehensive Economic Partnership (RCEP). Here, again, India is a participant, and is in a position to gain more opportunities for investment.

Clearly, India has an interest in ASEAN. ASEAN realises its importance as a growing region. Recent developments point to a new economic focus in India with economic reform being widely discussed. Thus, both India and ASEAN are on the brink of greater economic growth and they can benefit from mutual engagement towards this end. There are various aspects to the mutual interaction between India and ASEAN. At the first level, both entities can take advantage of trade and their mutual comparative advantages. Beyond that, both India and ASEAN can gain from investment in each other's locations.

This paper is organised as follows. The second section sets the background by discussing the trade and investment structure in India. This is followed by an examination of India's trade with ASEAN. This section is based on the premise that India's trade with ASEAN, particularly in the services sector, can lead to more investment opportunities. The fourth section will argue that India needs to be aligned to the initiatives that are being undertaken in ASEAN with regard to investment liberalisation. Some concluding remarks are made at the end.

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2. India's Trade and Investment Relations

An analysis of India's trade structure and trends can shed light on the possible extent of interaction with ASEAN. There are two possible perspectives that policy makers can adopt: (a) short-term, and (b) long-term. In the case of the earlier, policymakers can examine existing trends and decide on the possibilities for current trade prospects. The latter, a longer view, is possible, and indeed preferable. In the event that presents trends do not reveal significant scope for engagement, in view of the market and future prospects, countries can choose to orient their industries with the intention of capturing those opportunities.

The bulk of India's imports currently are in petroleum and petroleum products, gems and jewellery; electrical machinery and parts; iron and steel; and organic chemicals. Over the years, the share of imports has increased with respect to products such as petroleum, gems and jewellery, and electrical machinery sectors. These are the products where complementarities exist with certain ASEAN member states, such as Malaysia (petroleum and electrical machinery) and Myanmar.

However, as will be explored in the next section, India will have to strategise as to how it intends to position itself with regard to other ASEAN states. Broadly speaking, most ASEAN states do not have a comparative advantage in the iron and steel sector. Again, it is possible to explore niche areas within this sector, to determine how India can engage in trade and investment with ASEAN in specific industries within these sectors. For instance, Myanmar may be able to export gems to India, while India can specialise in the processing, design and manufacture of high-end jewellery. Similarly, several countries in ASEAN have high degree of experience and competence in electrical machinery, office equipment and electronic components. India can engage in trade with these countries at different levels. It is possible to invest in ASEAN countries in line with these trade patterns. To make another example, India can export its technical services to Malaysia for research and design purposes so as to upgrade the light manufacturing industry in that country. That will boost Malaysia's exports in light manufacturing.

In terms of exports, the sectors that were dominant in the 1990s were gems and jewellery, articles of apparel (not including knit or crochet), cotton, cereals, fish and crustaceans, knit and crochet, automobiles, and coffee, tea and spices. In more recent times, India's major export to world were driven by petroleum and petroleum products, gems and jewellery, iron and steel, non-electrical machinery, organic chemicals, ores, slag and ash, electrical machinery and parts, and articles of iron and steel, etc.

India used to have export sectors that were largely resource-based and labour-intensive. These sectors have given way to sectors that are based on

metals and minerals and have a stronger manufacturing component. Goods such as petroleum and petroleum products; gems and jewellery; organic chemicals; electrical machinery; and iron and steel now dominate two-way trade. The patterns of India's trade partners have also changed. China and South Korea are important trade destinations, followed by the United Arab Emirates, Saudi Arabia and ASEAN. There are two interrelated issues here. First, India has to identify those areas through where it can engage with ASEAN in terms of trade. Second, India has to cooperate with ASEAN to build upon trade as a platform for investment. In this sense, trade will open up opportunities for investment.

India's trade with ASEAN, although not of a significant proportion to total trade, has been growing. India's total imports from and exports to ASEAN have been growing since 2000, particularly with Singapore, Malaysia, Indonesia and Thailand. The same cannot be said for the other ASEAN member states, which are hardly significant trade partners for India. Imports from ASEAN countries have been rising in total Indian imports with respect to Singapore, Malaysia, Indonesia and Thailand. India's imports from ASEAN+5 have increased from about 19.8 per cent of its total imports to about 27.5 per cent in 2012. Viewed from the ASEAN perspective, ASEAN+5's imports from India have risen from 0.7 per cent to 1.3 per cent of ASEAN+5's total imports from the World. Similarly, India's exports to ASEAN+5 have increased from 14.5 to 20.9 per cent in 2012. However, ASEAN+5's exports to India as a percentage of its total exports have increased from 0.9 per cent to 2.5 per cent, for the same reference period.

Clearly, while ASEAN+5 matters more and more to India, the reverse is not the case. India's exports to East Asia (i.e. China, South Korea and Japan) have increased from 7.0 per cent to 8.6 per cent in 2012. It has remained stagnant with respect to Australia and New Zealand. The growth in India's exports to Indonesia, Malaysia, Singapore and Thailand has been more rapid, increased from 5.3 per cent to 9.4 per cent in 2012. India's imports from East Asia, on the other hand, have increased remarkably from 8.8 per cent to 15.9 per cent. While imports from Australia and New Zealand and Brunei have remained stagnant, imports from Indonesia, Malaysia, Singapore and Thailand have decreased from 8.2 per cent to 7.6 per cent in 2012.

There are several points that can be made from this broad pattern in trade trends. First, India's relevance to ASEAN has not been missing in tandem with ASEAN's relevance to India. India is getting more reliant on ASEAN, but it has been slow to benefit from the gains that it can be made by being the country of choice from which ASEAN can trade on a bigger basis with India. These are unutilised opportunities that India is yet to reap from ASEAN integration (Das, 2013).

Second, there are strong indications that India is making some progress in its trade with Indonesia, Malaysia, Singapore and Thailand. India's trade with

the CLMV countries is meagre at the moment and leaves much scope that can be mutually derived. It is worth noting that these countries are emerging economies, being at a relatively low level of development at the moment, which would place them in a situation whereby they can gain from trade with India.

Third, it is encouraging that there is evidence of India's increasing trade with Northeast Asia, i.e. China, South Korea and Japan. However, India's exports to this block fall far short of its imports from these countries. Nevertheless, the strong trade ties indicate that a broader range of activities is possible in ASEAN via this group of countries. In this context, the RCEP is an important agreement that India can leverage upon.

The foreign direct investment (FDI) flows between India and ASEAN provide a further dimension of India's economic structure and indicate how it could interact with ASEAN in future. Singapore is the biggest contributor of FDI to India, followed by Japan. South Korea is a distant third in terms of FDI inflows into India, with Australia as a contender for fourth place. India, in turn, favours Singapore as a FDI destination. Similarly, Australia is second in importance as a destination for Indian FDI, with Malaysia being the third most important destination. Combined with the trade data, it is clear that Singapore figures most prominently when it comes to both trade and investment. The FDI outflows from India to ASEAN are greater than FDI inflows from the region to India. It is very clear that the prospects for inter-regional FDI flows are great and have not been utilised. There is ample room for investment cooperation between India and ASEAN, given that the flows of FDI between these two entities are at a rather low level in the case of most ASEAN member states.

The areas for ASEAN FDI inflows into India include construction, telecommunications, hotel and tourism, manufacturing, electronics and electrical products, chemicals, automobiles, power and metallurgy. India, for its part, can contribute to ASEAN's development through FDI outflows in various segments of agriculture, financial services, business services, software, drugs and pharmaceuticals, transport, storage and communication services.

As far as the area of infrastructure sector development is concerned, India has a huge demand in this area. Singapore and Malaysia have been able to cash in on the opportunities that this area provides within India. However, the possibilities are far larger than are currently exploited, and the entire gamut ranging from power, petroleum and gas to ports and air and sea transport represent FDI opportunities for ASEAN member states.

3. India's Trade with ASEAN: Challenges and Opportunities

India's interest in trade with ASEAN is clearly seen from the Free Trade Agreement (FTA) that it signed on 13 August 2009. However, that agreement

dealt only with trade in goods. That agreement had its weakness in so far as it was the outcome of prolonged negotiations and did not show enough will to modernise Indian agriculture (Batra, 2009). The India-ASEAN FTA was a step for India in the direction of a stronger and more involved economic relationship with ASEAN. There are deeper levels at which India can interact with ASEAN, and trade in goods is a preliminary move (Nambiar, 2011).

ASEAN does not figure in India's list of top ten sources of imports, with the exception of Indonesia. Indonesia's exports to India account for less than three per cent of the value of total imports. Again, ASEAN is largely absent from the list of top ten export destinations. Singapore does figure prominently as it is the third most important importer from India. But, it is the only ASEAN country that does so. It is to be noted that Singapore does fall among the top ten countries to which India exports. Even so, India's exports to Singapore constitute less than five per cent of India's total export value.

An examination of the pattern of India's top export and import items casts some light on why ASEAN member states do not assume significant position of importance in India's trade. The following are some of India's top export items:

- Petroleum products
- Gems and jewellery
- Pharmaceutical products
- Transport equipment
- Machinery and instruments
- Readymade garments
- Manufactures of metals
- Electronic goods
- Rubber, glass and products
- Cotton yarn and fabrics

There is overlap between the above-mentioned products and the production of these goods in ASEAN (see for instance, Chandran, 2010). In case of cotton yarn and fabrics, India has comparative advantage, while ASEAN member states have alternative sources of import, like Bangladesh. India is a global leader in gems and jewellery, but this does not constitute a huge amount of total trade with ASEAN states.

Regardless of the substitutability, India has the capability to compete for ASEAN markets in petroleum products, pharmaceutical products and heavy machines and manufacturing. As far as light manufacturing is concerned, it

might be more difficult to compete. In terms of imports, India's top import items are as follows:

- Petroleum crude
- Gold and silver
- Electronic goods
- Pearls and precious stones
- Non-electrical machinery
- Organic and non-organic chemicals
- Coal, coke and briquettes
- Transport equipment
- Metal ferrous ores and products, and
- Iron and steel

Some of these items sought by ASEAN include crude petroleum, electronic goods, pearls and precious stones, and chemicals.

A brief analysis would suggest that there is scope for India to export food items to ASEAN countries such as Brunei, Cambodia and Singapore. As far as iron and steel is concerned, India is in a position to export to almost all the ASEAN countries. With the exception of the Philippines, there are opportunities for trade between India and the rest of ASEAN in pharmaceutical products. However, countries such as Singapore, Malaysia, the Philippines and Thailand have greater comparative advantage than India in machinery and transport equipment, suggesting that India can import from them. The same is the case with electronic data processing and office equipment.

There is scope for trade with ASEAN in sectors like cotton, tea, minerals, metals, and finished products. Joint-production is possible in the automobile industry involving parts and components. It is also worth noting that both Thailand and India host multinational automobile manufacturers.

India's services sector has witnessed one of the highest growth rates in the world. On the export front, the high rate of growth of the services sector in India has been able to compensate for the deficit in merchandise trade.

The Indian economy is heavily dependent on agriculture because of the population dispersion with its tilt towards the rural areas, and a strong small-holding and subsistence component within this sector. Agriculture is also able to generate employment and ensure livelihoods, yet the services sector is driving growth in India. Nevertheless, the services sector is assuming a larger role within the economy, propelling services-led export growth.

India has undertaken reform of the services sector. This has been done significantly in the telecommunications sub-sector. Other sectors that have benefitted from reform include financial services, infrastructure, power and transport. India has established a reputation in services relating to software, financial, IT services, business process outsourcing, healthcare, and professional services.

Services form a sizeable component of its GDP, both in ASEAN and India. The services sector forms 40 to 70 per cent of ASEAN's GDP, amounting to more than US\$ 400 billion. Further, the services sector composes about 14 per cent of ASEAN's total global exports and about 18 per cent of imports. The corresponding figures for India are about 34 per cent for exports and 30 per cent for imports. Taking into account the diversity of ASEAN, it would be useful to note the divergence in the relative importance of the services sector to GDP. In Singapore, for example, the services sector constitutes about 70 per cent of GDP, which is the upper limit for ASEAN member states. On the other hand, in Cambodia, services contribute about 40 per cent of GDP. This indicates the range of variation and it also suggests the high potential for cooperation the services sector.

India's export of services to ASEAN is concentrated in software and IT-enabled services (ITeS). To a lesser extent, India exports technical education, financial and healthcare services to ASEAN. Singapore and Malaysia, and to a varying degree Thailand, the Philippines, and Indonesia have promoted the development of export-oriented services industries ranging from construction and engineering to infrastructure development. Education and health care have been prominent within the social services sectors. Singapore, Malaysia and Thailand have taken advantage of their medical tourism industries. Singapore, Malaysia and the Philippines have actively participated in business support services, with the first two countries having successfully found markets for telecommunication services in India. Indeed, Singapore, Malaysia and the Philippines have global markets for a wide range of services.

However, trade in services is likely to be contentious. Most ASEAN countries are highly protective of their services sector, particularly in the case of professional services. The problem mostly lies with market access for the movement of natural persons (Mode 4), where the temporary movement of intra-corporate transferees is open for most ASEAN member states. Nevertheless, this is an area which is of interest to India since it has a large pool of skilled labour that would benefit from the free flow of labour.

The asymmetrical interest in services will also be a source of conflict. This, again, will surface in the area of financial, banking and insurance services. India is likely to be slow to open these markets to ASEAN member states. On the other

hand, some of the more developed members would be keen on gaining access to the Indian market. Singapore and Malaysia, for instance, would like to see a more liberal policy with regard to the entry of foreign service providers in these areas. While some of the Malaysian banks (*viz.* Maybank and CIMB) would want to extend their borders, however, in the near future, opening the market is not expected in Malaysia.

India would stand to gain by exporting its professional services, particularly medical, para-medical, legal and accounting services. India may have comparative advantage in these services, but gaining access to the targeted markets is difficult. Notwithstanding the constraints, India should continue to seek opportunities, and continue to negotiate with respective member states on a bilateral basis and also at the regional level. Indeed, it is at the regional level that India should target its efforts to strengthen relations in service trade.

4. Seizing Investment Opportunities

As discussed earlier, there are sectors where we find complementarities and the possibilities for investment with the conclusion of negotiations of an FTA in services and investment between India and ASEAN on 20th December 2012. Obviously, India and ASEAN can continue to follow the investment trends in existence. This does not involve any proactive action, and in fact seems to be premised on the apprehension that the returns on services and investment would be meagre (Babu, 2013). A second possibility is to plan strategically for Indian companies to find opportunities in ASEAN, particularly in services and investment (Nataraj, 2013). This requires aggressive export promotion strategies for Indian companies seeking to invest in ASEAN. Similarly, India should promote itself as a favourable location for ASEAN companies. The interaction between India and ASEAN has necessarily to be in alignment with the broader processes that are taking place within ASEAN.

ASEAN is poised to become the next global hub for investment. For this to be possible, ASEAN has to be integrated and has to assume the modality of an entity that gives it the features that would qualify it for treatment as a regional entity in the same way that the EU or NAFTA is treated. A major difference between these organisations and ASEAN is that the latter does not see itself as an organisation that is legally bound and involves the loss of national sovereignty in certain respects, particularly in the policy space. ASEAN does not envisage such an end result, but as part of the integration process it has to achieve liberalisation and adherence to a set of rules that governs trade and investment processes (Pupphavesa, 2008). Although there is emphasis on issues such as trade facilitation, investment facilitation, harmonisation of rules of origin and MRAs, there are wider goals that ASEAN seeks to achieve. Primary among them is that of achieving an ASEAN community. It is significant that the notion of

'community' is chosen since a community accommodates differences in levels of development, attempts to bridge them and respects a consensual approach.

The AEC was endorsed by ASEAN leaders at the Bali Summit in October 2003 as one of the three pillars of the ASEAN Community. In general, the AEC aims to integrate ASEAN into the global economy and create a single market and production base where goods, services, capital and labour flow freely, so that equitable development can be realised within the region (ASEAN, 2008). The successful construction of the AEC will have tremendous implications for investment flows into and within ASEAN by expanding the economies of scale and scope in the region.

In 2007, ASEAN leaders agreed to push forward the AEC deadline to 2015 and approved the AEC Blueprint, which provides detailed outlines and commitments to achieve the unified market. The AEC Blueprint has four major components:

- Single Market and Production Base
- Competitive Economic Region
- Equitable Economic Development
- Integration into the Global Economy

With the successful implementation of the Blueprint, it is expected that there will be free flow of goods as a consequence of the elimination of tariffs and non-tariff barriers (NTBs). As ASEAN moves towards the creation of the AEC, there will be harmonisation of rules of origin, trade facilitation, and customs integration. Other issues that will receive attention include standards and conformance and technical barriers to trade (including mutual recognition arrangements, or MRAs). Trade in goods is crucial to the AEC project as further progress towards achieving the goals of this enterprise, in its entirety, begins with trade in goods. Trade in goods is not the only goal of the AEC, but success in the other areas cannot be expected if the free flow of goods and the accompanying institutions cannot be achieved. In that sense, trade in goods is foundational but by no means final.

It will be more difficult to achieve objectives such as the free flow of services and flow of capital than trade in goods. Two challenges that have to be overcome in ensuring free flow of services include the liberalisation of financial services and agreement on the mutual recognition of professional qualifications. The free flow of capital will be contentious because it touches the heart of capital markets, impacting upon banks and banking practices, issues that are close to the heart of ASEAN member states. Further, the recent economic and financial crises of 1997 and 2008 are not out of memory, and will remind nations of the need for interventionist policies rather than free play of market forces in the

event of excessive exchange rate volatilities and financial disruptions. While member states would welcome ease of executing cross-border transactions, there will be reluctance to surrender control over banking and capital market practices as a consequence of the fallout from these crises. The responses to the crises have pointed to the need for national policy intervention for managing the crises, as was the case with Malaysia (Nambiar, 2003, 2012).

The free flow of labour is necessary for a successful AEC. Both the free flow of investment and services depend very much upon the free flow of labour. At present, there seem to be more flow of unskilled labour than skilled labour. Again, the flow of labour, particularly skilled labour, will make it difficult to protect domestic professional services industries (e.g. architectural, accounting and legal services). Nevertheless, without the free flow of skilled labour and free trade in services, it will not be possible to establish ASEAN as a region that can attract FDI. The free flow of skilled labour is central to achieving AEC. Nevertheless, this is an issue that India will have to deal with judiciously in view of the national interests at stake (Nataraj, 2013). India, for its part, will want to promote the free flow of skilled labour. However, one could expect concerns from other ASEAN countries on this issue.

ASEAN initiated the process of encouraging free flow of investment through the ASEAN Investment Area (AIA). The AIA was meant to ensure investment protection, national treatment, investment facilitation and cooperation, and promotion. The ASEAN Comprehensive Agreement on Investment (ACIA) may likely cover these issues. ACIA is a wider agreement than the AIA and is better equipped to promote free flow of investment in the region.

The goal of achieving a competitive region encompasses establishing competitive policy in ASEAN, consumer protection, and a better intellectual property rights regime (Sivalingam, 2005, 2006). For the concept of ASEAN as a competitive region to be fulfilled, it is also necessary to have a strong IPR regime. It is towards this end that the ASEAN IPR Action Plan (2004–2010) was undertaken. These are areas where the progress has been uneven, given that some member states have made considerable achievements while others have yet to initiate necessary policies. Some of the goals that have been spelt out are ambitious, a case in point being the proposal to create an e-commerce environment in ASEAN through the e-ASEAN Framework Agreement. However, it is not clear how ASEAN will achieve these goals. It has to be noted, for instance, that some of the member states like Brunei, Myanmar, Cambodia and Laos do not have competition policy and law to date. This means that in the first instance, competition and law will have to be introduced to these states. Similarly, the quality and effectiveness of the laws protecting intellectual property differs among the member states. There is a need for a strong IPR regime, if the reality of achieving AEC is to be realised. However, the manner in which this is carried

out will have to take into account differing views on IPRs and the pace at which it can be implemented. India may want to balance IPRs with its call for social justice, particularly with respect to pharmaceutical products. This will be a special concern for India in view of its pharmaceutical industry and also in view of the need to ensure a cheap supply of generic drugs to keep the costs of healthcare low. India will not be alone in sharing these concerns, since there are other ASEAN member states that have similar views.

The question of connectivity is a broad issue that subsumes many aspects of economic activity including physical, institutional and people-to-people connectivity (ASEAN, 2011). Within the realm of physical connectivity, the main areas are ICT, transport and energy, although institutional connectivity, which has been touched upon earlier, has important consequences for investment connectivity. The provision of infrastructure is a less contentious issue, which also will contribute to making ASEAN a more vibrant location for investment. There is considerable progress that is being made to develop the infrastructure network in ASEAN. Both India and China are active participants in improving the infrastructure network across ASEAN. China had proposed the Southern Silk Road to connect China and India through Bangladesh and Myanmar (Hussain, 2014). This is an interesting example of cooperation between the two Asian giants involving ASEAN. Although India's ambitions are more limited than those of China's, India is doubtlessly contributing to transport connectivity in the region (Osius, 2013). Significant among the transport links to enhance connectivity is the sea route to the west of the Mekong-India Economic Corridor (MIEC) which can connect Dawei (Myanmar) with Chennai and the east link which connects Bangkok with Ho Chi Minh City. The Thailand-Myanmar-India section of the Asian Highway No. 1, which has been identified as the Trilateral Highway, is another transport link that can improve ASEAN-India transport connectivity.

Equitable economic development is a challenge particularly for the CLMV nations. The older members are better equipped to take advantage of the liberalisation process and the advantages that would come from the creation of the AEC. In the normal course of events, the less developed ASEAN members would lag behind the more developed and prosperous nations, widening the development gap. In particular, the concerns of the small and medium enterprises (SMEs) have to be given specific attention. This is an area of relevance because India wants to develop its SMEs. Mechanisms to connect the SMEs in India with those in ASEAN would help improve the capacities of SMEs in ASEAN. These opportunities would also help SMEs in India to internationalise opening opportunities for them to invest in ASEAN.

The most significant effort to establish ASEAN centrality is, of course, the effort to integrate ASEAN into the global economy. Towards this end the RCEP is being negotiated. This agreement, which has its basis on the ties that ASEAN

has with its ASEAN+1 partners, will lead to the harmonisation of rules within ASEAN, making ASEAN a seamless economic region. In doing so, ASEAN will be able to achieve “ASEAN Centrality,” an arrangement that will aid in smoothing external economic relations (Wang, 2013). There is sufficient flexibility in RCEP to eventually allow agreements even with non-partners. The outward branches of RCEP, with ASEAN as the core, will preserve ASEAN’s position as the centre. RCEP will allow India to directly interact with ASEAN member states, reducing barriers to trade and investment.

The opportunity that RCEP can potentially make available to SMEs both in India and ASEAN is important. With lower barriers to trade and investment, and creation of mechanisms for ease in investment for SMEs, through RCEP as a vehicle, more investment will be generated in the region. These mechanisms will also provide more exposure to SMEs in the global market. Similarly, RCEP will ease investment in ASEAN, thus leading to the upgrading of global supply networks. With a more attractive investment environment, more supply chains will be setup in ASEAN, leading to greater investment and employment opportunities, and consequently, technological upgradation. These are some of the possibilities that India can seize in its interaction with ASEAN.

India, in its proposed engagement with ASEAN in the realm of investment, has to take cognisance of the initiatives that ASEAN has proposed and is in the process of accomplishing. There is no doubt that there are likely to be challenges that ASEAN member states must overcome in their quest to become a community, and act as a counterforce to the other regional groupings in the world. In order to be engaged with ASEAN, India has to proceed with reforms that are similar in nature to those that ASEAN is undertaking. While it is true that there are different levels of progress that are being made among ASEAN states, India must choose a level that it is comfortable with. Further, India has to take account of the fact that some of the RCEP partners are developed countries that have already reached rather high levels of liberalisation and institutional reform. In any case, there is no doubt that reform is essential within the Indian scenario, in a manner consistent with the 16 countries.

5. Conclusions

This paper argues that India has to undertake institutional reforms as a step towards its integration with ASEAN. In this respect, India has to be conscious of the initiatives that ASEAN has taken in line with the AEC proposal and the related initiatives. India cannot undertake a reform programme that is isolationist and suitable only for its own national objectives. Rather, India has to work and act in a manner that is consistent with the negotiation demands that are likely to be posed by the other RCEP members, and in accordance with the more developed ASEAN member states.

As has been argued, the starting point for any strategic engagement is to take into account the existing trade and investment patterns. This will put in place a platform for an engagement process that is not out of touch with current realities. But this alone is not sufficient for further progress. It is necessary to work out a long-term strategy aligned with ASEAN's own chart of advancement, in particular that of individual ASEAN member states, to take full advantage of the investment opportunities.

Indeed, as a negotiating partner of RCEP, India will have to look into the future. It will have to take into account that there are some states that are in TPP negotiations. That is not a major problem, since there are many ASEAN countries that are not keen to participate in the TPP. However, RCEP is an opportunity for India to take advantage of investment opportunities in ASEAN. This, among other things, requires India to initiate its own domestic reforms so that ASEAN member states find it attractive to invest in India. India, for its part, will have to investigate the opportunities that it can reap in ASEAN. India will also have to reorient itself strategically to realise full benefit from the opportunities that will emerge in future.

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ASEAN-India Special Facility: A Proposal

Prabir De*

1. Introduction

India's engagement with the ASEAN occupies a special position in her newly designed Act East Policy. ASEAN and India have taken several initiatives in the recent past to deepen the relations. Bilateral trade between India and ASEAN stood at US\$ 74 billion in 2013-14, of which India's export to ASEAN was US\$ 33 billion and import was US\$ 41 billion, respectively. The growing trade volumes have led to an institutionalised trade relationship as reflected in the ASEAN-India FTA (AIFTA). The FTA in goods became effective on 1 January 2010, whereas the ASEAN-India Agreement for Services Trade and Investment was signed recently and is expected to be enforced soon. ASEAN and India are key partners in the Regional Comprehensive Economic Partnership (RCEP), which is being negotiated at present. RCEP Agreement is likely to expand the market size and improve the competitiveness of the Asian region. In parallel, India's connectivity with ASEAN has witnessed some important developments in recent years. India provides high importance to Trilateral Highway and Kaladan Multimodal Transit Transport Project (KMTTP). The Transit Transport Agreement (also known as Motor Vehicle Agreement) between India and Southeast Asian countries is being negotiated at present. Nevertheless, what attracts our mind is India has been facing rising trade deficit with ASEAN. It is being debated how to encourage Foreign Direct Investment (FDI) from ASEAN, which may lead to narrow the trade deficit in medium- to long-run.

ASEAN region has contributed significantly to the overall FDI flows of India (around 13 per cent during 2000 to June 2014) (Table 1).¹ Total FDI inflow from ASEAN to India had increased to US\$ 28.22 billion, where Singapore alone contributed 12 per cent to country's total inward FDI.² Indonesia and Malaysia followed next. FDI has also been on the rise from India. India's outward FDI flow

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to ASEAN in 2010 was US\$ 2.58 billion, an increase of 221.6 per cent from US\$ 811.18 million in 2009, which accounted for 3.4 per cent of the total FDI into ASEAN in 2010.³

There is a direct relation between FDI and trade. For example, in conventional sense, higher trade brings higher investment and vice versa. Major determinants of FDI flows are market size, exchange rate, taxes, government policies, trade barriers and quality of institutions, etc. FDI can be of two types: horizontal FDI (HFDI), which is also known as market-seeking FDI, and vertical FDI (VFDI), also known as efficiency-seeking FDI.

Table 1: Inward FDI to India from ASEAN from 2000 to June 2014

Country	FDI Inflows (US\$ million)	Share in Total (%)
Singapore	26,632.95	11.85
Malaysia	720.79	0.32
Indonesia	621.31	0.28
Thailand	175.71	0.08
Philippines	63.64	0.03
Myanmar	8.96	0.00
Vietnam	0.24	0.00
ASEAN	28,223.60	12.56
Japan	16,963.33	7.55
South Korea	1,455.68	0.65
Hong Kong	1,232.88	0.55
Australia	600.68	0.27
China	410.77	0.18

Source: DIPP, Government of India.

FDI from ASEAN to India may narrow the rising trade gap in goods. Countries that implement trade facilitation reforms and enhance trade efficiency and connectivity are generally expected to attract more FDI. When tariff becomes low, firms in source country benefit from trade liberalisation induced scale economies than moving in host country with FDI. Ideally, VFDI between ASEAN and India is predicted to occur when border barriers are removed, NTMs are streamlined and economic corridor is established.

Investment is needed for development of connectivity (backend infrastructure) in India's Northeast, and CLMV (Cambodia-Laos-Myanmar-Vietnam) and islands of ASEAN.⁴ The requirement is twofold: one, we encourage investment in physical infrastructure sector, particularly in CLMV and India's Northeast. Two, we facilitate SMEs participation in cross-border supply chains.

In this paper, we discuss the relevance of ASEAN-India Special Facility (AISF). The aim of the AISF is to encourage investments in connectivity projects, particularly in India's Northeast and ASEAN countries.

2. Why a Special Facility?

Connectivity is the enabler. Once connectivity projects start attracting investment, engage into the development of the region and improve the quality of life of the local people through generation of employment and reduction of poverty, it then becomes a truly public good and then turns to be an economic corridor. However, converting the connectivity corridors into economic corridors would require a special thrust, where the thrust should be for opening a special arrangement, which would facilitate implementation of connectivity projects from planning stage to execution stage. Development of connectivity projects also requires special facility to support project preparation and project development and also to address specific market challenges through innovative financial mechanism. Innovative solutions to facilitate and accelerate connectivity is utmost important. Among others, this Special Facility may unlock investment in connectivity projects and also deepen regional integration.

The mechanisms in the proposed Special Facility (alternatively AISF) would conceive the projects in its totality, keeping in mind the infrastructure requirements, which would eventually attract investments in India's Northeast.

There are several special facilities project development funds, functioning globally. For example, European Commission's Project Development Assistance (PDA), which is a consortium of EIB, KfW, EBRD, CEB, etc. Another prominent example is Africa Development Bank's Africa50, which was started with US\$ 100 billion capital few years back. Africa50's primary goal is to mobilise private financing to accelerate the speed of infrastructure delivery. It covers both project development and project finance. Asian Development Bank (ADB) also has project specific Regional PDF.

3. ASEAN-India Special Facility (AISF): An Outline

Objectives

The objectives of the AISF could be as follows:

- To mobilise financing to accelerate the speed of cross-border connectivity projects delivery;
- To bridge the gap between sustainable connectivity plans and real investment through supporting of all activities necessary to prepare and mobilise investment; and
- To encourage private sector investments, particularly SMEs, in border connectivity.

Among others, this AISF vehicle shall aim at mobilising financing to accelerate the speed of connectivity projects delivery. It will focus on high-impact regional projects in ASEAN-India zone such as border infrastructure, border economic zone or SEZ along the Trilateral Highway, energy, transport, ICT, SMEs, education, health and water sectors, and could also target resources from CLMV (Cambodia-Laos-Myanmar-Vietnam) countries in agriculture, minerals, timber, oil and gas, etc. Some of its major activities would be (i) advisory services, (ii) identification of projects through technical studies, (iii) mobilise financial resources including concessional financing, etc.

Functions

The broad functions of AISF are visualised as follows:

- First, AISF's activities would be to support feasibility studies, stakeholder and community mobilisation, financial engineering, business plans, technical specifications, procurement procedures, etc.
- Second, it shall focus on high-impact regional projects in the energy, transport, ICT, SMEs, SEZs, customs, education, health and water sectors.

Activities

In beginning, the AISF may engage only in project development in the first phase. The primary objective of this segment will be to increase the number of bankable projects. The AISF would help finance bankable projects identified and prioritised by the Government of India. Depending upon the progress, project finance may also be added as one of the mandates of AISF. This segment will focus on delivering the financial instruments required to attract additional infrastructure financing. In other words, AISF's primary objective would be to shorten the time between project concept and financial closure.

Financial Structure

To start with, AISF shall have an initial capital of US\$ 100 million, which shall be granted by the Government of India. Additional capital will be added as and when needed. It would, among others, mobilise resources for connectivity projects, both cross-border and backend linkages. Projects shall be selected on business merits in infrastructure as well as non-infrastructure sector such as agriculture, tourism, etc. It may support both PPP and non-PPP projects.

The proposed Special Facility would set-up an institutional arrangement, whereby industry could receive the Government of India support for private sector investments related to India's connectivity in the ASEAN region and beyond.

Ownership

The AISF would be owned by the Government of India in the Ministry of External Affairs' ASEAN ML Division. The Secretariat shall be managed by a team of professionals, which are selected solely on technical merit and demonstrated managerial competence. The AISF may be guided by an advisory board under the guidance of Secretary (East).

Next Steps

It is proposed to set up a Task Force comprising officials of the Government of India and State governments, Indian industry representatives, representatives of financial institutions, and Experts, to recommend an Action Plan on large, commercially viable infrastructure and connectivity projects, with high visibility and economic impact. It could also indicate the related industry/human resource development and capacity building required in the India's Northeast and ASEAN.

4. Concluding Remarks

Lack of physical and institutional connectivity, however, remains a problem for the Indian Industry, thereby, limiting their presence in ASEAN and vice versa. A Special Facility would give the Indian investors (and SMEs) the necessary edge for supporting investment and improving competitiveness in the ASEAN region. At the same time, higher investment may lead to narrow the development gaps within ASEAN and also between some of the ASEAN countries and India. ASEAN and India, therefore, shall work more closely to strengthen cooperation, particularly to build a long-term investment strategy. Among others, the proposed AISF vehicle shall aim at mobilising financing to accelerate the speed of connectivity projects delivery.

Endnotes

- ¹ One also cannot refute the argument of round-tripping of investments.
- ² Refer, ASEAN Secretariat News, "Latest ASEAN Statistics Show Progress towards 2015 Integration", 17 September 2013.
- ³ Based on FDI statistics, Department of Industrial Policy and Promotion (DIPP), Government of India.
- ⁴ Asia needs to invest US\$ 8 trillion in overall national infrastructure during 2010-2020 (ADB/ ADBI, 2009), of which US\$ 290 billion in specific regional infrastructure projects such as transportation, energy pipelines, a.o. India's investment requirement has been estimated at US\$ 1 trillion in infrastructure sector in the 12th Five Year Plan (2012-17). Data refers to Asian Development Bank Institute's study entitled "Infrastructure for Seamless Asia".





**POWERPOINT
PRESENTATIONS**



WORKING SESSION: I

**Economic
Cooperation and
Integration**

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ASEAN-India Trade and Investment Partnership: The Case of the IT-BPO Service Industry

-Gilberto M. Llanto

ASEAN-India Trade and Investment Partnership: The case of the IT-BPO Service Industry

Dr. Gilberto M. Llanto
President,
Philippine Institute for Development Studies,
The Philippines

Outline of the presentation

1. Current Trend of Growth in Asia
2. ASEAN-India Partnership
 - A. ASEAN-India Economic Relations
 - B. ASEAN-India Trade in Goods (TIG) Agreement
 - C. ASEAN-India Trade in Services and Investment Agreement
 - Philippine Services Industry
 - ASEAN and India FDIs in the Philippines
- Potential Areas of Synergy
3. PH-India Services and Investment relationship
4. Case of Philippine IT-BPO service industry
5. Way forward

CURRENT TREND OF GROWTH IN ASIA

Regional GDP Growth (y-o-y, %)

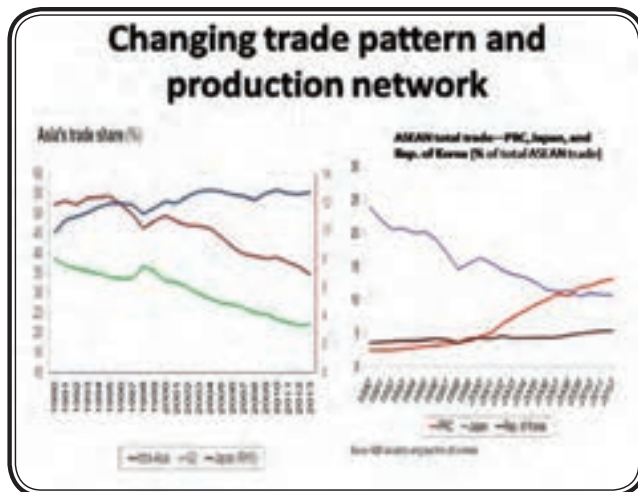
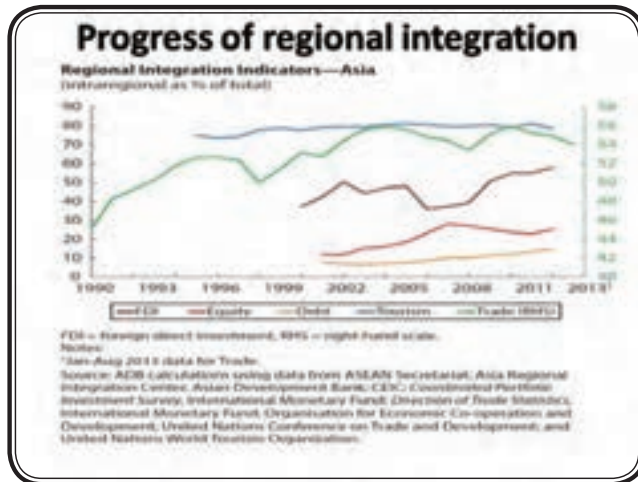
	2009	2010	2011	2012	2013 ^a	Forecast ^b	
						2014	2015
Developing Asia ^c	6.1	8.2	7.8	6.1	6.5	6.2	6.4
Central Asia ^d	1.2	6.8	6.8	3.8	4.5	6.1	6.3
East Asia ^e	8.0	9.9	8.2	5.8	6.7	6.7	6.7
North America and Oceania ^f	4.2	6.4	6.1	7.7	7.7	7.5	7.4
South Asia ^g	7.9	6.4	6.4	6.7	6.8	7.1	7.8
India ^h	6.0	5.0	6.7	6.5	6.0	5.5	6.0
Southeast Asia ⁱ	7.4	8.0	6.8	5.7	5.0	5.8	5.4
The Pacific ^j	6.5	6.1	6.8	6.1	6.8	6.4	7.0
Major Industrialized Economies ^k							
Australia	6.4	3.8	1.6	-0.7	0.4	1.8	1.8
Japan	-5.5	4.7	-0.1	1.4	1.5	1.4	1.3
United States	-2.8	2.5	1.8	2.8	1.9	2.8	3.0

Source: AZIS (2014)

Growth is expected to remain steady, supported recently by domestic demand and exports

Contributions to GDP Growth—Developing Asia¹
(percentage points²)





ASEAN-INDIA PARTNERSHIP

ASEAN-India Economic Relations

- Volume of trade and investment flows between ASEAN and India remained relatively low compared with other dialogue partners of ASEAN.
- ASEAN-India bilateral trade grew (bet. 1993 and 2003):
 - Annual rate of 11.2%
 - Increased from US\$ 2.9 billion in 1993 to US\$ 12.1 billion in 2003
- Total trade between ASEAN and India grew by 5.3%, from US\$68.2 billion in 2011 to US\$71.8 billion in 2012.
- FDIs from India rebounded from negative US\$ 1.7 billion in 2011 to US\$2.6 billion in 2012.

Source: ASEAN Secretariat website

ASEAN-India Trade in Goods (TIG) Agreement

- ASEAN and India signed the ASEAN-India Trade in Goods (TIG) Agreement in Bangkok in August 2009.
- The signing of the ASEAN-India Trade in Goods Agreement paves the way for the creation of one of the world's largest free trade areas (FTA) - market of almost 1.8 billion people with a combined GDP of US\$ 2.8 trillion.
- The ASEAN-India FTA will see tariff liberalisation of over 90% of products traded between the two dynamic regions. Tariffs on over 4,000 product lines will be eliminated by 2016, at the earliest. The ASEAN-India TIG Agreement entered into force on 1 January 2010.

Source: ASEAN Secretariat website

ASEAN-India Trade in Services and Investment Agreement

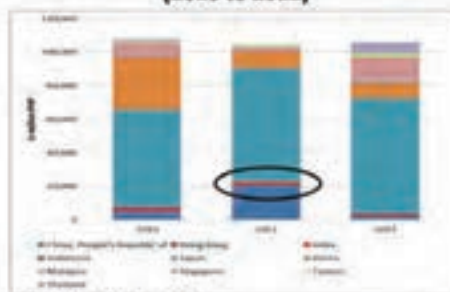
- An announcement on the conclusion of the negotiations on both Agreements on ASEAN-India Trade in Services and Investment was made on 20 December 2012. The concluded draft Agreement is targeted to be signed in the near future.
- ASEAN, net importer of services, \$180 billion worth of services in 2007 (Nataraj, CEAR, New Delhi)

ASEAN-India Growth Links

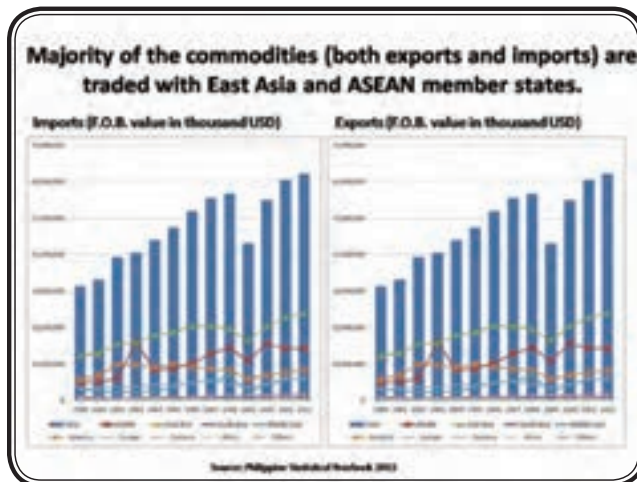
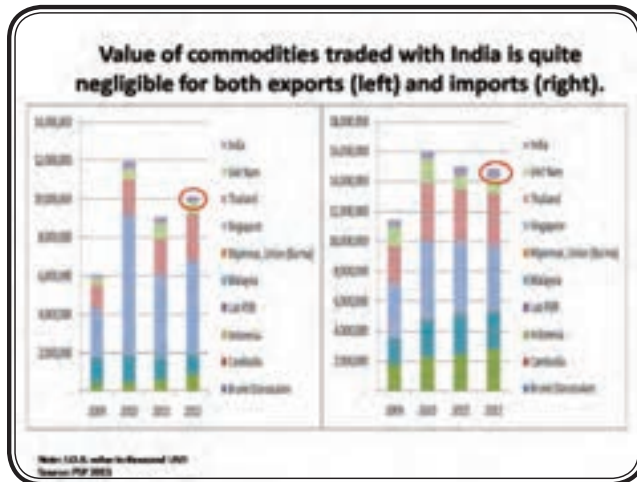
- Formidable but not insurmountable barriers to trade and growth (e.g., infrastructure, technical/administrative such as customs, information problem)
- Enhancement of cross border trade, investment flow, development cooperation
- Connectivity is key: physical, institutional, people to people

PH-INDIA SERVICES AND INVESTMENT RELATIONSHIP

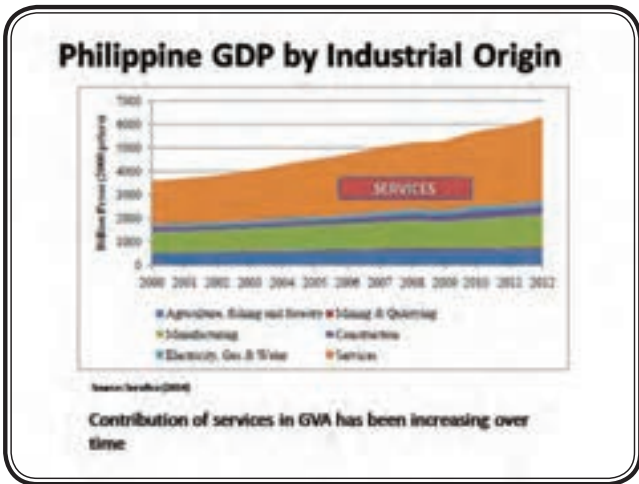
Philippines: Approved FDI from Asian countries (2010 to 2012)



Average percentage share of approved FDI from India to total amount of FDI in the PH from 2010 to 2012 is only 0.52%



- Potential Areas of Synergy**
- Pharmaceuticals
 - Steel
 - Textiles
 - Motorcycles and Auto-Parts
 - Mining and Infrastructure
 - Dairy and other Agro-Based Industry
 - CNG For Public Transport
 - Bio-and Thermal Energy
 - Space And Defense- Related Industries
 - Construction
 - Meat Processing
 - Environmental Energy
 - Coal
 - IT
- Source: Federation of Indian Chambers of Commerce (FICCI) Inc.



Service sector, annual growth rate and share to GDP (at constant 2000 prices)

	2007	2008	2009	2010	2011	2012	2013
Service sector	76	42	34	72	49	58	71
Average in total GDP	53	30	30	38	30	30	30
Transport, storage, and information	34	39	41	30	43	51	55
Trade and repair of motor vehicles, motorcycles, aircraft and household goods	35	34	34	34	20	13	13
Finance intermediation	10	19	10	10	12	12	14
Real estate, leasing, activities related to	79	60	41	70	34	73	34
Public administration and defense, compulsory social security	14	22	17	18	18	11	10
Others	11	10	10	14	15	77	34

Source: Serfling and Noyes (2014)

Productivity and employment of various services, 2008 to 2011

		2011	
		Productivity growth Low	Productivity growth High
Employment growth Low	1.1%	<ul style="list-style-type: none"> Wholesale trade (neg. prod. growth) Water transport (neg. prod. growth) Land transport (neg. prod. growth) Postal and telecommunications 	<ul style="list-style-type: none"> Activities auxiliary to financial intermediation Air transport Insurance Storage and repair of ships and aircraft (neg. employment growth)
		<ul style="list-style-type: none"> Non-bank financial (neg. prod. growth) Real estate activities Hotels and restaurants Rental trade Education services Other service activities (neg. prod. growth) 	<ul style="list-style-type: none"> Printing of machinery and other business activities Maintenance and repair of motor vehicles Recreational, cultural and sporting services Banking institutions Health and social work Supporting and auxiliary transport
Employment growth High			

Source: Serfling (2014)

IT Services-BPO Industry Export Revenues and Employment in the Philippines 2004-2012 (\$ million and number of employees)

Type	2004	2005	2006	2007	2008	2009	2010	2011	2012
A. Value business process outsourcing (BPO)									
Contact centers	5,024	5,762	5,886	5,689	4,838	5,089	6,208	5,888	6,700
B. Non-value BPO and IT									
Back office	120	90	300	300	317	1,118	1,360	1,020	1,020
Transcription	33	36	306	187	303	397	262	262	267
Animation	52	76	37	205	120	120	142	120	120
IT outsourcing	120	204	223	433	601	568	700	950	1,260
Engineering and programming	97	40	40	152	220	228	460	170	300
Digital content/creative IT ^{1/}	5	7	22	2	1	6.5	2	2	2
Subsidiary value revenue	462	300	897	1,225	1,740	1,225	1,099	1,038	1,038
Total revenue	5,475	6,275	6,807	6,816	6,005	7,223.5	8,997.0	8,208	9,200
Employment (Full time)									
A. FTEs	94,000	102,000	104,000	106,000	122,000	100,000	144,000	143,000	147,000
B. Non-value	30,000	32,200	33,275	33,814	34,900	42,004	43,120	35,520	37,000
Total direct employment	124,000	134,200	137,275	140,814	156,900	142,004	187,120	178,520	184,000

--- Data not available. IT BPO - Information technology business process outsourcing, or IT professional outsource.
 Note: Digital content was added to back office in 2007 and was reclassified to game development starting in 2009.
 Sources: 2004-2009 and 2012 based on data from Association Council of the Philippines Inc., Contact Center Association of the Philippines, Gaming Development Association of the Philippines, Medical Transcription Industry Association of the Philippines, and Philippine Software Industry Association, as quoted in BPO (2012).



Export Revenue, by IT-BPO Category and by Country of Destination, 2012 (in million USD)

IT-BPO Category	Country of Destination										Total Exports
	USA	Canada	Europe I	Japan	India	China	Other Asia ^{1/}	Australia	New Zealand	Others	
Contact Center	4,722	6	302	7	30	30	111				5,108
Transcription	50		134	5			32				198
Animation				30							30
Software Development	1,402		375	75		7	5	230			2,094
Other BPOs	1,238	25	668	25	10	6	230	10	7	6	2,215
Total	8,418	31	1,239	1,060	10	13	283	266	0	0	10,280
Percent Share	75.2	0.3	9.8	8.3	0.1	0.1	2.4	2.6	0	0	100

1/ In particular, United Kingdom, Germany, Switzerland, Ireland, Netherlands, Denmark, Spain and Italy.
 2/ In particular, Singapore, Thailand, Hong Kong, Malaysia, Indonesia, Korea and Cambodia.

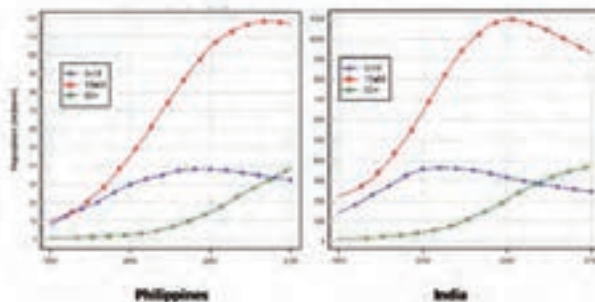
Source: BPO

- The PH has become a mature destination of IT-BPO service companies
 - PH: Reaching #1 in voice BPO (330k+FTEs); #2 in non-voice/IT-BPO (200k+FTEs)
 - India: Industry leading scale and capabilities
- The global offshore services market is growing at a healthy pace, and will more than double by 2016 (Lacdao 2013)
- Non-voice BPO is expected to expand and drive market growth up to 2016, while voice and IT-ESO will continue to grow
 - Industry-specific (e.g. banking, healthcare, media) to gain significant share compared to traditional non-voice services (e.g. F&A, HR)

Source: Lacdao (2013)

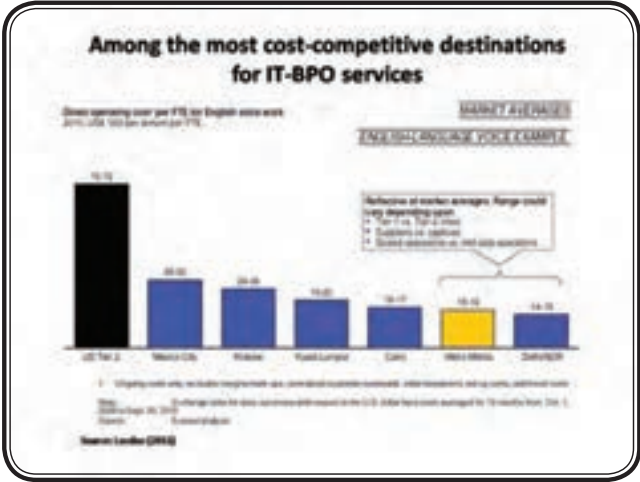
WAY FORWARD: STRONGER PARTNERSHIP

PH and India have relatively similar population demography (i.e. aged 15-64 – “workforce”)



Source: UN Population Database

- Working age population in major Asian economies, such as China, Korea, and Japan, is declining.
- East Asia experiencing demographic transition



IT-BPO Outsourcing Industry Revenue in ASEAN and India, 2008

Economy	IT-BPO Industry Revenue (\$ billion, 2008)	IT-BPO Industry Revenue (% of GDP, 2008)	IT-BPO Industry Revenue (\$ per Capita, 2008)	Global IDI Ranking (2010)
Southeast Asia				
Indonesia	1.8	0.4	7.7	101
Malaysia	2.7	102	98.2	58
Philippines	6.1	3.5	67.6	92
Thailand	2.6	1.0	38.1	89
Viet Nam	0.6	0.7	7.1	81
South Asia				
India	51.5	4.2	43.2	116

Source: MRA (2010)

IT-BPO Industry Revenue & Employment by Service, India

1. Export Market (for FY 2011-'12 and FY 2012-'13 (preliminary))
 - IT services had the highest revenue percentage share of 58% (\$39.9 B) and 57.9% (\$43.9 B), respectively.
 - BPO services: 8.6% (\$15.9 B); 23.5% (\$17.8 B)
 - Engineering services: 15%(\$10.3 B); 14.8%(\$11.2 B)
 - Software products & offshore software product development: 3.9% (\$2.7 B); 3.8% (\$2.9 B)
2. Domestic Market
 - IT services (inc. engineering): 64.2% (\$12.2 B); 64.2%(\$12.4 B)
 - Software products: 19.5%(\$3.7 B); 19.7%(\$3.8 B)
 - BPO: 16.3%(\$3.1 B); 16.5%(\$3.1 B)

Source: MIRA (2012)

PH, India IT-BPO advantages

India	Philippines
<ul style="list-style-type: none"> • India has the "first mover advantages" in developing an export-oriented industry • Large pool of technical, managerial, and entrepreneurial human resources • Stronger capabilities in higher-end IT services and software, engineering services, and BPO exports 	<ul style="list-style-type: none"> • Among the most cost-competitive destinations for IT-BPO services • Growing number of young, English-proficient, and service-oriented workforce • Has outperformed other countries in developing BPO voice exports • IT-BPO exports grew by 46% annually from 2004 to 2008 and continued to expand by 18%-30% annually from 2009 to 2012

Source: MIRA (2012)

Perspective

- There is a great potential to scale up and expand the scope of service delivery across many sectors
- India can view Philippines as a viable investment destination for growing operations such as IT-BPO business services
 - In particular, India can tap the Philippines as a hub as it tries to expand towards the ASEAN IT-BPO services chains
- Philippines will benefit from the technology and expertise transfer from higher-end Indian services

Some policy recommendations

- Increase investments in infrastructure covering the logistics and telecommunications sectors *(need more information and greater interaction between PH-India business sectors)*
- Government-private sector cooperation *(PH-India)* in developing human resources, e.g., skills that are relevant to the IT-BPO service industry
- Provide greater openness to FDIs and movements of natural persons especially through the ASEAN-India Trade in Services and Investment agreement *(need to identify detailed barriers to entry).*

Proposed Strategic Framework to Harness Services for Inclusive Growth



To improve ASEAN-India economic relations

- Reforms in regulatory frameworks, trade facilitation, structural reforms to reduce cost of doing business, reduce barriers to entry into markets
- Develop deep people to people contact through business councils, business summits, sports and cultural exchange, educational exchanges, technological cooperation, twinning of universities and research institutes]
- Greater interaction and dialogue between political leaders to develop mutual trust and commitment

- Support/strengthen business councils
- ASEAN-India Business Council (AIBC), the holding of the ASEAN-India Business Summit (AIBS)

Thank you!

ASEAN-India in Regional Production Network and Regional Integration

-Yose Rizal Damuri

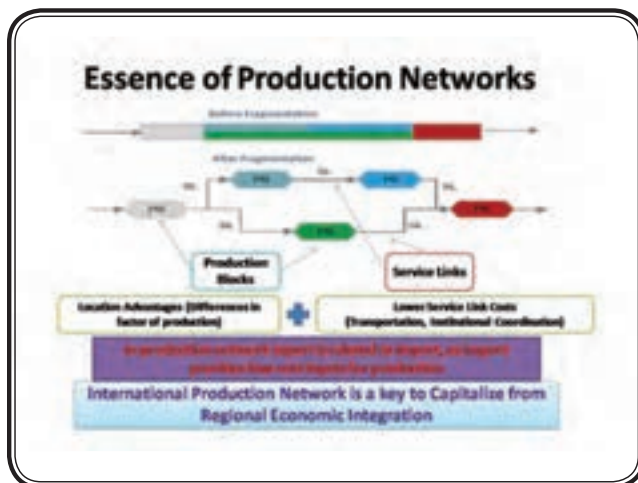
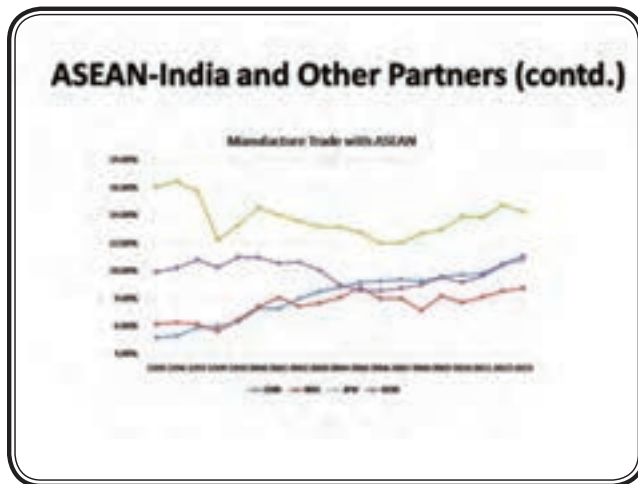
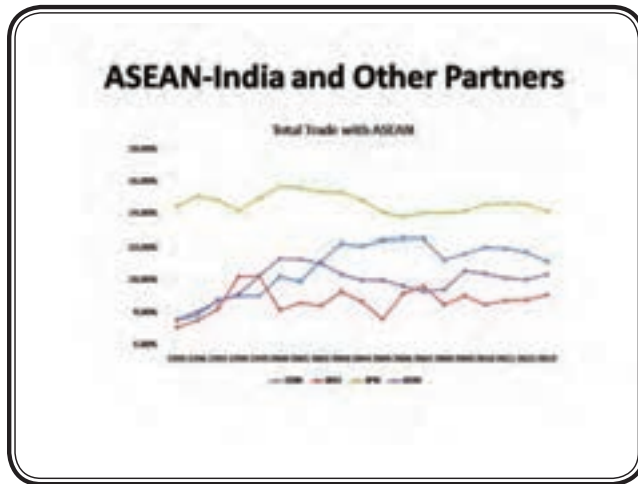
ASEAN-India in Regional Production Network and Regional Integration

Yose Rizal Damuri
Centre for Strategic and International Studies, Jakarta, Indonesia

ASEAN India: Integration and Development
ASEAN-India Network of Think-Tanks (AINTT)
Hanoi, 25-26 August 2014

Economic Background of ASEAN and Partners

	AMRTA	ACTA	AFTA	AKEP	AMTA
Total Population, million, 2012	625.56	1,999.30	1,941.09	725.96	628.42
Total GDP, US\$ billion, 2012	1,984.90	30,500.52	4,129.77	8,728.79	1,503.83
Total Trade, US\$ billion, 2012	1,609.20	7,205.29	1,946.30	4,888.32	4,208.45
ASEAN+1 Agreement	January 2010 (U.S., S.E. 2007 (S), Feb 2010 (S))	July 2001 (S), July 2007 (S), Feb 2010 (S)	January 2010 (S)	December 2004 (S)	June 2007 (S), May 2009 (S), Sept 2010 (S)



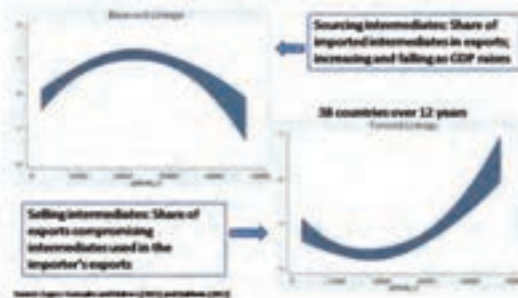
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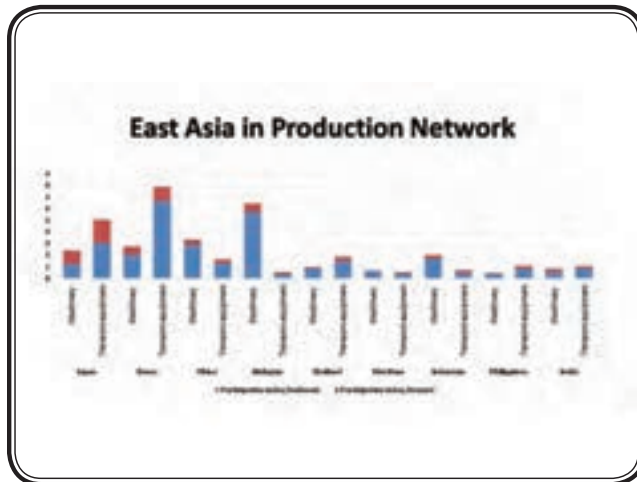


Why International Production Networks ?



Value Chain Networks and Economic Development: Evidences



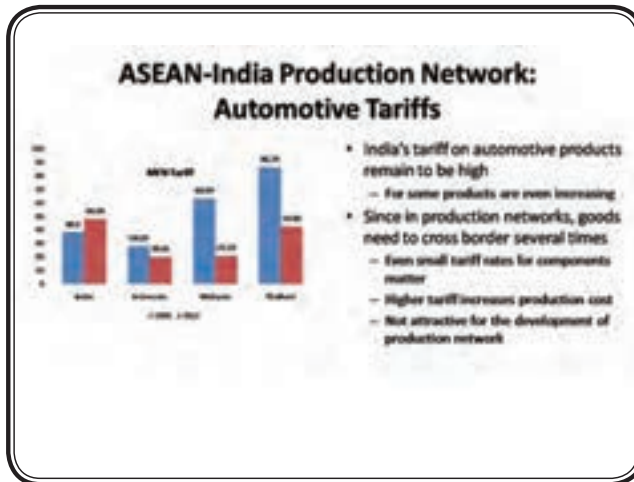


Roles in International Production Networks

- Many countries are still not involved in production network
 - Indonesia and Philippines are among the lowest in East Asia
 - While India is closer to East Asia than Australia, it has less important role in the global and regional network
- Participation in production network depends on various factors
 - Some are naturally developed, e.g. size of domestic market, availability of suitable factors of production
 - But policy also matters, investment climate, trade policy

ASEAN-India Production Network: Automotive Case

	Partner	1995		2012	
		Final Products	Components	Final Products	Components
Imports	ASEAN	21.8	3,988.1	14,249.3	462,898.1
	China	54.7	296.6	19,247.6	664,945.1
	Japan	19,699.0	83,090.9	275,128.8	655,989.5
	Korea	11,254.1	260,516.8	15,119.8	659,142.7
	US	1,125.2	35,062.7	14,068.0	777,629.7
	Germany	1,290.3	30,541.5	52,199.4	295,847.4
Exports	ASEAN	602.7	28,405.2	592,288.6	438,852.6
	China		291.5	23,567.9	79,066.9
	Japan	14,525.7	39,662.5	127,405.3	243,333.5
	Korea	191.7	2,872.5	5,276.7	95,667.1
	US	24.4	125.8	1,624.7	44,885.7
	Germany	366.9	56,482.5	1,025.4	1,006,514.9



- ### Trade Agreement Facilitates IPNs
- Trade agreements facilitate movement of goods
 - Lower border barriers makes move movement of goods more economical
 - More coherence standards and regulations also make production easier
 - Trade facilitation and simpler procedure cut-off time and costs of trade
 - Trade agreements facilitate movement of factors of production
 - FDI and international outsourcing are important parts of GVC/IPN
 - Require greater movement of capital, people and technology
 - Trade agreements provide greater protection and certainty to do international business
 - Minimize political and business risks
 - Increase certainty for technology use
 - Greater regulatory coherence facilitates investment and business

ASEAN-India FTA

	Elimination Coverage	General RDOs	Timeline for Normal Track	Coverage Areas
AWGFTA	100%	RVC (R0) or CTR	2020	Tariff elimination, NTMs, Trade facilitation, services, investment
ACFTA	94.10%	RVC (R0)	2012	Tariff elimination, NTMs, services, investment
AFTA	78.80%	30% RVC + CTR	2017	Tariff elimination
AJFTA	91.90%	RVC (R0) or CTR	2018	Tariff elimination, NTMs, Trade facilitation, investment
ANFTA	90.50%	RVC (R0) or CTR	2010	Tariff elimination, NTMs, services, investment

ASEAN-India in RCEP: Issues and Challenges

- ASEAN-India FTA might be important
 - But more importantly is a region-wide FTA that covers ASEAN and all other partners
 - Greater benefits, not only for ASEAN, but also partners
 - This will be achieved by the RCEP agreement
- For India, this is a chance to be more integrated to the region and to the RVC/DVC
 - This will reduce the "Noodle-bowl" syndrome and provides basis
 - Greater benefits as it involves wider variety of economic level, a necessary for development of RVC/DVC
- But this initiative faces a lot of challenges
 - Countries still think in term of (bilateral) trade balance with mercantilist view
 - Various technical issues that need to be addressed, e.g. modality and approach of liberalization, consolidation of tariff reduction schedule, or dealing with RDOs
 - Not to mention geopolitical issues, domestic and regional political-economic issues

The Future of Regional Integration

- A region-wide FTA like RCEP is a logical next stage of economic integration in the region
 - It would create more competitive production basis, including for many potential economies yet taping the benefits of integration
- India needs to change its attitude and perspective in dealing with trade agreements
 - Not only about bilateral trade balance and request and offer
 - It is also about transparency, predictability and spirits for reform
 - It is also a chance to participate more in RVC/DVC, while strengthening domestic industry
- RCEP can be started by agreeing less sensitive issues
 - Simplification and uniformity of RDOs, by taking into account cumulative principle
 - Simplification of trade procedures and improving trade facilitation
 - Economic cooperation and technical assistance
- These would push regional integration further
 - But still needs genuine supports from all participating countries
 - And need to keep the momentum

Thank you!

Regional Value Chains, RCEP and India's Priorities

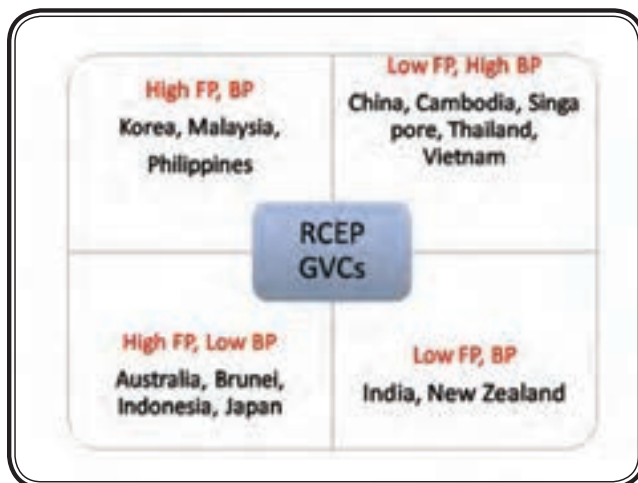
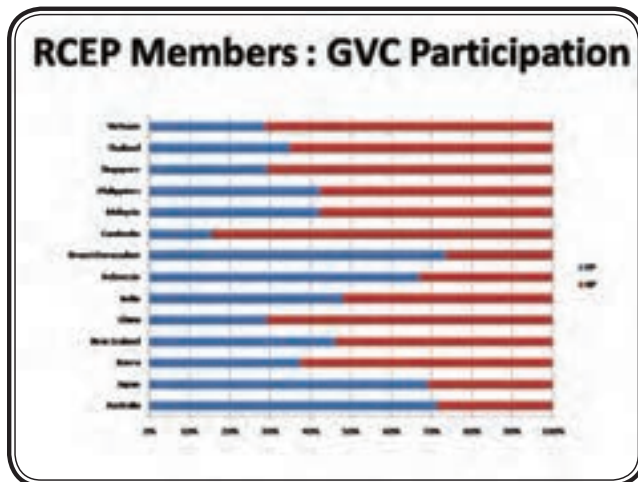
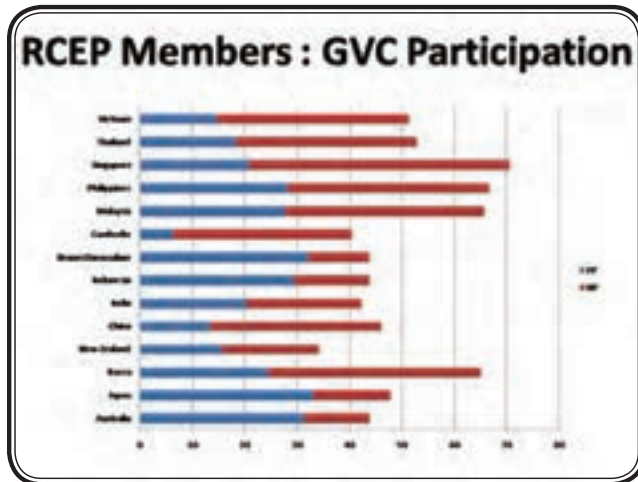
-Amitendu Palit

Regional Value Chains, RCEP and India's Priorities

Amitendu Palit
Senior Research Fellow & Head
(Partnership & Programmes)
Institute of South Asian Studies (ISAS)
National University of Singapore

RCEP: Context

- 16 countries : ASEAN (10), China, India, Australia, New Zealand, Japan, Korea
- Collective of ASEAN and ASEAN+1 FTA partners
- Aiming to expand on market access in ASEAN+1 FTAs
- ASEAN centrality
- Not as ambitious as TPP; Expected to be selectively WTO plus
- India already has FTAs with ASEAN, Japan, Korea; Negotiating with Australia.



ASEAN-India : RVC Linkages

- India's presence in ASEAN RVCs relatively low than other RCEP members
- Presence has increased due to greater cross-border investments and FTAs: India-ASEAN FTA, India-Singapore CECA, India-Malaysia CECA, India-Japan CEPA, India-Korea CEPA.
- Main industries reflecting greater RVC linkages between India and ASEAN include: auto components, pharmaceuticals, basic chemicals, food products, garments, metals
- From RVC perspective, India is a greater destination for final demand for products assembled within ASEAN; till now, it is a relatively lesser supplier of upstream intermediates

India's RVC Potential in RCEP

- Mining & Quarrying
- Textiles & Apparels
- Leather Footwear
- Basic Chemicals (Petrochemical residues like Industrial Gases, Plastics, Pigments)
- Pharmaceutical Formulations & Clinical Trials
- Metals (Ores, Semi-finished steel)
- Auto Components
- Jewelry

Priorities

- Most opportunities are upstream, except petroleum products and jewelry.
- Effort should be to increase 'upstreamness' through greater forward participation
- Produce more intermediates for greater upstream use in exports of other countries
- Retain and develop downstream advantages wherever possible by accessing cheap raw materials and intermediates

Negotiations

- Trade and investment should be taken together
- Simpler ROOs necessary for 'cumulation' benefits.
- 'Originating' criteria should be flexible.
- Lower RVC threshold desirable
- Product-specific ROOs fine; but should not be impossible to follow
- Trade facilitation important; harmonization of customs procedures and tariff lines

THANK YOU

Enhancing ASEAN-India Partnership through Deepening Economic Linkages

-Vu Minh Khuong

3rd Roundtable of ASEAN-India Network of Think-Tanks (AINTT)
"ASEAN - India: Integration and Development"
Hanoi, 25-26 August 2014

Enhancing ASEAN-India Partnership through Deepening Economic Linkages

Dr. Vu Minh Khuong
Lee Kuan Yew School of Public Policy
National University of Singapore

Outline

- Introduction
- ASEAN's trade and investment linkages with India
- Policy issues and recommendations

ASEAN in a Snapshot: Population and Economy (2010)

	Population		GDP (PPP)		Income Level (World-100)
	(billions)	Share in World	(billions)	Share in World	
Burma	6.8	0.07%	39.1	0.03%	433
Cambodia	14.3	0.1%	39.8	0.04%	20
Indonesia	239.8	3.4%	1,832.3	1.4%	39
Laos	6.2	0.1%	15.9	0.02%	23
Malaysia	28.4	0.4%	438.2	0.4%	136
Myanmar	48.8	0.7%	78.8	0.1%	14
Philippines	93.3	1.4%	367.8	0.3%	35
Singapore	5.1	0.1%	293.4	0.2%	518
Thailand	68.1	1.0%	387.5	0.3%	76
Vietnam	86.9	1.3%	276.8	0.2%	29
ASEAN 10	591.4	8.8%	3,133.7	4.2%	48
India	1,214.6	18.0%	4,169.8	5.6%	37
China	1,371.7	20.0%	16,185.8	12.3%	68
World	6,811.1	100%	74,295.4	100%	100

ASEAN's International Trade: Total Trade (2010)

	Trade		Exports		Imports		Trade/GDP (%)
	Value (billions)	Share in World (%)	Value (billions)	Share in World (%)	Value (billions)	Share in World (%)	
Cambodia	13.2	0.04	7.2	0.04	6.0	0.02	120.1
Indonesia	117.8	0.9	174.8	1.3	182.8	0.8	91.0
Malaysia	429.1	3.2	224.8	1.3	194.3	1.1	151.5
Myanmar	12.8	0.04	7.6	0.04	4.9	0.02	21.9
Philippines	126.2	0.9	168.8	1.2	165.6	0.9	160.2
Singapore	823.9	6.1	423.9	2.4	399.9	2.2	217.9
Thailand	484.3	3.5	229.4	1.3	254.9	1.3	141.4
Vietnam	171.8	1.2	78.2	0.4	94.3	0.5	124.6
ASEAN 8	2,363.9	17.1	1,486.9	8.8	1,184.9	6.4	121.9
India	1,280.4	9.3	5,717.9	40.1	1,862.9	9.2	51.0
China	567.4	4.1	156.7	0.9	414.7	2.4	34.0

Source: UN Comtrade (2014); WTO (2014)

Trade in Manufactures (2010)

	Trade		Exports		Imports	
	Value (billions)	Share in World (%)	Value (billions)	Share in World (%)	Value (billions)	Share in World (%)
Cambodia	28.2	0.08	1.8	0.02	4.7	0.01
Indonesia	211.8	0.7	274.2	0.8	139.4	1.0
Malaysia	317.4	1.1	170.9	0.4	146.5	1.1
Myanmar	4.9	0.01	3.8	0.01	4.1	0.01
Philippines	61.8	0.2	11.9	0.03	49.9	0.4
Singapore	556.2	1.9	124.0	0.3	215.6	1.2
Thailand	329.7	1.1	152.0	0.4	149.0	1.1
Vietnam	139.9	0.5	53.2	0.1	94.9	0.7
ASEAN 8	1,685.2	5.6	871.4	2.3	636.8	4.8
China	2,883.2	10.0	1,751.2	5.0	911.0	7.1
India	402.9	1.4	298.0	0.8	211.2	1.6
World	30,196.1	100.0	11,981.4	100.0	11,613.7	100.0

Source: UN Comtrade (2014)

Trade in Agriculture and Mining (2010)

	Trade		Exports		Imports	
	Value (billion)	Share in World (%)	Value (billion)	Share in World (%)	Value (billion)	Share in World (%)
Indonesia	8.1	0.01	8.1	0.01	0.0	0.00
Malaysia	49.0	0.0	54.9	0.0	17.0	0.0
Philippines	49.1	0.0	27.2	0.0	18.9	0.0
Singapore	9.8	0.0	8.0	0.0	0.0	0.00
Thailand	11.9	0.0	2.8	0.0	8.9	0.0
Vietnam	21.1	0.0	2.0	0.0	28.9	0.0
ASEAN	192.8	0.0	145.0	0.0	30.2	0.0
China	109.9	0.0	10.9	0.0	9.0	0.0
India	239.2	0.0	128.0	0.0	115.2	0.0
World	381.7	0.0	28.0	0.0	236.4	0.0
China	147.9	0.0	19.8	0.0	128.0	0.0
India	4,455.0	100.0	1,041.4	100.0	2,840.7	100.0

Source: UN Comtrade (2010)

Trade in Commercial Services (2010)

	Trade		Exports		Imports	
	Value (billion)	Share in World (%)	Value (billion)	Share in World (%)	Value (billion)	Share in World (%)
Indonesia	2.0	0.00	2.0	0.00	0.0	0.00
Malaysia	41.0	0.0	15.2	0.0	25.8	0.0
Philippines	42.0	0.0	21.8	0.0	24.2	0.0
Singapore	3.7	0.00	3.3	0.00	0.4	0.00
Thailand	27.5	0.0	18.1	0.0	9.4	0.0
Vietnam	101.0	0.0	19.1	0.0	81.9	0.0
ASEAN	79.0	0.0	58.1	0.0	24.9	0.0
China	17.1	0.0	7.2	0.0	9.9	0.0
India	421.0	0.0	199.8	0.0	221.2	0.0
World	333.4	0.0	190.2	0.0	143.2	0.0
China	209.9	0.0	103.8	0.0	106.1	0.0
India	5,003.0	100.0	3,818.7	100.0	3,818.7	100.0

Source: WTO (2010)

Export Growth Patterns, 2000-2010

	Total (2000-2010, %)						Share in total exports (2000-2010, %)						Change in share, 2000-2010					
	2000		2010		2010-2000		2000		2010		2010-2000		2000		2010		2010-2000	
	Value	Share	Value	Share	Value	Share	Value	Share	Value	Share	Value	Share	Value	Share	Value	Share	Value	Share
ASEAN	55	82	15	5.8	40	86	35	5.1	90	86	33	-0.1	54	54	54	54	0.0	0.0
Indonesia	8.0	82	1.1	0.9	6.9	80	-1.1	11.7	18	5.2	56	-1.0	54	54	54	54	0.0	0.0
Malaysia	17	82	1.0	0.8	16	81	-0.2	19.0	18	5.0	54	-0.4	57	57	57	57	0.0	0.0
Philippines	10	82	0.5	0.4	9.5	81	-0.1	11.0	11	10	38	-1.0	60	60	60	60	0.0	0.0
Singapore	0.8	82	0.0	0.0	0.8	82	0.0	11.0	10	10	43	-1.0	58	58	58	58	0.0	0.0
Thailand	0.8	82	0.1	0.1	0.7	81	-0.1	10.0	10	10	33	-1.0	47	47	47	47	0.0	0.0
Vietnam	0.8	82	0.1	0.5	0.3	10	1.0	11.0	11	11	63	1.0	63	63	63	63	0.0	0.0
China	20.1	81	20.7	8.0	0.6	1.4	8.0	8.0	104	11	23	12	1.8	1.8	1.8	1.8	1.8	1.8
India	19.1	80	17.0	0.7	2.1	1.8	8.1	17.8	27	18.4	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8

Data source: UN Comtrade (2010), WTO (2010)

- ASEAN was notably behind China and India on export growth (Total, Agriculture-Mining (AM), Manufacturing (M), and Commercial Services (CS)).
- ASEAN's export structure shifted toward AM and CS, while M's share declined.
- There were large variations among the ASEAN economies on trade patterns and performance: The Philippines vs. Vietnam.

ASEAN Community:

- **Vision: ASEAN Community**
 - One Vision
 - One Identity
 - One Community
- **ASEAN Community comprises three pillars:**
 - ASEAN Political-Security Community (APSC);
 - **ASEAN Economic Community (AEC);** and
 - ASEAN Socio-Cultural Community (ASCC).

ASEAN Economic Community

ASEAN will be an integrated economic community by 2015 with the following key characteristics:

- i. A single market and production base;*
- ii. A highly competitive economic region;*
- iii. A region of equitable economic development; and*
- iv. A region fully integrated into the global economy.*

Building the ASEAN Economic Community (AEC): Goals

- The AEC seeks to transform ASEAN into an economic community with:
 - Free movement of
 - Goods
 - Services
 - Investment
 - Skilled labour
 - Freer flow of capital
- The AEC follows the European Union (EU) model.

Building the ASEAN Economic Community (AEC): Five Strategic Directions

1. Cooperation in human resources development and capacity building;
2. Closer consultation on macroeconomic and financial policies;
3. Enhanced infrastructure and communications connectivity;
4. Integrating industries across the region to promote regional sourcing;
5. Enhancing private sector involvement for the building of the AEC.

ASEAN Economic Community (AEC) Blueprint

- The ASEAN Economic Blueprint was adopted at the 13th ASEAN Summit on 20 November 2007 in Singapore to serve as a coherent master plan guiding the establishment of the ASEAN Economic Community by 2015.
- The AEC is an extension of major ASEAN initiatives
 - ASEAN Free Trade Area (AFTA);
 - ASEAN Investment Area (AIA); and
 - ASEAN Framework Agreement on Services (AFAS).
- This comprehensive plan consists of 17 'core elements' and 176 priority actions, to be undertaken within a Strategic Schedule of four implementation periods (2008-2009, 2010-2011, 2012-2013 and, 2014-2015).

Master Plan on ASEAN Connectivity (MPAC)

(i) Physical connectivity

- Transport
- Information and Communications Technology (ICT)
- Energy

(ii) Institutional connectivity

- Trade liberalisation and facilitation
- Investment and services liberalisation and facilitation
- Mutual recognition agreements/arrangements
- Regional transport agreements
- Cross-border procedures
- Capacity building programmes

(iii) People-to-people connectivity

- Education and Culture
- Tourism

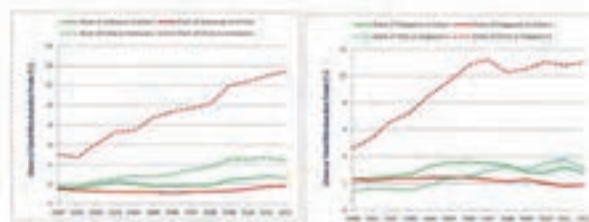
Outline

- Introduction
- ASEAN's trade and investment linkages with India
- Policy issues and recommendations

ASEAN's Trade Relations with India and China

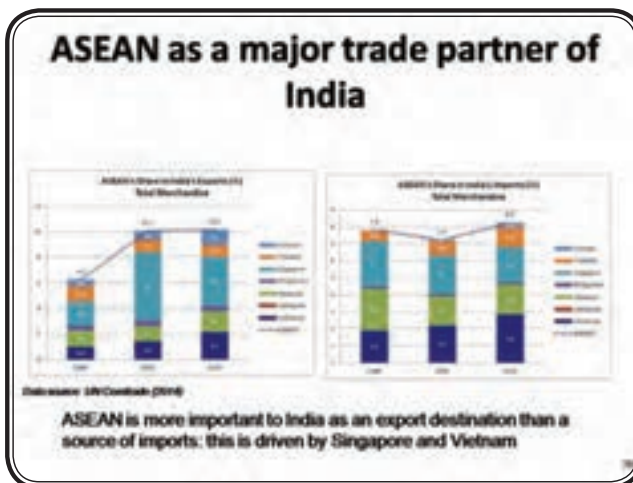
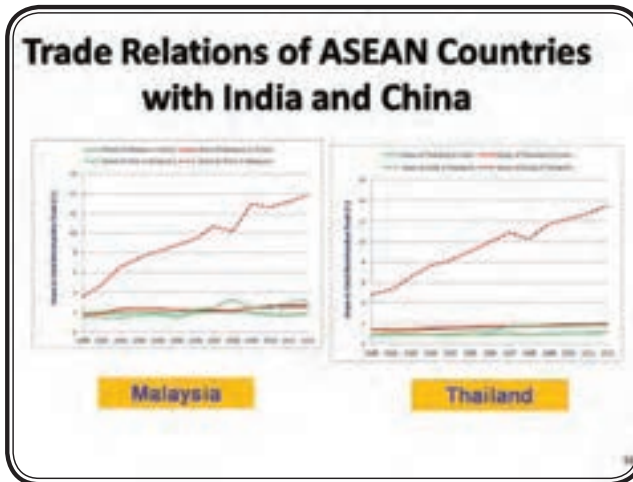


Trade Relations of ASEAN Countries with India and China

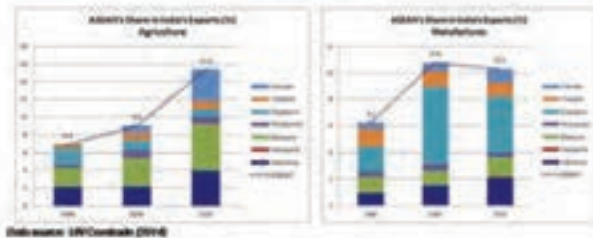


Indonesia

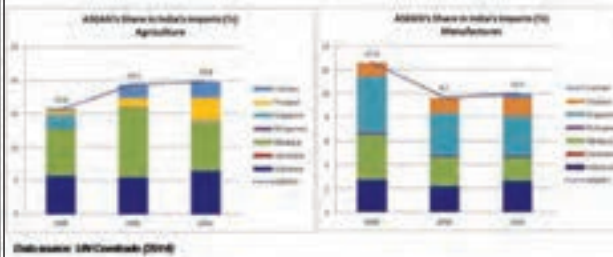
Singapore



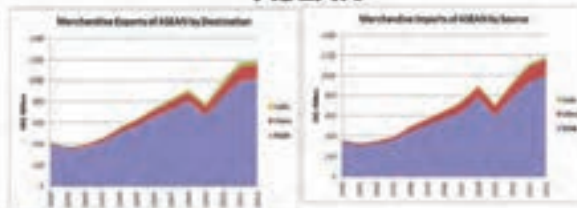
ASEAN as an important destination of India's exports



ASEAN as an important source of India's imports



India as a major trade partner of ASEAN



Reference: UN/Comtrade (2014)

Country	2000			2013		
	Exports (\$Bn)	Imports (\$Bn)	Share (%)	Exports (\$Bn)	Imports (\$Bn)	Share (%)
ASEAN	412.8	1190.7	3.3%	461.1	161.9	16.8%
China	355.8	1390.3	16.3%	511.3	1113.9	26.7%
USA	196.4	1063.2	6.9%	312.2	1114.9	26.7%

- It is expected that total trade between ASEAN and India would reach US\$80 billion in 2014 and US\$100 billion in 2015.
- India is behind China by 5-6 years in terms of trade integration with ASEAN.

FDI Inflows to ASEAN Countries: 2008-2011 vs. 2003-2007

Host Country	Year (USD million)			Share-ASEAN-7		
	2004-07	2008-11	(%)	2004-07	2008-11	(%)
Indonesia	2020.6	2900.7	5.4	21.7%	24.1%	22.6%
Vietnam	1021.9	2224.8	5.1	4.1%	10.6%	4.1%
Singapore	802.0	2024.1	4.4	15.7%	10.7%	10.0%
Philippines	74.8	206.3	0.3	0.1%	0.1%	0.1%
Cambodia	181.8	181.1	1.1	1.7%	1.0%	0.4%
Malaysia	260.0	171.1	0.8	11.7%	0.6%	11.7%
Thailand	660.0	521.8	0.4	11.4%	0.1%	10.1%
ASEAN-7	3961.6	3964.8	1.1	100.0%	100.0%	0.4%

(Data source: ASEAN Statistics)

- FDI inflows to ASEAN-7 increased by 3.2 times between the two 4-year period, 2004-07 and 2008-11.
- The expansion was largest for Indonesia, Vietnam, and Singapore; while shrinkages were observed for Thailand and Malaysia.
- Indonesia and Vietnam, which surpassed Thailand and Malaysia, together with Singapore were the three largest recipients of FDI among the ASEAN countries in 2008-11.

FDI Inflows to ASEAN-7 Countries by Source: 2008-11 vs. 2003-07

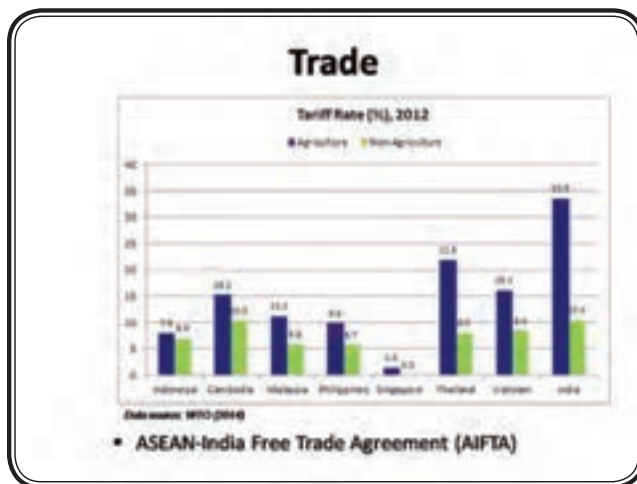
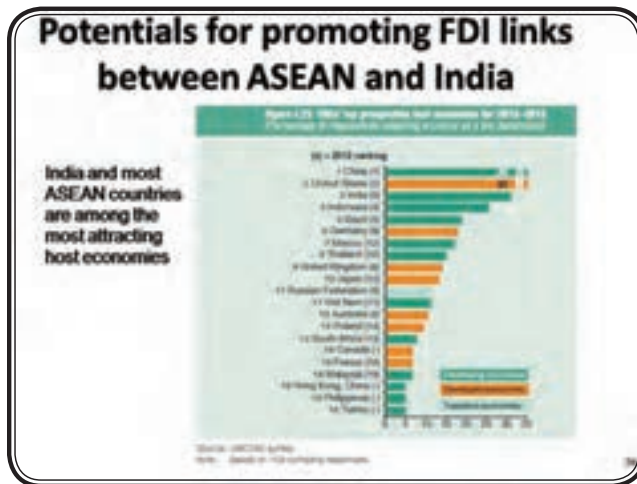
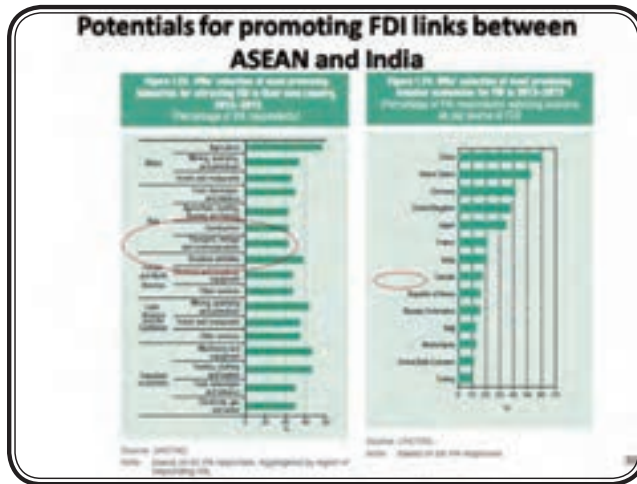
Source Country	2008-11		2003-07		Indonesia		Malaysia	
	2008-11	2003-07	2008-11	2003-07	2008-11	2003-07	2008-11	2003-07
ASEAN	61.1%	63.8%	25.2%	23.4%	58.1%	48.2%	25.0%	18.0%
China	2.7%	3.6%	10.1%	11.0%	3.0%	3.1%	0.3%	0.3%
India	1.4%	1.2%	0.0%	1.2%	1.0%	0.0%	-0.2%	0.1%
Japan	14.0%	11.7%	2.7%	2.4%	10.7%	11.7%	11.0%	11.0%
South Korea	7.1%	6.0%	12.0%	10.1%	5.1%	2.6%	0.1%	1.0%
Australia	1.0%	1.0%	1.0%	1.1%	3.1%	4.4%	0.0%	1.1%
European countries	20.7%	16.0%	0.2%	0.0%	10.0%	11.1%	20.0%	20.1%
USA	8.7%	8.0%	0.2%	2.7%	11.7%	3.1%	10.7%	10.0%
Other	32.7%	34.0%	11.0%	10.1%	0.0%	10.1%	10.0%	20.7%
World	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source Country	Philippines		Singapore		Thailand		Vietnam	
	2008-11	2003-07	2008-11	2003-07	2008-11	2003-07	2008-11	2003-07
ASEAN	0.0%	0.0%	0.0%	10.0%	25.7%	11.0%	0.0%	10.0%
China	0.0%	0.0%	2.4%	0.0%	0.4%	3.0%	2.7%	2.0%
India	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%
Japan	12.1%	12.0%	2.1%	1.1%	10.0%	10.0%	11.1%	11.1%
South Korea	0.7%	1.7%	1.0%	1.1%	0.4%	1.0%	10.0%	10.0%
Australia	0.0%	0.0%	1.0%	1.0%	0.0%	1.0%	0.0%	0.7%
European countries	2.1%	21.0%	10.0%	11.0%	10.0%	10.0%	10.0%	10.0%
USA	14.1%	10.0%	1.0%	10.0%	1.0%	2.4%	11.1%	11.1%
Other	64.0%	12.7%	10.0%	10.0%	11.0%	10.0%	10.0%	10.0%
World	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(Data source: ASEAN Statistics)

FDI Inflows to ASEAN-7 Countries by Source: Implications for India

- India underperformed China in investing in ASEAN in both magnitude and growth. The share of India in ASEAN's total FDI inflows declined from 1.4% in 2004-07 to 1.2% in 2008-2011; while this share of China expanded from 2.2% to 3.6% between the two periods.
- India's investment is more significant in Singapore (accounting for 2.3% of the country's total FDI in 2008-11), Cambodia (1.2%), and Vietnam (0.3%).
- India's investment in other ASEAN countries is insignificant, even negative: Malaysia (0.1% for 2008-11); Indonesia (0.0%); the Philippines (0.0%); and Thailand (-0.2%).



Investment

Investment

- ASEAN-India agreement on trade in services and investment
- ASEAN-India Comprehensive Economic Partnership Agreement (CEPA)
- Regional Comprehensive Economic Partnership (RCEP) with India.

Knowledge diffusion

- 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 lots to share and to learn from each other.

Recommendations

- Establishing a clear vision of a strong ASEAN-India economic community and formulating an effective strategy to achieve it.
- Setting up a committee in charge of strategy implementation.
 - Plan of action
 - KPIs and monitoring
 - Robust consultation with academics, industry consultants, and businesses:
 - MNCs (Japanese, American, & European) can play an important role.
- Fostering learning:
 - Dialogues and forums
 - Conferences for sharing best practices
 - Evaluation and reflections
- Deepening reforms: promoting trade, investment, and international collaboration
- Upgrading infrastructure and strengthening connectivity



WORKING SESSION: II

**Physical Connectivity
and
Soft Infrastructure**

List of Presentations in Session: II

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- 2. Agreement between the Government of the Union of Myanmar
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Implications of No-man's Land on Seamless Transport and Trade

-Florian A. Alburo

"If goods can't cross borders, armies will"
Frédéric Bastiat

Implications of No-man's Land on Seamless Transport and Trade

Florian A. Alburo

Center for the Advancement of Trade Integration and
Facilitation, School of Economics, University of the
Philippines, Diliman, Philippines

Content Outline

- Context
- Seamless Transport System
- No-man's Land
- Anecdotal Evidence
- Distances
- Directions

Context

- Explores little-known condition at many borders with implications in facilitating trade
- Purpose is to derive some hypotheses which can be further examined by data and later rigorously analyzed
- Large amount of global trade carried out overland – globalization moves stages of production across many spaces
- Holds true across territories and even within territories

Seamless Transport System

- Empirical evidence points out that necessary condition for efficient international trade is for transport system that is seamless
- Increasing studies show high (tariff-equivalent) costs of “behind-the-border” constraints to goods flow
- Costs of transport barriers range from 1.3 to 36 percent but difficult to pin down what these are
- For many adjoining countries there is vast expanse of territory called “no-man’s land” breaking connectivity

No-man’s Land (NML)

- In theory, a demarcation area between two sovereign territories
- In practice, an area in which cargoes of vehicles from one territory are transferred to vehicles from the other territory
- Exchange takes place due to restrictions imposed by the territories on the entry of such vehicles into each other’s territory’s traffic

Anecdotal Evidence

- There is substantial delay and damage to goods due to NML
- Caricatured by those who travel across borders showing a life in-between
- Subject of art competition aimed to bring attention to spaces along borders of ASEAN
- Even without NML are situations "like-NML" within FTA
- A like-NML is in US-Mexico trade and transport



Source: Laura van Santen 2014

The Floating Border Project takes place at the limit between Cambodia and Thailand, on the Preah Vihear Temple site.

This wonderful protected area is both covered by the two countries. Thailand claims a frontier that contradicts the UNO frontier which is increasing a conflict in this area.

The project is an installation in order to create a moving border. The limit of each state is the shadow of the floating border. The shaded frontier is moving throughout hours, days and seasons. The installation is composed of an inflatable structure which is turning into balloons cloud upon the Temple. These balloons calculate the weather forecast, wind and luminosity. During bad weather, the limit on the ground disappears and the aerial structure lights up to become a signal seen by the both two countries.

The Floating Border is a universal message saying that all limits are temporary and can be removed as fast as they can be built. This new kind of border is not physical on the ground and limit is pass-through. The crossing is porous and preserve an accepted liberty of trac. Cambodia and Thailand surfaces are also changing depending of the shaded frontier, sometimes bigger, sometimes smaller, sometimes divided, sometimes united. The Temple is rooted on the cli but all is moving around, Preah Vihear Temple is now a landmark for peace and arm this new territory of union.

Distances

- Wide variation in the NML distance from the last border town of one country to the first border town of the adjoining country
- 8 of 10 ASEAN Members have land borders within ASEAN and outside of ASEAN
- Length ranges from 381 kms between Brunei and Malaysia and 2,130 kms between Lao PDR and Viet Nam

Kilometers of Land Border: ASEAN and India

Country (No. of countries adjacent)	Burma	Cambodia	India	Indonesia	Lao PDR	Malaysia	Myanmar	PHL	SIN	Thailand	Viet Nam
Burma (2)	X	0	0	0	0	301	0	0	0	0	0
Cambodia (2)	0	X	0	0	141	0	0	0	0	893	1,235
India (2)	0	0	X	0	0	0	1,403	0	0	0	0
Indonesia (2)	0	0	0	X	0	1,782	235	0	0	0	0
Lao PDR (2)	0	141	0	0	X	0	0	0	0	1,754	7,138
Malaysia (2)	0	0	0	0	0	X	0	0	0*	0	0
Myanmar (2)	0	0	1,403	0	0	0	X	0	0	1,889	0
PHL (2)	0	0	0	0	0	0	0	X	0	0	0
SIN (2)	0	0	0	0	0	0	0	0	X	0	0
Thailand (2)	0	893	0	0	1,754	0	1,889	0	0	X	0
Viet Nam (2)	0	1,235	0	0	7,138	0	0	0	0	0	X

Number of countries with border to country column
*Crossed out by Malaysia by Gateway and Bridge
Source: Wikipedia

- Besides land borders, countries may have more maritime borders – in ASEAN many Members except Lao PDR have more maritime borders (neighbors) than land borders
- Clearer evidence of NML can be found in configuration of border checkpoints
- Distance between last border town to first border town in adjoining country usually where cargoes are unloaded and re-loaded to country-specific trucks
- These distances are sometimes too long or too short

Border Checkpoints in ASEAN GMS (2004)

(Number)

	CAMB	LAO	MYA	THAI	VN	Total
CAMB	X	0*	0	3	7 (2)	5
LAO	0*	X	0*	9	10	19
MYA	0	0*	X	3	0	3
THAI	3	9	3	X	0	15
VN	7 (2)	10	0	0	X	17
Total	5	19	3	15	17	59

Source: ASEAN Secretariat
*With borders but no border checkpoints
†Not endorsed with a border checkpoint in ASEAN but there is at least 2 regional checkpoints

- To illustrate: Distance between Moreh (India) and Tamu (Myanmar) is less than 5 kms; it is 36 kms from Petrapole (India) to Benapole (Bangladesh)
- Within ASEAN, it is 17 kms from Poipet (Cambodia) to Aranyaphatet (Thailand); 20 kms from Mukdahan (Thailand) to Savannakhet (Lao PDR); 4.6 kms from Moc Bai (Viet Nam) to Bavet (Cambodia)
- At these stretches are areas where goods are unloaded from one country's trucks and re-loaded on trucks from the other country where travel continues
- For border checkpoints covering shorter distances goods may be unloaded and re-loaded at one of the checkpoints



Directions

- Useful to consider range of initiatives to minimize if not eliminate hindrance imposed by NML
 - re-calibrate territorial boundaries
 - promote traffic rights allowing trucks to cross borders into other country's territory and accept back haul cargoes – may require auxiliary measures
 - develop NMLs into productive economic corridors – assumes elements in GVC can be captured in NML
 - more attention to soft side of connectivity – trade facilitation, information exchange, customs cooperation as part of larger modernized border authorities – presupposes no physical gap in transport of goods across border in the form of NML or like-NML and there are institutional vehicles that reinforce soft infrastructure



Agreement between the Government of the Union
of Myanmar and the Government of the People's
Republic of China on Myanmar-China Border Areas
Management and Cooperation

-Nyunt Maung Shein

Agreement between the Government of the Union of
Myanmar and The Government of the People's
Republic of China on Myanmar-China Border Areas
Management and Cooperation
(25th March 1997)

Mr. Nyunt Maung Shein
Chairman,
Myanmar Institute of Strategic and International
Studies (MISIS), Yangon, Myanmar

Agreement between the Government of the Union of Myanmar and The
Government of the People's Republic of China on Myanmar-China
Border Areas Management and Cooperation
(25 March 1997)

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PART V

Border Crossing and Maintenance of Law and
Public Order in Border Areas
Article 20

1. The two Parties shall encourage their border inhabitants to exchange
locally produced goods, promote economic, cultural and sports
cooperation along the border areas. Border inhabitants of the two
countries are allowed to cross the boundary through the designated
ports and/or temporary passages for religious activities, social visits,
medical services, and business transactions or traditional ethnic
festivities.

2. *The two Parties agree that personal on official duties in the border areas or border inhabitants may travel through the designated ports and/or temporary passages with mutually-agreed passes.*

(a) The Pass shall the following information: the holder's name, gender, birth date, address, reason for travel through the border, port of entry or exist, destination of travel, term of validity of the pass and the holder's photo.

(b) The Pass is issued only to personal on official duties and border inhabitants for their in the border areas.

(c) Any person under the age of 16 may travel as accompanying person of a Pass holder. The Pass must note the number, name and age of the accompanying person.

(d) The Pass, written in both Myanmar and Chinese languages, shall be made and issued by the competent authorities of the two countries.

3. *The two Parties shall provide each other with the designs of the Pass through diplomatic channels for confirmation and implementation.*

4. *No motor vehicles or vessels of either Party shall enter the territory of the other Party without its approval. The motor vehicles or vessels approved to cross the boundary shall bear valid documents and pass through the designated ports and ferry crossing and shall be subject to inspection and control by the relevant departments of the two Parties.*

(a) For border crossing of motor vehicles, the following information shall be provided: type of vehicle, color, engine number, chassis number and registration number.

(b) For border crossing of vessels, the following information shall be provided: crew member's identity documents, the vessel's certificates of registration and the vessel's tonnage certificates.

5. Personnel on official duties and border inhabitants of either Party, while inside the territory of the other Party, shall observe its domestic law, and their legitimate rights and interests shall be protected by the other Party.

6. The entry and exit of the ports prescribed in this Agreement by citizens of a third party shall follow the agreement of, or special arrangement by the two Parties.

PART VI
Border Trade
Article 25

1. For the purpose of promoting economic development in the border areas and facilitating the exchange of goods and daily necessities among border inhabitants of the two countries, the two Parties shall enhance border trade on the basis of equality and mutual benefit.

2. In accordance with the principles contained in the Memorandum of Understanding between the Government of the Union of Myanmar and the Government of the People's Republic of China signed in Yangoon on 13 August 1994, the two Parties shall hold separate consultations on the specific measures to carry out border trade.

3. The two Parties shall endeavour to develop border trade towards transforming it into normal trade at an appropriate time.

Article 26

1. Border trade shall be carried out in accordance with each other's Laws and regulations.

2. Goods for border trade shall be transported across the boundary through the ports prescribed in Article 21 of the Agreement.

3. The local border trade authorities of the two Parties shall cooperate with each other in the management of border trade.

4. The local border trade authorities of the two Parties shall hold meetings, as and when necessary and the meetings shall take place alternately in Myanmar and China.

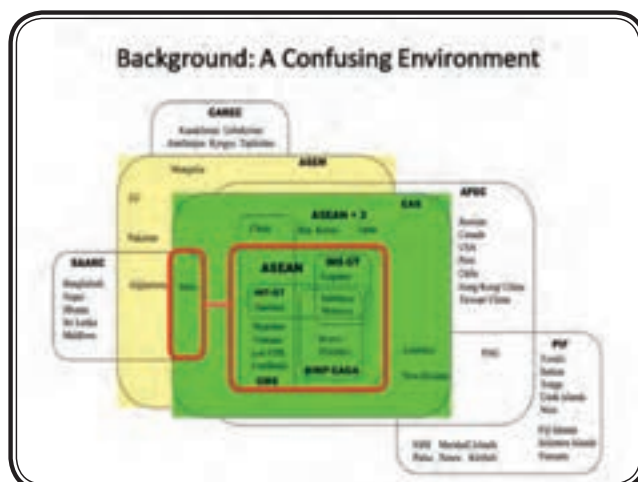
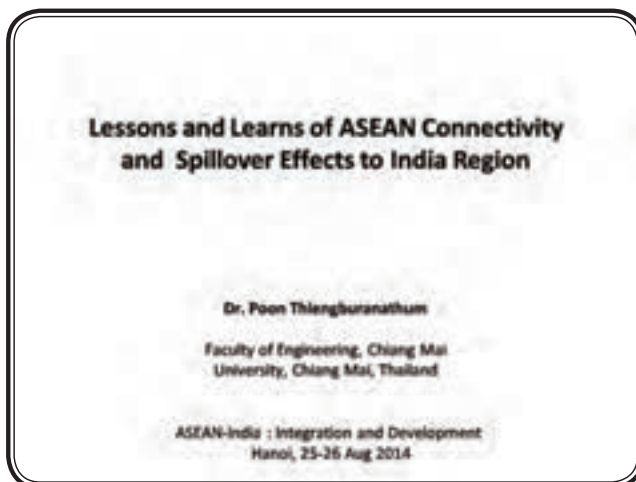
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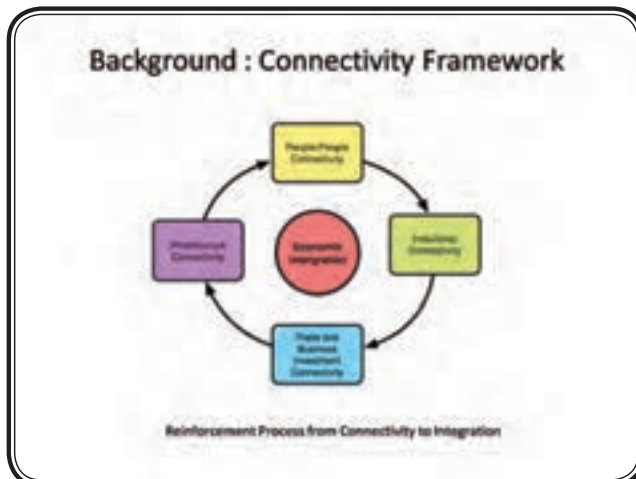
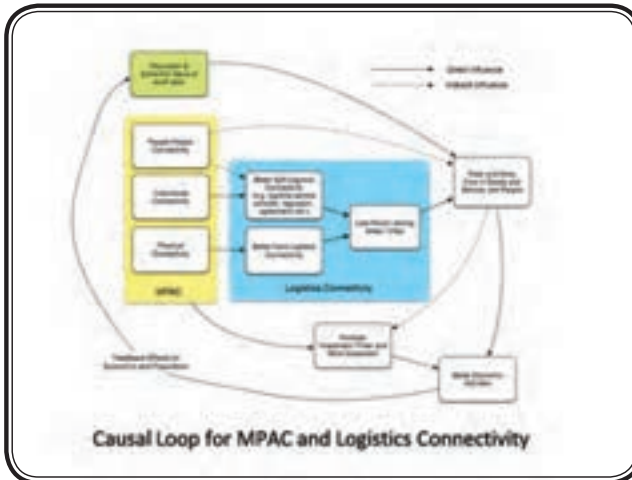


THANK YOU

ASEAN Connectivity and Spillover Effects to Indian Region

-Poon Thiengburanathum

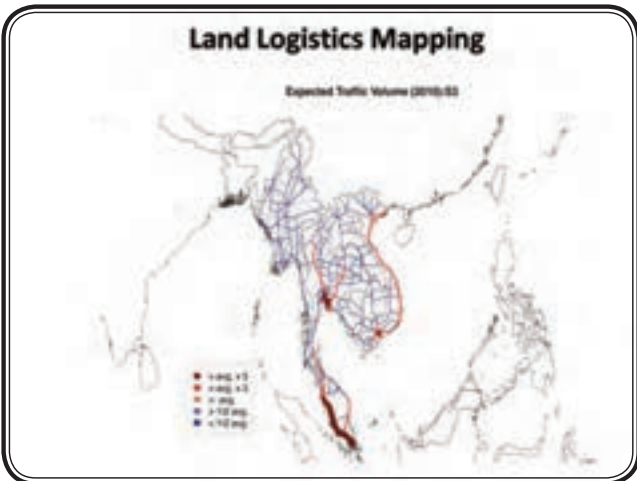
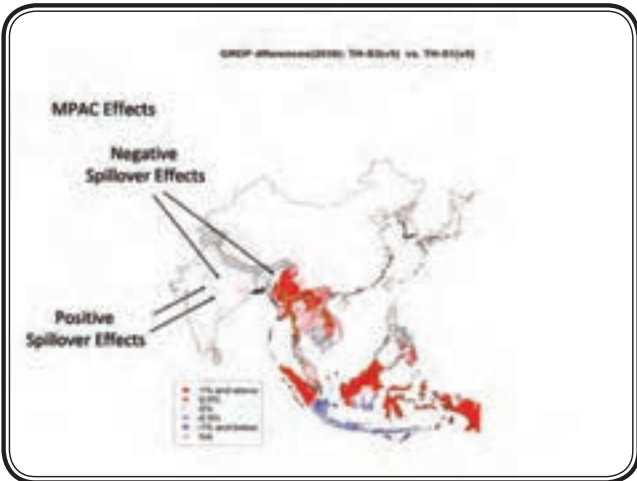


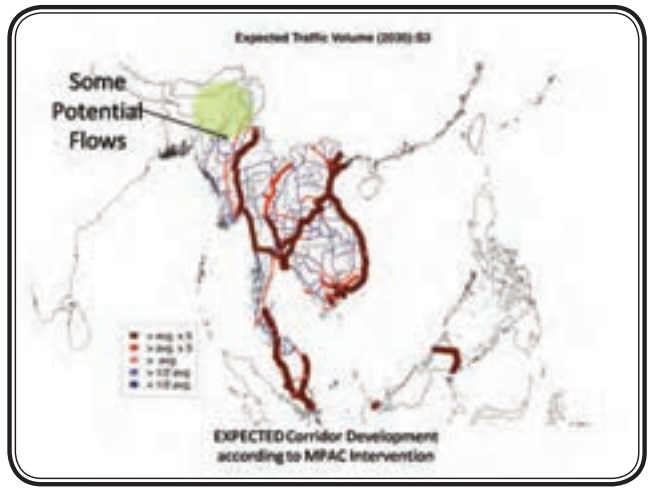
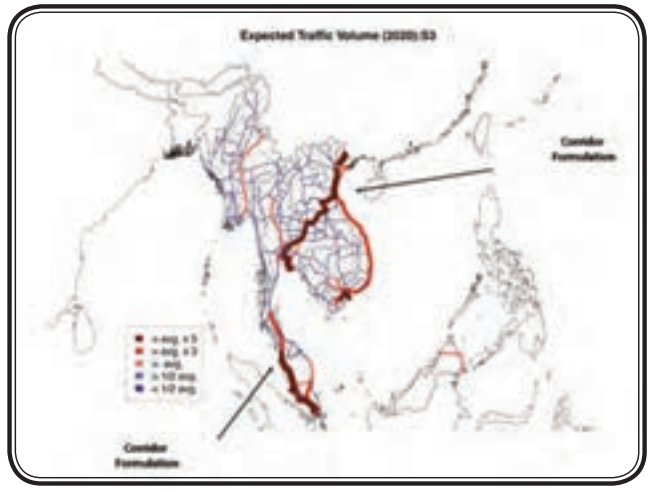


MPAC - Logistics Connectivity Scenario

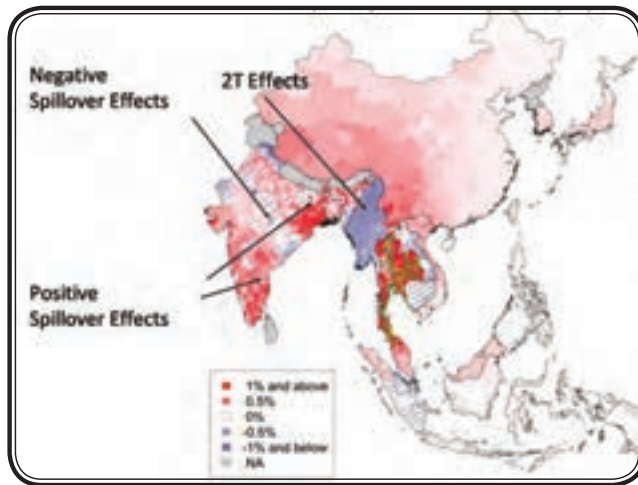
No AEC Development : The conditions of routes of ASEAN are assumed as year 2005. There is no further development. Also, in 2020, the "congestion" at borders between neighbouring countries is reflected in the route data as an increase in border crossing time. Therefore, the time at border is assumed double in 2020. For tariff and non-tariff barriers among ASEAN countries are assumed to be the same as 2005. The reduction is found in tariffs and non-tariff barriers among non-ASEAN countries/ between an ASEAN country and a non-ASEAN country continues.

MPAC is implemented : the conditions of routes are updated at 2010, 2015, reflecting the development according to MPAC. In 2020, the "congestion" at borders between neighbouring countries is reflected in the route data as an increase in border crossing time. (Time at border doubled in 2020 but halved by facilitation). Tariff and non-tariff barriers are updated according to various trade agreements including AEC.





Thailand 2T Infrastructure Development Package Scenario



BIMPEAGA Example
hard and soft development





ASEAN Highway cross-border linkages

- In BIMPEAGA only land cross border link is between Brunei & Malaysia
- Ferry links that are part of the ASEAN Highway:

Country	Route Number	Origin-Destination	Length of Ferry Links (km)
Indonesia	AH-2	Gilimanuk Terminal - Banguwang Terminal	8 km
	AH-25	Bakauheni Ferry Terminal - Murak Ferry Terminal	26 km
Philippines	AH-26	Matsug Terminal - Allen Terminal	25 km
	AH-26	Cebu Terminal - Cebu Terminal	65 km
	AH-26	Liloan Ferry Terminal - San Francisco Matlas Port	81.05 km

ASEAN Air Transport

2004-2007	2008-2011	2012-2015	2016-2020
<p>1. Adopt concept, enabling framework for ASAM</p> <p>2. Develop implementation arrangement/ Agreement on ASAM</p>	<p>Finalize: Implementation arrangements & Agreement on ASAM</p>	<p>Implementation of the ASAM Agreement/ Arrangements according to ASEAN a formula (how or when States could sign the Agreement at this stage)</p>	<p>ASEAN wide implementation of the ASAM Agreement/ arrangement</p>
<p>1. Conclude and sign ASEAN Multilateral Agreement for the Full Liberalisation of Air Services</p> <p>2. Implement ASEAN Multilateral Agreement on Air Services (as per the FTATS Roadmap)</p>	<p>Implementation of the Multilateral Agreement on Air Services (as per the FTATS Roadmap)</p>	<p>Coincides with the ASEAN wide implementation of the Multilateral Agreement on Air Services (as per the FTATS Roadmap)</p>	

47 designated ASEAN maritime ports

Country	Name of Port
Bhutan	Muzo
Cambodia	Phnom Penh, Sihanoukville
Indonesia	Diliwari, Dumai, Tanjung Priok, Palembang, Pangajene, Pontianak, Tanjung Priok, Tanjung Emas, Makassar, Balikpapan, Banjarmasin, Balikpapan, Balikpapan, Semarang
Malaysia	Port Klang, Penang, Johor, Tanjung Pagar, Kuala Lumpur, Kemaman, Kota Bharu, Kuching, Sandakan, Kota Kinabalu
Myanmar	Yangon, Thilawa, Kyaukpadaung
Philippines	Manila, Batangas, Subic Bay, Cebu, Iloilo, Cagayan de Oro, Davao, General Santos, Zamboanga
Singapore	Singapore
Thailand	Bangkok, Laem Chabang, Songkhro
Viet Nam	Hu Chi Minh, Hai Phong, Da Nang, Cai Lanh

ASEAN transport facilitation agreements

Agreement	Year											Total	
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010		
ASEAN Transport Agreement on the Facilitation of Goods in Transit (ATAGT)	1011200	1200000	1000000	1010000	1111000	1000000	1011000	1000000	1000000	1000000	1000000	1000000	1000000
Protocol 1	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000
Protocol 2	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000
Protocol 3	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000
Protocol 4	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000
Protocol 5	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000
Protocol 6	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000
Protocol 7	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000
Protocol 8	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000
ASEAN Memorandum of Understanding (AMU)	1011000	1011000	1011000	1011000	1011000	1011000	1011000	1011000	1011000	1011000	1011000	1011000	1011000
ASEAN Transport Agreement on the Facilitation of Motor Vehicle Transport (ATAT)	1011000	1011000	1011000	1011000	1011000	1011000	1011000	1011000	1011000	1011000	1011000	1011000	1011000

- ### The ASEAN Single Window
- For the ASEAN Single Window to come into effect, all ASEAN Member Countries would first need to set up respective National Single Windows, guided by the ASEAN Single Window Implementation Technical Guide.
 - A National Single Window is a clearance system that enables a single submission of information and data, single and simultaneous processing of the data, and a single point of decision-making through close collaboration among the lines ministries and other parties involved in the customs clearance process.

The ASEAN Single Window

- Instead of submitting different forms and information to multiple agencies (e.g. customs, ports, health, etc.) to get a shipment of goods cleared, a trader would only need to submit all the information to one agency.
- The ASEAN Single Window will be in operation when all the ten National Single Windows are operating in an integrated manner.
- Under the 2005 Agreement to Establish and Implement the ASEAN Single Window, and its 2006 Protocol, the ASEAN Single Window will be implemented in Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand by 2008, and in Cambodia, Lao PDR, Myanmar and Viet Nam by 2012.

ROADMAP FOR THE INTEGRATION OF LOGISTICS SERVICES

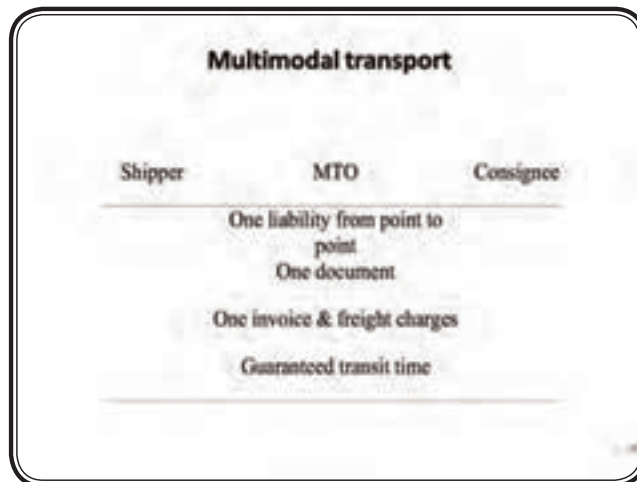
No.	Services	Agreement/Protocol	Timeline
General Services			
1	Multi-modal full services (air, sea, road, rail) including a full range of air, sea, road, rail services		
1	Maritime cargo handling services	General Product Classification (GPC) 701	Coordinating Committee on Services (CCS) 2013
2	Storage & warehousing services	GPC 702	CCS 2013
3	Freight transport agency services	GPC 703	CCS 2013
4	Other auxiliary services	GPC 704	CCS 2013
5	Customs services	GPC 705**	CCS 2013
6	Packaging services	GPC 676	CCS 2013
7	Customs clearance services		CCS and Customs Coordinating Committee (CCC) 2013

ROADMAP FOR THE INTEGRATION OF LOGISTICS SERVICES

General Services			
8	International Freight Transportation including Carriage	GPC 707	CCS 2016
Air Freight Services			
9	Implementation ASEAN Multilateral Agreement of the Full Liberalization of Air Freight Services		Senior Transport Officials Working Group (STOWG) December 2008
Maritime Freight Services			
10	(International sea freight transport services)	GPC 711	CCS and relevant STOWG Working Group Beginning 2008
Overland Freight Services			
11	(International road freight transport services)	GPC 713	CCS and relevant STOWG Working Group Beginning 2008

Structure of the roadmap

2015	Developing Core Elements of E2E E2E Logistics Service Provider Concept (First including Transportation, Supply Chain) and Logistics (Standard) Framework
2016	Develop and Complete Framework
2017	Developed Framework
2018	Developing/Complete of E2E E2E Logistics Service Provider
2019	Develop Business Development
2020	Develop/Implement Transport Infrastructure and Standard



MT Issue: Lack of coordination

Often added costs from lack of coordination:

- Turnaround time of ships, trucks & railcars;
- Investment in large storage areas & handling facilities at intermodal terminals;
- Storage, handling & lost opportunity cost of cargo whilst lying at intermodal terminal.

Research by UNCTAD

(1) Feeder trucking cost	14%
(2) Truck turn around time	8%
(3) Container handling cost from/ to truck at port	5%
(4) Stacking/unstacking costs	10%
(5) Dwell time costs at inland and port terminals	8%
(6) Ship transport costs	34%
(7) Ship turn around time/costs	6%
(8) Container ship loading/unloading costs	13%
TOTAL	100%

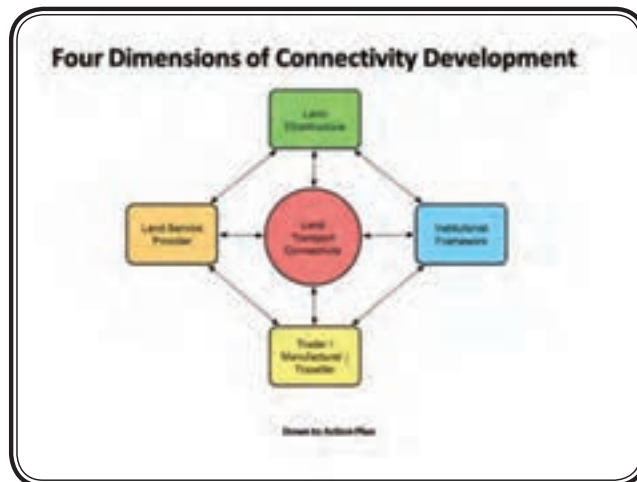
MT Requirements

- Banks
 - Documentary credits
 - Acceptance of transport document
- Merchants
 - Use of INCOTERMS (International Commercial Terms)
- Customs
 - Movement of cargo to & from port under bond
 - Minimum documentation to effect movement

MT Requirements

- Legal Framework
- Administrative
- Transport infrastructure

Where infrastructure is NOT in place development of MT may NOT be easy



1. Land Infrastructure Issues

Issues	Proposed solutions	Concrete Action Plan
Roof quality	Minimum "class III" for all designated TTR	<ul style="list-style-type: none"> • Stock taking of roof quality level • Rehabilitate to at least "class III"
Limited capability of existing land infrastructure related facilities	<ul style="list-style-type: none"> • OGS facility expansion • Improve bus facilities 	<ul style="list-style-type: none"> • Feasibility study for OGS facilities • Feasibility study for passenger facilities

2. Land Institutional Issues

Issues	Proposed solutions	Concrete Action Plan
Lack of MoU awareness	Establish dialogue with all stakeholders	<ul style="list-style-type: none"> Dissemination plan to all stakeholders
Discrepancy in border crossing service level operations	Harmonization & simplification of border procedures	<ul style="list-style-type: none"> Establish SOP/standard Coordination of border agencies
Inconsistent domestic rules, regulations & policies	Harmonise national policies to provincial	<ul style="list-style-type: none"> Identify provincial policy discrepancies Align provincial to national policies
Right vs Left hand drive	Allow both types of vehicles?	<ul style="list-style-type: none"> In-depth study on safety/risk (EIA?) Propose best suited measures

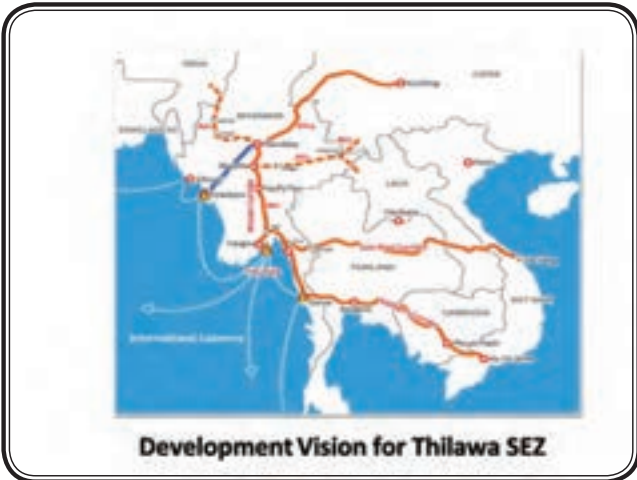
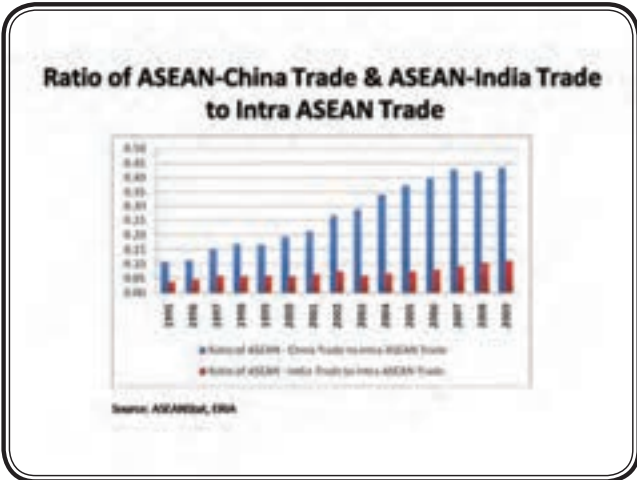
3. Land Service Providers' issues

Issues	Proposed solutions	Concrete Action Plan
Limited market access	Liberalised market	<ul style="list-style-type: none"> Study potential anti-trust legislation Roadmap for liberalisation
Non standardised insurance coverage	Harmonise insurance coverage in BIMPEAGA	<ul style="list-style-type: none"> Establish liability guarantee for interstate traffic
Poor response from excursion bus operators	Disseminate information to operators	<ul style="list-style-type: none"> Establish BIMPEAGA travel mart
"Fixer" Vehicle Operations	Enforcement agency coordination	<ul style="list-style-type: none"> Signage Strict implementation of regulations

3. Land service providers issues

Issues	Proposed solutions	Concrete Action Plan
Low load factor for service providers	Increase volume	<ul style="list-style-type: none"> Understand people & freight flows Increase flow via hub & spoke network Balance these flow
National incentives to offset higher operating cost	Establish BIMPEAGA vehicle fleet	<ul style="list-style-type: none"> Explore feasibility of BIMPEAGA vehicle fleet for equal treatment

**Importance of ASEAN-India Connectivity :
Risk Identification**



Key Points : Strategic Level

Connectivity is not just Logistics, Reinforcement Process from Connectivity to Integration is necessary (Infrastructure, People, Institutional, and Business)

Designed Corridor vs. Actual Corridor

Opportunity Loss according to Imbalance Development for ASEAN-India : Synchronising Development in the regions.

Ability for downscale the idea to action plan : It is not only the technical challenges, but also the political one

Key Points : Logistics Connectivity Level

Hard Infrastructure : Top Three Priority: 1) Maritime, 2) Air, and 3) Land Transport

Hard Infrastructure : The successful of ASEAN-India is based on Land Transport (Myanmar-India, Myanmar-Thai, etc.) and ASEAN Port Infrastructure

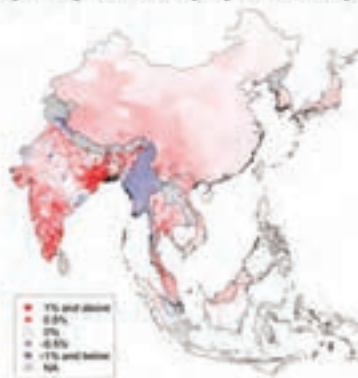
Soft Infrastructure : Normally, bottlenecks are located at Soft Infrastructure and Border/Connecting Areas. Also, it is best in benefit-cost ratio

Soft Infrastructure : Use Lessons and Learns from ASEAN, e.g. ASEAN Single Window, Cross Border Transport Agreement (CBTA), etc.

RGDP Difference (2030): TH-S4PT(v5) vs. TH-S3(v5)

Impacts of Releasing Bottleneck at Port Development of Thailand

Maritime Development to ASEAN is a key link



Enhancing ASEAN-India Maritime Connectivity

-Vo Xuan Vinh

Enhancing ASEAN-India Maritime Connectivity

Dr. Vo Xuan Vinh
Institute for Southeast Asian Studies,
Vietnam Academy of Social Sciences, Vietnam



- Why is ASEAN-India Maritime Connectivity important?
- What have threatened ASEAN-India Maritime Connectivity?
- ASEAN-India Maritime Cooperation & Dialogue
- Next stage?

Why is ASEAN-India Maritime Connectivity important?

Sea ports in MIEC and Sea routes in South-East Asia Region



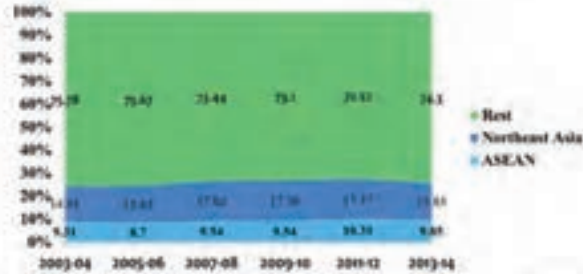
Source: IFAA, 2009

India in ASEAN's Trade

Country	2000	2005	2009	2010	2011	2012
<i>(in US\$ million)</i>						
Intra-ASEAN	198,848	304,825	378,213	511,020	598,377	602,548
China	32,318	113,347	178,223	231,858	280,150	319,485
Japan	118,191	153,823	180,918	206,834	273,867	282,884
EU-28	02,771	140,732	171,431	208,588	234,621	242,589
USA	122,218	153,884	148,790	186,543	198,787	200,027
Republic of Korea	29,835	47,958	74,771	98,560	124,403	131,030
India	9,656	22,998	39,075	55,384	68,191	71,818
Australia	17,589	31,225	43,648	55,389	59,685	60,409

ASEAN and NEA Economies in India's Trade

ASEAN and NEA Economies Shares of India's Int'l Trade



Calculated by the Author from Import Export Data Bank of Department of Commerce, Ministry of Commerce and Industry, India

Importance of ASEAN and India's Seaborne Trade

- 

Over 97% of India's trade by volume and 75% by value is seaborne. If one follows the direction of trade, nearly 50% of Indian trade is east bound and transits through the SCOF through which over 80,000 vessels transit annually (Vijay Subhaji, 2012)
- 

Every two to three minutes, a ship leaves or departs to, or from, 400 ports across 120 countries (Maritime and Port Authority of Singapore)
- 

95 per cent of Malaysia's international trade, the lifeline of its economy, is being carried through the ocean via its international seaports (Maritime Institute of Malaysia)
- 

During the past 30 years, Thai seaborne trade has increased steadily and over 80% of the trade volumes are shipped by sea (Proceedings of East Asia Society for Transportation Studies, MCA, 2013)
- 

Occupying the premier position as leading provider of certified seafarers personnel, where Filipino seafarers account for 20% (20%) of all seafarers onboard all international merchant in 2012 (2012) from 17% in 1995 (Planning and Policy Office, 2013)

Maritime Connectivity's Importance

It is generally accepted that more than 90 per cent of global trade is carried by sea (Maritime Knowledge Centre, IMO, 2012)



Source: Investment U

Cooperation in Disaster Relief Needed

- **Tsunami in Indian Ocean, 2004:** 227,898 people died; one-third of the dead was children; the relief operation would be the costliest in history;
- **Tsunami in Japan, 2011:** Japanese National Police Agency confirmed 15,889 deaths, 6,152 injured, and 2,609 missing; 127,290 buildings totally collapsed, 272,788 buildings half collapsed, and 747,989 buildings partially damaged; **India sent search-and-rescue teams.**
- **Haiyan Typhoon, 2013:** killing 6,300 people; 28,689 people injured; 1,061 people missing; 1,084,762 houses damaged... (National Disaster Risk Reduction and Management Council, Philippines); **India sent 15 tonnes of relief supplies.**

What have threatened ASEAN-India Maritime Connectivity?

Piracy and Armed Robbery against Ships in Asia (2013)



- ◆ Approx 80% at ports and anchorages
 - ☐ Indonesia (78), India (11), Vietnam (8), Bangladesh (6), Philippines (5)
 - ☐ Mainly CAT 3 and petty thefts (84%)
- ◆ 20% incidents onboard vessels while underway
 - ☐ SCS (10), SIO (12)
 - ☐ More severe in SCS (1 x CAT 1, 8 x CAT 2)
 - ☐ Less severe in SIO (2 x CAT 3, 9 x PT)

Source: IHO/CAAP Information Sharing Center

Note: the map in this slide is not an official one



ASEAN Foreign Ministers expressed their serious concerns over the on-going developments (China's Deployment of Oil Rig in EEZ and Continental Shelf of Vietnam- *author added*) in the South China Sea, which have increased tensions in the area (ASEAN Foreign Ministers Statement on the Current Developments in the South China Sea, Nay Pyi Taw, May 10, 2014).

China's Claims and Activities in ES/SCS have abused international laws (the 1982 UNCLOS) and threatened ASEAN-India Maritime Connectivity

Note: the Maps in this slide are not official ones

ASEAN-India Maritime Cooperation and Dialogue

Forums

<p>Indian Initiatives</p> <p>MILAN: an initiative of the Indian Navy in the early nineties which aimed to create a forum for the littoral navies of the region to exchange thoughts in the area of maritime cooperation and "Humanitarian Assistance and Disaster Relief". Now coming to the stage of exercise.</p> <p>Indian Ocean Naval Symposium: a voluntary initiative seeking to increase maritime co-operation among navies of the littoral states of the Indian Ocean Region by providing an open and inclusive forum for discussion of regionally relevant maritime issues: (Indonesia, Malaysia, Myanmar, Singapore, Thailand)</p>	<p>ASEAN-Led Mechanisms</p> <p>ASEAN Regional Forum (1994): constructive dialogue and consultation on political and security issues of common interest and concern; confidence-building and preventive diplomacy in the Asia-Pacific region;</p> <p>ADMM+ (2010): 05 priorities area (maritime security, counter-terrorism, humanitarian assistance and disaster management, peacekeeping operations and military medicine);</p> <p>Expanded ASEAN Maritime Forum (2012): dialogue involving EAS countries to utilize opportunities and address common challenges on maritime issues building upon the existing (AMF).</p>
---	--

In Practice

Exercise	Country	Remarks
SIMREX (Singapore India Maritime Bilateral Exercise)	Singapore	Annual bilateral exercises between the two navies. The exercise has been carried out in the South China Sea in the years 2001, 2007, 2009, 2011, 2013
MILAN (Multi nation Exercise)	Singapore, Vietnam, Thailand, Malaysia, Indonesia, Brunei and the Philippines	Hosted by the Indian Navy, it's a multinational exercise and interaction with the navies of South East Asia in the Bay of Bengal. It was initiated in 1991 and is a biennial gathering.
Indo Thai Coordinated Patrol (Indo Thai CORPAT)	Thailand	Started in September 2007 and is conducted along the maritime boundary line.
IND INDO CORPAT (India-Indonesia Coordinated Patrol)	Indonesia	Started in the year 2000, it is conducted along the International Maritime Boundary Line (IMBL)

Source: Observer Research Foundation, 06 July 2013

Next Stage?



1. Continuing with existing forums and practices;

2. Building mechanisms to realize:

1/ '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';

2/ 'to promote maritime cooperation, including through engagement in the ASEAN Maritime Forum (AMF) and its expanded format, to address common challenges on maritime issues, including sea piracy, search and rescue at sea, maritime environment, maritime security, maritime connectivity, freedom of navigation, fisheries, and other areas of cooperation'.

(Vision Statement-ASEAN-India Commemorative Summit, December 20, 2012).

WORKING SESSION: III

**Investment
Cooperation**

List of Presentations in Session: III

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ASEAN – India Direct Investment: Current Situation and Prospect

-Ngo Xuan Binh

ASEAN – India Direct Investment: Current Situation and Prospect

Dr. Ngo Xuan Binh
Director General, VASS Institute for
Indian and Southwest Asian
Studies, Vietnam

- Factors affecting investment between ASEAN and India
- The situation of FDI in ASEAN and India
- Some reviews and prospects

**Factors affecting investments
between ASEAN and India (contd.)**

– The wave of globalization, regionalization, deeper economic integration and the formation of economic organizations between ASEAN and India have boosted the growth of FDI between ASEAN and India in width (pushing factor)

**Factors affecting investments
between ASEAN and India (contd.)**

- Globalization and regionalization are pulling countries in the world closer together, leading to strengthening the links among countries and regions in the world, eliminating barriers

**Factors affecting investments
between ASEAN and India**

- Regional and inter-regional economic organizations are formed with the purpose of promoting comparative advantages and raising the level of cooperation. The formation of mechanisms of economic cooperation between ASEAN and India in recent years has formed a legal framework to promote two-way FDI flows between ASEAN and India.

– Closeness in geography, history of trade relations, characteristics of economic demands and convergence of viewpoints have created a strong economic link between India and ASEAN (connecting factor)

- Trade relations between the Bay of Bengal through the Indian Ocean to the countries in the region lasting for centuries has created a tight bond between India and Southeast Asia

- The rise and development of India - the "South Asian elephant" along with pragmatism in international relations today have created a favorable atmosphere for investment cooperation between India and ASEAN

- India's potential economic growth has made ASEAN Secretary General Surin Pitsuwan say that "in future, India will be an engine for growth in Southeast Asia".

- Two-way trade between India and ASEAN witnessed a significant jump from the meager figure of 7 billion in 2000-2001 to \$ 57 billion in 2010-2011, an impressive increase of more than 8 times in a 10 year period.

India's Look East policy (pulling factor)

- ASEAN is seen as the foundation and core of India's Look East policy
- *"This region is one of the focal points of India's foreign policy, strategic concerns and economic interests...It is a fundamental fact of geography that India is in the immediate neighborhood of ASEAN"* - Prime Minister Atal Bihari Vajpayee (2002)
- *"India believes that ASEAN is the core around which the process of economic integration of the Asia-Pacific region should be built"* - Prime Minister Narasimha Rao (2010)

India's Look East policy (contd.)

- *"This was not merely an external economic policy, it was also a strategic shift in India's vision of the world and India's place in the evolving global economy. Most of all it was about reaching out to our civilizational neighbours in South East Asia and East Asia. I have always viewed India's destiny as being inter-linked with that of Asia and more so South East Asia. I reiterate India's commitment to work with ASEAN and East Asian countries to make the 21st century truly an Asian century"* – Prime Minister Manmohan Singh
- The Look East Policy not only contributes to enhance India's influence in the Asia - Pacific region, but also is a bridge connecting ASEAN and India closely

The convergence of interests of ASEAN and India (gravity factor)

- ASEAN and India share common interests relating to peace and security in the region
- For ASEAN countries, India is known as a *strategic balancing factor* in the economic integration of ASEAN to reinforce dynamic role in regional connectivity as well as the central role of the Free trade agreement in the region

The convergence of interests of ASEAN and India (gravity factor)

- For India, ASEAN is seen as a bridge, a great transit point for trade and for investment to connect to the East Asian markets.
- Close ties of India and Asian countries results from the cultural interference and economic interests in this region, where India wants to shape and confirms its position with a bigger role in future.

Situation of FDI in India and ASEAN

- FDI flows from India to ASEAN
- FDI inflows into ASEAN is now more diverse than ever before.
- Indian companies are becoming investors who play big parts in the wide range of industries in the manufacturing sector as well as services and agriculture.

Situation of FDI in India and ASEAN (contd.)

- *First wave from 1975 to 1990:*

India focused investing in developing countries having abundant labor force and cheap, abundant natural resources. India's total FDI to these countries in the first wave accounted for 86%. Southeast Asia region accounts for the largest proportion of investment of India at this stage. 4 members of ASEAN consisting of Thailand, Singapore, Indonesia, Malaysia ranked among the top 10 countries receiving the largest FDI in India during this period with a total investment of \$ 78.935 million, accounted for 35.46% of the total India's FDI during this stage
- *Second wave from 1991 until now:*

The second wave of FDI from India

- In the period from 1991 to March 3/2001, the Southeast Asian country received 379 projects with a total capital investment of up to \$299.35 million, accounted for 14.79% of total occupied projects, and 9.37% of the total FDI in India at this stage. Singapore and Malaysia continue to make to the top 20 largest countries receiving FDI from India. During this period, India focused its investment in the fields of information, technology, software, and civil engineering.
- From 2001 - 2005, FDI between India and ASEAN tends to "lag" down. Total FDI from India to ASEAN accounts for only 0.5% of the total capital of ASEAN's dialogue partners
- The decade from 2002 - 2012 witnessed the return of FDI flows from India to ASEAN. This is partly rooted in the direction of India's Look East policy, which defines economic benefits as India's priority, and this is one of the reasons for ASEAN to become an economic importance of India, accounted for 10% of India's foreign trade and over 10% of total FDI in India in the last decade. India ranks 6th among countries, providing foreign capital investment for ASEAN economies.
- → ASEAN is an important partner and investment destination for India. India's Direct investment flows into ASEAN increase over time.

ASEAN's Investment in India

- In the early 1990s, ASEAN investors consider India an appropriate and safe choice because it is an easy market without high technology demands.
- India - ASEAN deep relationship is reflected through the continuous development of the investment data from the ASEAN countries to India. The level of investment in ASEAN countries to India is still modest, not equal in size and level of investment.
- Singapore is known as one of the most significant trading and investment partners in India among ASEAN members. Singapore investment in India focuses on two areas of infrastructure and goods production, mainly in Pune, Lucknow and Vishakhapatnam. Singapore emerged as the second largest country having FDI inflow into India, at about \$19.14 billion from April 2000 to February 2013, accounting for 10% of total FDI inflows to India.
- Malaysia is the 25th largest investor in the total number of countries investing in India and the 3rd largest among ASEAN countries with a total investment reached \$ 252.97 million from April 2000 to March 2010.

- Thailand: in the first 4 months of 2014, total capital investment of Thailand to India was ranked 23/36 largest countries with a total FDI of \$55 million.
- Indonesia is also an important source of FDI in India. Indonesia was the 28th investors among countries investing FDI in India and the 2nd largest among ASEAN members. In the first 4 months of 2014, total capital investment into India from Indonesia was ranked 24/36 nations largest FDI in India this period with a total capital of \$ 48 million.
- Myanmar: the FDI inflow from Myanmar into India reached \$8.96 million from April 2000 to March 2010.
- Vietnam: the FDI inflows from Vietnam are relatively small compared to the number of projects and total invested capital from India in Vietnam. While India had 68 valid projects with a registered capital of \$251.35 million, ranked at 30 over 98 countries investing in Vietnam, Vietnam has only 3 investment projects in India, worthing \$23.6 million, ranked at 45/57 countries investing in India.
- The scale of ASEAN FDI inflows to India is relatively small and low (except Singapore), and there is uneven investment flows from ASEAN countries to Indian market. It results partly from the uneven economic development among ASEAN countries, on the other hand, it shows a "division" in "linking" and "connecting" degree in the bilateral relations of ASEAN countries and India.

Reviews and prospects on ASEAN-India FDI relations

• Reviews on ASEAN- India FDI relations

- Disparity in size and speed of investment
- Different choices of fields to invest
- Small proportion in the total FDI of each side

Subjective and objective reasons:

- Foreign ownership is limited in India
- India focuses not only ASEAN but also Australia, China and other East Asian countries
- Issue of protection in India and ASEAN
- ASEAN has not formed a common market.

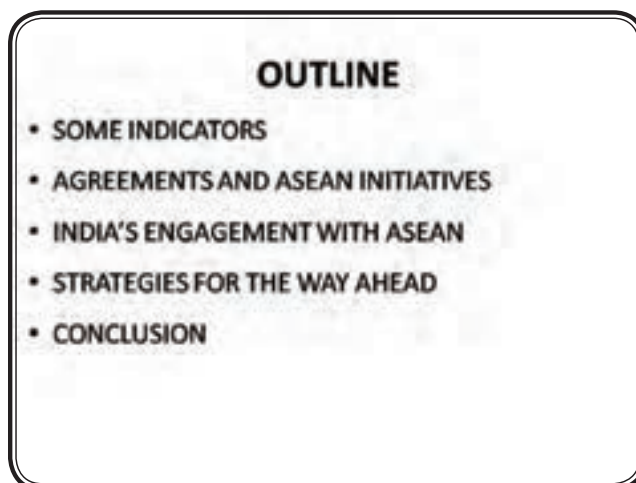
Prospects for FDI Cooperation ASEAN - India

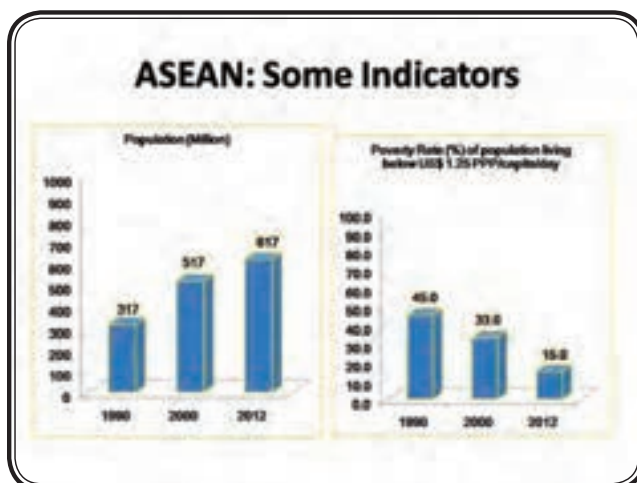
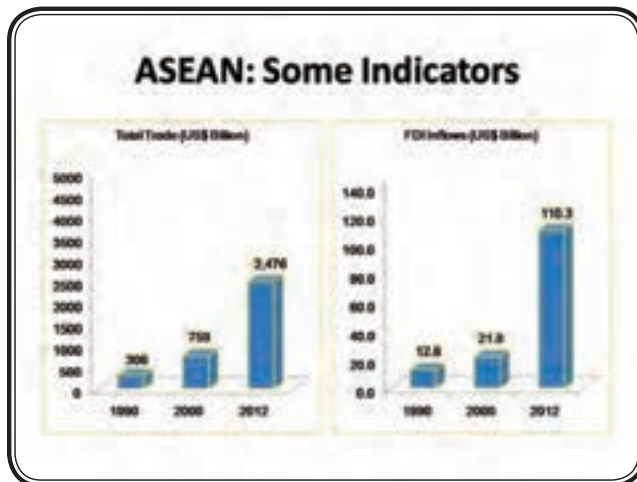
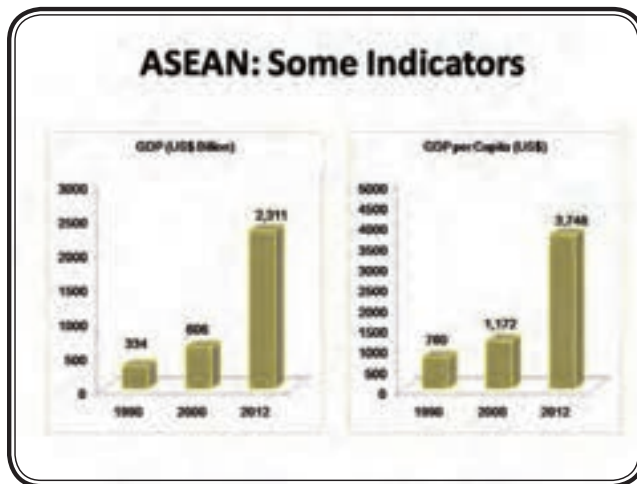
- FDI between ASEAN and India will definitely be improved step by step:
- The integration of India and ASEAN is based on a solid relationship.
- Attractiveness of ASEAN and India's investment market
- ASEAN – India Agreement on trade in services and investment, especially in the field of investment
- Increase of infrastructure connection

Thank you

India's Engagement with ASEAN: Seizing Investment Opportunities

-Shankaran Nambiar





India's Trade with ASEAN

- ASEAN and India FTA on 13 August 2009
 - Implemented in January 2010

In 2009

- Bilateral trade between India and ASEAN about US\$40 billion
- ASEAN accounted for more than 10% of India's global trade
- India's first FTA with a trade bloc of 10 members, having a combined GDP of more than US\$2 trillion

Presently

- Two-way trade now almost US\$80 billion
- 12% of India's exports and 9% of India's imports due to trade with ASEAN

Expectation

- 2015 - US\$100 billion
- 2020 - US\$ 800 billion

Assortment of Agreements

1. ASEAN Economic Community (AEC)
2. Regional Comprehensive Economic Partnership (RCEP)
3. Trans-Pacific Partnership (TPP)

Trans-Pacific Partnership (TPP)

- Arising out of agreement between New Zealand, Brunei, Singapore & Chile in 2005
- APEC members encouraged to join
- ASEAN participants: Brunei, Malaysia, Singapore, Vietnam
- High-level, stringent conditions, comprehensive
- Seen as being led by the U.S.

Regional Comprehensive Economic Partnership (RCEP)

- Led by ASEAN
- Reduce noodle-bowl effect
- Arising from ASEAN+1 FTAs with China, India, Japan, South Korea, Australia and New Zealand
- RCEP includes trade liberalization in goods, services, and investment, technical cooperation, IPR and dispute settlement
- Emphasis on ASEAN centrality and flexible

RCEP

- Open accession clause
 - Any ASEAN FTA partner can choose not to participate immediately
 - Participation of any other external economic partner
 - In addition to AEC's 5 priority service sectors
 - Air transport
 - E-ASEAN
 - Healthcare
 - Tourism &
 - Logistic services;
- RCEP's other foci are:
- Transportation
 - Distribution
 - Telecommunication, &
 - Financial services

RCEP

- 3 kinds of connectivity:
 - Physical
 - Institutional, and
 - People-to-people
- Liberalization of services such as to contribute to formation and development of regional production and distribution networks
 - Strengthen links with global production chains
- In sum: RCEP to promote economic cooperation
 - To be business-friendly
 - To promote SME growth

AEC

- The AEC Blueprint: AEC will “establish ASEAN as a single market and production base with the goal of making ASEAN more dynamic and competitive”
- 4 pillars to AEC:
 1. Single market and production base
 2. Competitive economic regions
 3. Equitable economic development
 4. Integration into global economy

AEC

1. Single market	➔	<ul style="list-style-type: none"> - Free flow of goods, services, investment, skilled labour - Freer flow of capital
2. Competitive economic region	➔	<ul style="list-style-type: none"> - Competition policy - Consumer protection - IPR - Infrastructure development - Taxation - E-commerce
3. Equitable economic development	➔	<ul style="list-style-type: none"> - SME development
4. Integration into global economy	➔	<ul style="list-style-type: none"> - Coherent external economic relations - Set 90% tariff elimination target - Adopt “common consensus” - Introduce trade facilitation - Enhanced ASEAN voice

ASEAN Initiatives

1. Single market and production base
 - Trade facilitation
 - ASEAN Single Window Gateway
 - National Single Windows
 - Mutual recognition arrangements (MRAs)
 - To achieve free flow of services – ASEAN Trade Agreement on Services (AFAS)
 - ASEAN Comprehensive Investment Agreement (ACIA) to liberalise and protect cross-border investment activities
 - ASEAN Exchanges – collaboration of stock exchanges
 - ASEAN Agreement on the Movement of Natural Persons

ASEAN Initiatives

2. **Competitive Economic Region**
 - Introduction of competition law and policy by 2015
 - ASEAN Highway Network (AHN)
 - ASEAN Power Grid (APG)
 - Trans-ASEAN Gas Pipeline (TAGP)
 - To connect gas pipeline infrastructure of AMS
 - ASEAN Open Skies Policy
3. **Equitable Economic Development**
 - Strategic Action Plan for ASEAN SME Development (2010-2015)
 - Initiative for ASEAN Integration (IAI)
 - ASEAN Framework for Equitable Economic Development (AFED)
4. **Integration into global Economy**
 - RCEP

India's Engagement with ASEAN

Why?

- Engagement with a growing area
 - Access to ASEAN's market for Indian business and vice-versa
- To extend trade and economic cooperation with China to the region
- To moderate China's economic preponderance in the region
- To further India's long-term economic aspirations

India's Engagement with ASEAN

How?

- In terms of architecture
 - Focus on RCEP
 - Keep TPP as a possibility
 - Respond to global forces
- In terms of initiatives
 - Respond to needs and aspirations of ASEAN
 - AEC's guidelines
 - Developmental
 - Institutional
 - Growth, i.e. manufacturing and services
 - AEC's initiatives a benchmark

India's Engagement with ASEAN

What?

- Opportunities for investment in ASEAN, equally available in India
- Opportunities for joint-ventures in ASEAN and India
- ASEAN older members are largely export-driven, relying on trade and investment
- Investment opportunities in:
 - Infrastructure (ports and shipping, airports, power, telecommunications, roads & highways, railways)
 - Pharmaceuticals & chemicals
 - Automotive industry
 - ICT
 - Engineering-based industries

India's Engagement with ASEAN

- Investment possibilities in services:
 - information technology - information technology enabled services (IT - ITES)
 - telecommunications
 - financial services
 - consulting and research services
 - private healthcare
 - biotechnology services
 - retail
 - logistics
 - legal and accountancy services
 - tourism and travel-related services
 - education and training services
 - film, television, animation

Strategies

- Liberalization initiatives are ongoing in ASEAN in view of AEC and RCEP
- India should keep pace with liberalization efforts in ASEAN
- Three important initiatives to keep track of:
 1. ASEAN Comprehensive Investment Agreement (ACIA)
 - an enhanced agreement that encompasses four pillars: liberalization, facilitation, protection, and promotion. It also
 - contains new features to further promote and encourage foreign direct investment inflows into ASEAN.
 - ACIA was signed in response to the competitive global environment for foreign direct investment with the aim of creating a freer and more open investment regime.

Strategies

- ACIA consolidates:
 - a. ASEAN Investment Area (AIA)
 - barriers to intra-regional investment would be lowered and removed, regulations would be liberalized, streamlined, and made more transparent, and incentives would be offered to boost regional investment
 - from ASEAN and non-ASEAN countries
 - b. ASEAN Investment Guarantee (AIG)
- 2. ASEAN Framework Agreement on Services (AFAS)
- 3. ASEAN Trade in Goods Agreement (ATIGA)

Strategies

- Undertake domestic reforms on investment liberalization in accordance with AEC commitments and aspirations
- Participate in RCEP while maintaining parallel track on investment liberalization measures
- Engaging in dialogue with AMS and pursue activities such as:
 - Joint investment promotion activities
 - Conduct regular consultation with investment agencies in ASEAN member states
 - Exchange lists of promoted sectors/industries
 - Share national scorecards on progress in investment liberalization and facilitation

Strategies

- Communicate to AMS:
 - Investment rules, regulations, policies, procedures
 - Simplify and expedite procedures for applications and approvals of investment projects
 - Proposals to improve India-ASEAN investment environment

Concluding Remarks

- India and ASEAN have the century ahead of them
- India's engagement with ASEAN paves way for investment cooperation with East Asia in ASEAN
- Opportunity for 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

THANK YOU

Indonesia-India Investment Cooperation: Prospects and Challenges

-Teddy Lesmana

Indonesia-India Investment Cooperation: Prospects and Challenges

Teddy Lesmana
Economic Research Center
The Indonesian Institute of Sciences

Third Roundtable on ASEAN-India Network of Think Tanks
(ANNITT)
ASEAN-India: Integration and Development
Hanoi, 26 August 2014

Outline

- Introduction
- India Investment Opportunities
- Indonesia Investment Opportunities
- Challenges
- Recommendation.

Introduction

- The **economy of India** is the tenth-largest in the world by nominal GDP and the third-largest by purchasing power parity (PPP).
- The country is one of the G-20 major economies, a member of BRICS and a developing economy that is among the top 20 global traders according to the WTO.
- Indonesia is also classified as G-20 and the tenth-largest by purchasing power parity (PPP).
- Given the economic description above, India and Indonesia have potential economic opportunities to co-operate with the ASEAN Countries.

Real GDP growth of Southeast Asia, China and India (annual percentage change)

	2012	2013	2014	2015
ASEAN Economies				
Brunei Darussalam	4.0	4.0	4.0	4.0
Indonesia	5.5	5.5	5.5	5.5
Malaysia	5.0	5.0	5.0	5.0
Philippines	6.0	6.0	6.0	6.0
Singapore	1.0	1.0	1.0	1.0
Thailand	6.5	6.5	6.5	6.5
ASEAN average				
Indonesia	5.5	5.5	5.5	5.5
China	7.5	7.5	7.5	7.5
India	7.5	7.5	7.5	7.5
Average of ASEAN & China and India	6.8%	6.8%	6.8%	6.8%
Change in investment in emerging Asia				
India	17	17	17	17
China	27	27	27	27
Average of Emerging Asia	2.0	2.0	2.0	2.0

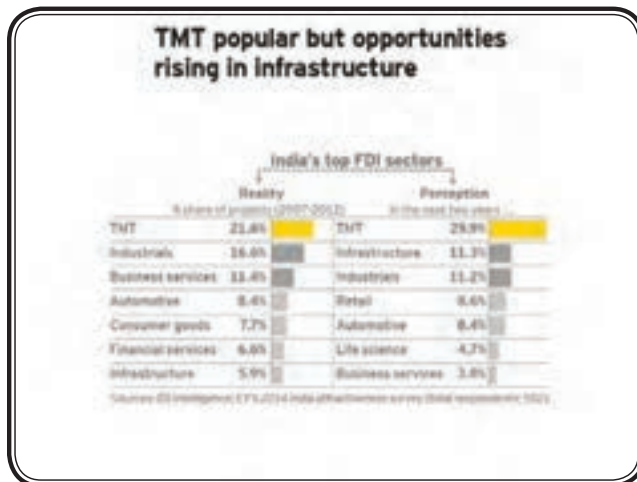
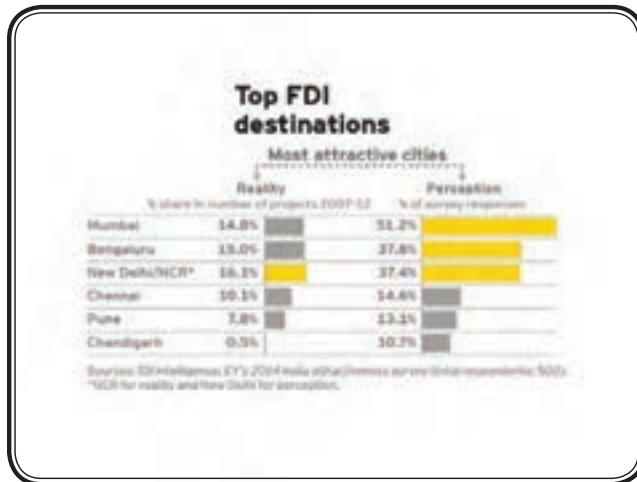
Notes: The real GDP data for India is as reported in GDP (domestic) and the real GDP (domestic) (China and India). * Excluding Brunei Darussalam and Indonesia.
 Source: IMF (International Country, IMF) (2015). For more detailed information on GDP, see IMF (2015) and IMF (2015).

Increased interest from the Middle East and Southeast Asia

FDI in India by source country or region (000 US\$)



Source: FDI Intelligence.



- ### Indonesia's Economy in Brief
- Growth in gross domestic product (GDP) moderated to 5.8% in 2013 from an average of 6.3% over the previous 3 years.
 - Growth in fixed investment slowed to 4.7% in 2013 after strong increases of about 9% annually in 2010-2012.
 - Private consumption remained robust in 2013, expanding by 5.3% and contributing half of the growth in GDP on the expenditure side.
 - Government consumption grew by 4.9%, which signaled some improvement in budget execution.

Selected Indonesia Economic Indicator

Selected Economic Indicators (%) - Indonesia	2014	2015
GDP Growth	5.7	6.0
Inflation	5.7	4.8
Current Account Balance (share of GDP)	-2.9	-2.0

Source: Asian Development Outlook (ADO) 2014; ADB estimates.

Indonesia Investment Priority Sectors

The Government of Indonesia sets its investment priority sectors every five years. Under the 2010-2014 National Mid-Term Development Plan, the priority sectors are:

- Infrastructure/Transportation
- Oil, and Gas
- Power
- Mining
- Telecommunications
- Manufacturing and Agriculture

Potential Projects by Sectors

Potential Projects by sectors			
No.	Sector (Sub-sector)	Quantity	Project Cost (US dollars)
1	Oil Transportation	1	1.00
2	Land Transportation	3	6.07
3	Marine Transportation	10	9.00
4	Railways	6	6.00
5	Port Road	50	50.00
6	Water Resources	-	-
7	Water Supply	24	5.76
8	Sea of Trade and Navigation	6	5.27
9	Telecommunications	-	-
10	Power	6	3.00
11	Oil and Gas	-	-
	Total	100	80.00

The Government of Indonesia is consistently sustaining the momentum of Public Private Partnership (PPP) development in order to accelerate the provision of infrastructure. The following projects summary are adopted from "The PPP Book 2013", which is primarily intended to inform potential investors, lenders and contractors about the opportunities available in Indonesia to become a private partner in a PPP Project. The PPP Book is therefore the presentation of PPP opportunities in Indonesia to the world.

The PPP Book now consists of 27 projects, arranged in three categories: potential, prospective, and ready for offer PPPs. In this 2013 edition there are 14 prospective projects and 13 potential projects. To date, 21 projects listed in previous books have already gone to tender.

Public-Private Partnership Projects



Challenges in Investment (India)

- Political Challenge:** The support of the political structure has to be there towards the investing countries abroad. This can be worked out when foreign investors put forward their persuasion for increasing FDI capital in various sectors like banking, and insurance.
- Federal Challenge:** Very important among the major challenges facing larger FDI, is the need to speed up the implementation of policies, rules, and regulations. The vital part is to keep the implementation of policies in all the states of India at par.
- Resource challenge:** India is known to have huge amounts of resources. There is manpower and significant availability of fixed and working capital. At the same time, there are some underexploited or unexploited resources.
- Equity challenge:** India is definitely developing in a much faster pace now than before but in spite of that it can be identified that developments have taken place unevenly.

Challenges in Investment (Indonesia)

- Indonesia is faced by the less developed of infrastructure. Road, electricity supply, harbor, and any other infrastructures, which support the economy activities.
- Harmonization of national and regional implementation.
- Investment procedure is still long enough compared to countries.
- Insufficient supply of energy required for industrial activities.
- Regulations that impede investment climate.
- The distribution of investment is still concentrated in Java and less optimal implementation of technology transfer.

Recommendation

- Improve government procedures and the ease of doing business. Better governance will reduce transaction costs, helping a wide range of activities, including growth in exports.
- Restore and improve infrastructure and connectivity between two countries.
- Technological transfer and mutual investment cooperation.

Recommendation



ASEAN-India Project Development Facility

- Prabir De

ASEAN-India Project Development Facility

Prabir De

ASEAN-India Centre & RIS

New Delhi

3rd Roundtable of ASEAN-India Network of Think
Tank (AINTT)

25-26 August 2014, Hanoi

Why investment cooperation?

- Direct relation between FDI and trade
 - HFDI (market-seeking) vs. VFDD (efficiency-seeking)
- Major determinants of FDI flows: market size, exchange rate, taxes, government policies, trade barriers and quality of institutions
- FDI from ASEAN to India may narrow rising trade gap in goods
- Countries that implement trade facilitation reforms and enhance trade efficiency and connectivity are generally expected to attract more FDI (Duval, 2014).
- When tariff becomes low, firms in source country benefit from trade liberalization induced scale economies than moving in host country with FDI.
- Border barriers are removed, NTMs are streamlined and economic corridor is established, VFDD between ASEAN and India is predicted to occur.

Inward FDI to India from ASEAN

Period: 2000 – June 2014

Country	FDI Inflows (US\$ million)	Share in total (%)
Singapore	26,632.95	11.85
Malaysia	720.79	0.32
Indonesia	621.31	0.28
Thailand	175.71	0.08
Philippines	53.64	0.03
Myanmar	8.96	0
Vietnam	0.24	0
ASEAN	28,223.60	12.56
Japan	16,963.33	7.35
South Korea	1,455.68	0.65
Hong Kong	1,232.88	0.55
Australia	600.68	0.27
China	410.77	0.18

Source: DIPP, Government of India

Investment need in infrastructure

- Asia needs to invest US\$ 8 trillion in overall national infrastructure during 2010-2020 (ADB/ADBI, 2009)
 - US\$ 290 billion in specific regional infrastructure projects such as transportation, energy pipelines, a.o
- India's investment US\$ 1 trillion in infrastructure sector in 12th Five Year Plan (2012-17)
 - US\$ 229 billion in 2002-2007 (actual)
 - US\$ 484 billion in 2007-2012 (actual)
- Investment is needed in development of backend infrastructure in India's Northeast, and CLMV and islands of ASEAN

ASEAN-India Project Development Facility (PDF)

- To mobilize financing to accelerate the speed of cross-border connectivity projects delivery.
- To bridge the gap between sustainable connectivity plans and real investment through supporting all activities necessary to prepare and mobilise investment .
- To encourage private sector investment in border economies, particularly SMEs

Functions

- PDF activities include feasibility studies, stakeholder and community mobilisation, financial engineering, business plans, technical specifications, procurement procedures., etc.
- It shall focus on high-impact regional projects in the energy, transport, ICT, SMEs, SEZs, customs, education, health and water sectors.

International cases

- European Commission's Project Development Assistance (PDA)
 - Consortium: EIB, KfW, EBRD, CEB, etc.
- Africa Development Bank's Africa50
 - Mobilizing private financing to accelerate the speed of infrastructure delivery
 - Project development + project finance
 - US\$ 100 billion capital to start with
- Asian Development Bank's project specific Regional PDF

What ASEAN-India PDF shall do?

- Mobilise resources for connectivity projects: cross-border + backend linkages
 - Infrastructure vs. non-infrastructure (agriculture, tourism, etc.)
 - PPPs vs. non-PPP projects
- US\$ 100 million capital support to start with
- Major funding: Government of India + ASEAN-6 + multilateral banks
- PDF Secretariat to be located at MEA

WORKING SESSION: IV

Way Forward

List of Presentations in Session: IV

Way Forward

Wisarn Pupphavesa

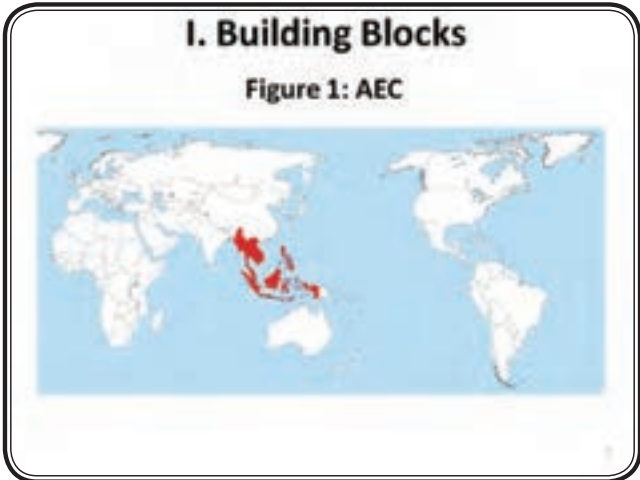
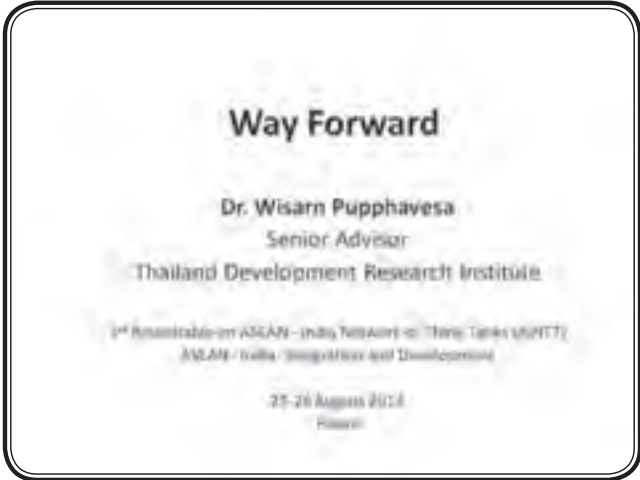
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Way Forward

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I. Building Blocks

Figure 2: RCEP



I. Building Blocks

Figure 3: TPP



I. Building Blocks

Figure 4: APEC



II. Current ASEAN-India FTA and other ASEAN+1s

- Existing multiple tariff structures in each member against other members of RCEP with higher rate against the more competitive partners.
- Fragmented and quite costly on selective products.
- Still a few products under quota tariff with administratively small items.
- Remaining significantly protecting tariff within each member and among members of RCEP.
- Some progress on reducing and eliminating NTBs while a few more NTBs being added.
- Slow progress in services liberalization, especially key sectors such as transportation, communication, energy, etc.
- Slow progress in trade facilitation.
- Large gap in capacity to identify, negotiate, implement and enforce policy measures and rules for benefits of liberalization among stakeholders within the country and among member countries of RCEP.
- Of particular interest under ASEAN-India FTA, there are still large numbers of sensitive and highly sensitive products in both Thailand (HS products at HS 4-digit) and India (HS products at HS 6-digit).

III. RCEP: Promises and Short Comings

Promising high quality regional FTA

- broader and deeper with significant improvements over existing ASEAN+1 FTAs.
- including trade and investment facilitation between member countries and in global and regional supply chain.
- including technical assistance and capacity building.
- comprehensive covering trade in goods, trade in services, investment, economic and technical cooperation, intellectual property, consumer dispute settlement and other issues.
- open accession to new partners.

Shortcomings:

- ASEAN+1, etc. countries

IV. Empirical and Simulation Findings

Modified Gravity Model Analysis

- Trade facilitation variables have stronger effects than tariff on trade flows in chemicals, plastic & rubbers, metals industries where the supports is found in other industries.
- Trade facilitation in exports have stronger effects than trade facilitation in imports.

RCA Analysis

- About half of major complementary exports and imports between RCEP members are traded less intensive than the world average.

GTAP Analysis

- Reduction of barriers of trade in services and NTBs would increase GDP growth and welfare of RCEP member countries a great deal more than tariff reduction.

V. ASEAN Should Aim High

Most of the slow or lack of progress in trade liberalization were attributable to ASEAN's hesitance and limited capacity to liberalize.

ASEAN should stand to benefit a great deal from greater liberalization and trade facilitation.

Also rationalizing 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 development gap in favor of the less developed members would enable ASEAN to have concerted effort in trade liberalization and inference as well as strengthen ASEAN Centrality.

ASEAN would gain even more should all ASEAN members join in TPP to enhance ASEAN role in success of a balanced TPP and bridging RCEP with TPP.

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Dr. Yose Rizal Damuri is Head of the Department of Economics, Center for Strategic and International Studies. His research activities focus on international trade, regional integration and globalisation of value chain. He is active in several research and advisory networks both in Indonesia and in East Asia, such as Indonesia Service Dialogue (ISD) and Asia-Pacific Research and Training Network on Trade (ARTNeT). Dr. Yose also teaches International Economics courses at the Faculty of Economics University of Indonesia. In addition, he occasionally writes in local and national newspapers. He received his Bachelor of Economics from the Faculty of Economics, University of Indonesia. He continued his study at the National Centre for Development Studies, Australian National University (ANU), Canberra and got his Master of Economics of Development (MEcDev). He received his PhD in International Economics from the Graduate Institute of International Studies (HEI), Geneva, Switzerland.

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Dr. Prabir De is the Coordinator of the ASEAN-India Centre (AIC) and Professor at the Research and Information System for Developing Countries (RIS). Dr. De works in the field of international economics and has research interests in international trade and development. He was a visiting research scholar of the Asian Development Bank Institute (ADBI), Tokyo; Korea Institute of International Economic Policy (KIEP), Seoul; and United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), Bangkok. He has been conducting policy research for the Government of India and several international organisations. Dr. De has a Ph.D in Economics from the Jadavpur University, Calcutta. He has contributed several research papers in international journals and written books on trade and development. He is the editor of *South Asia Economic Journal*, published by Sage.

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Dr. Do Duc Dinh is currently President of the Centre for Economic and Social Research, and was former Director of the Vietnam's Institute for Africa and Middle East Studies. He worked at some think tanks of Vietnam like the Institute of Vietnam Economics and the Institute of World Economics and Politics. He has taught at some universities in Vietnam such as the National University of Hanoi and the University of National Economy. He was a visiting scholar and visiting professor to a number of universities in other countries like the Harvard University and the John Hopkins University in the USA, the University of Toronto in Canada. His research interests are primarily in the field of developing countries' development, particularly in the areas of industrialisation, socio-

economic reforms, regional economic integration and international economic relations. He is the author of 15 books, co-author of over 20 books, and more than a hundred academic papers and articles published in Vietnam and abroad.

Rastam Mohd Isa

Tan Sri Rastam Mohd Isa has been appointed as the Chief Executive of ISIS Malaysia on 1 January 2014. He graduated with a Bachelor of Social Science (Hons) degree from Universiti Sains Malaysia, Penang, Malaysia (1974). He also holds a Master of Arts degree in International Relations and Strategic Studies from the University of Lancaster, U.K. (1986) and a Certificate of Diplomacy from the University of Oxford, U.K. (1977). Tan Sri Rastam spent more than 36 years as a career diplomat in the service of the Government of Malaysia. He began his career in the Malaysian Administrative and Diplomatic Service (PTD) as an officer attached to the Ministry of Foreign Affairs in April 1974. He served in various capacities at the Ministry and Malaysian diplomatic missions abroad, including as High Commissioner of Malaysia to Pakistan (1994-1996), Ambassador of Malaysia to Bosnia Herzegovina (1996-1998), Ambassador of Malaysia to the Republic of Indonesia (1999-2003) and Permanent Representative of Malaysia to the United Nations in New York (2003-2005). He returned to serve as Deputy Secretary General for Political Affairs at the Ministry in August 2005 and was appointed as Secretary General of the Ministry of Foreign Affairs on 8 January 2006. He was Chairman of the Non Aligned Movement Coordinating Bureau, (NAM-COB) in New York (2003-2005). Tan Sri Rastam Mohd Isa was appointed as Special Envoy of the Government of Malaysia on the Implementation of Exchange of Letters between Malaysia and Brunei Darussalam in September 2010 and as an Advisor at the Chief Minister's Department, Sarawak in November 2010. He is also currently an independent and non-executive member of the board of directors of Eversendai Corporation Bhd. and Sime Darby Energy Sdn. Bhd. Tan Sri Rastam has received Federal and State awards namely, the Panglima Setia Mahkota (PSM), SSAP, PJN, SIMP, DIMP, KMN and AMN. He is married to Puan Sri Norizan Sulaiman. They have three children.

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Ambassador V.S. Seshadri did his Ph.D. in Applied Mathematics from the Indian Institute of Science, Bangalore (1973-78). Currently, Vice-Chairman, Research and Information System for Developing Countries (RIS), New Delhi. Ambassador Seshadri joined the Indian Foreign Service in 1978. He was Ambassador of India to Slovenia, Ljubljana, (2007-2010) and Ambassador of India to Myanmar, Yangon (2010-2013). He also served as Minister (Commerce) in Embassy of India, Washington DC (2003-06); Joint Secretary in-charge of WTO matters in Ministry of Commerce (1999-2003); Joint Secretary (ITP) in Ministry of External Affairs (1998 -99); Counsellor and Deputy Permanent Representative of India to ESCAP (1993-97); and Director (SAARC) in Ministry of External Affairs (1997). The earlier assignments of Dr. V.S. Seshadri included: Third Secretary and subsequently Second Secretary in High Commission of India, Nairobi (1980-83); Under Secretary (UN), Ministry of External Affairs (1983-86); First Secretary (Trade Policy) in Indian Mission to European Community in Brussels (1986-89); and First Secretary & Counsellor (Commerce) in Embassy of India in Tehran (1990-92).

Nyunt Maung Shein

Ambassador Nyunt Maung Shein has served the Government of Myanmar for forty years before retiring as Ambassador/Permanent Representative to the United Nations Office in Geneva in 2008. He held various diplomatic positions at Myanmar Missions in Bern, Hanoi, Bangkok, Dhaka and Tokyo. He was Ambassador Extraordinary and Plenipotentiary to the Republic of Korea (2001-2002) and the Federal Republic of Germany (2002-2005) with concurrent accreditation to Austria, Poland, Finland and the Czech Republic as well as the Ambassador/Permanent Representative to the UNIDO, UNODC and IAEA, Vienna. He served in the Political Department in different capacities as Director of Boundary Division, (1990-1992), Deputy Director General (1996) and Director-General (1998-2000). He has represented his country at the Senior Official's Meeting (SOM) and other related meetings of ASEAN including summits. He holds a BSc. Degree from the University of Yangon and MIPP (Master of International Public Policy) from SAIS, the Johns Hopkins University, Washington DC, USA and a Diploma in French from the University of Foreign Languages, Yangon. He received several medals from the Government for his services; the highest being the Excellent Performance in Administration Medal (First Class) awarded to him in the year 2000. Since January 2013 he is serving as the Chairman of the Myanmar Institute of Strategic and International Studies (MISIS), which is a prominent think-tank in the Asia-Pacific Region.

Ngo Sothath

Mr. Ngo Sothath is a currently a Secretary General of the Cambodian Economic Association (CEA), a professional society of Cambodian researchers and practitioners from various circles of development. Primarily, Sothath conducts operational and policy-oriented research in the areas of public finance, investment and industrial development, rural development, and governance of natural resources including extractive industries. He earned his bachelor's degree in business administration and master's degree in development studies.

Pou Sothirak

Ambassador Pou Sothirak is the Executive Director of the Cambodian Institute for Cooperation and Peace (CICP), which is a noted think-tan of Cambodia. CICP is dedicated to the study and dissemination of information about political, economic, and social trends in Cambodia and the region of Southeast Asia as a whole.

Nguyen Xuan Thang

Dr. Nguyen Xuan Thang, President of the Vietnam Academy of Social Sciences (VASS), is a member of the Central Committee of the Communist Party of Vietnam (CPV). He is also the Vice Chairman of the Theoretical Commission of the Central Committee of the CPV, member of the National Advisory Council of Financial and Monetary Policies, member of the National Council of Science and Technology Policy. Dr. Nguyen Xuan Thang is the Professor in Economics, before becoming the President of the Vietnam Academy of Social Sciences, he was the Academy's Vice President and the Director General of the Institute of World Economics and Politics. He is the author and chief-author of many publications in the fields of economics and politics, such as *World and Vietnam's Economy in 2011 and Prospects for 2012*, *Development gaps and economic security in ASEAN*, *Economic cooperation strategy adjustments in Asia and Pacific in the new context*. He has been leading various important research projects at the State and Ministerial level, e.g. *Impacts of globalisation and international economic integration upon the process of industrialisation and modernisation in Vietnam*, *Policy choices for services development in Vietnam in the context of international economic integration*, *The relationship between independent, self-control and international economic integration in the new context in Vietnam*.

Poon Thiengburanathum

Dr. Poon Thiengburanathum is the director of Infrastructure and Construction Management Research Unit, Chiang Mai University. He holds a M.S. and Ph.D. in Civil Engineering, Department of Civil, Environmental and Architectural Engineering, University of Colorado at Boulder.

Vo Xuan Vinh

Dr. Vo Xuan Vinh is the Head of Politics and International Relations Department, Institute for Southeast Asian Studies (ISEAS), Vietnam Academy of Social Sciences (VASS), Hanoi. He has done his PhD thesis on 'ASEAN in India's Look East Policy'. His thesis was published in 2013. He has undertaken research on India's Look East Policy, the process of ASEAN Community building, East Sea/South China Sea disputes, and politics of Thailand and Myanmar. His research paper on 'Vietnam India Relations in the Lights of India's Look East Policy' was published in Sapru House paper series, one of the publications of India Council for World Affairs (ICWA), in 2012. He also presented his paper on 'India and the Concept of Indo Pacific' at Delhi Dialogue VI in New Delhi, March 2014. He has presented his research papers in national and international conferences in Vietnam, Cambodia, Indonesia, Malaysia, Myanmar, Thailand and India. He has also contributed articles in journals in Vietnam and India. He is now leading a two-year project on Reforms in Myanmar.



Glimpses of the Roundtable



Glimpses of the Roundtable



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ASEAN-India Economic Relations: Opportunities and Challenges



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.

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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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