



Ambassador Ong Keng Yong
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Distinguished Speakers, Guests and Participants
Ladies and Gentlemen,

Good morning.

It is my pleasure to have this opportunity to address such a distinguished audience. Today's Conference on economic integration, economic corridors, and emerging architecture is both timely and appropriate. *Timely* because as the world economy continues to recover from a severe downturn, it's about time that economies in the region transform themselves and develop their optimal strategies to sustain the recovery beyond the crisis. It is also *appropriate* that countries act together to compete in a highly integrated global system. In my view, a crucial element of this economic transformation is economic integration.

For India and East Asia, the road to integration has already been traversed, although the road is still a long one. A key challenge is how to implement integration initiatives and make them work. As you know well, integration involves many aspects. It goes beyond preferential trade access, and encompasses specific strategies and approaches to achieve full integration. For example, the creation of regional economic

corridors – such as transportation corridors – makes it possible for countries to access previously unreachable markets in the same region.

Against this backdrop, I would like to focus my remarks today on the role of economic corridors in integration, not only in terms of facilitating connectivity, but also as a holistic strategy to development. Then, I will discuss the synergies between ASEAN Connectivity and economic corridors, including key initiatives that support them. Finally, in keeping with the Conference theme on India-East Asia economic integration, I will talk about recent developments in ASEAN-India economic cooperation and integration.

Role of economic corridors in regional integration

Over the years, both India and East Asia have been witness to the increasing forces of economic globalization and regional integration. By providing regional public goods and taking advantage of specialization, regional integration has enabled countries in the region to overcome their capacity constraints and specialize on specific activities in which their cost advantage is clearly defined. For example, India's success in information technology and business outsourcing is well known; in the same manner that East Asia's advantage in manufacturing is also internationally recognized.

While the strategies for effective integration are not uniform across regions, countries do well when integration is tailored to the economic geography of countries, i.e., allowing geographic distribution of activities within and among countries. One good example of this is the creation of regional infrastructure such as economic corridors.

Economic corridors refer to infrastructure improvement. In particular, transport links or corridors are of course essential for the movement of goods, services, capital, people, and information across countries. Physical connectivity alone is not sufficient in itself. It has to be enhanced by a combination of cross-border software (i.e. harmonization of regulations, procedures, and standards, open market and globalized perspectives, efficient transport logistics, and global transport networks). Thus, regional collective action is needed to develop Asia-wide physical connectivity, which requires regional and sub-regional cooperation for both cross-border hard infrastructure and related software.

Going beyond transport corridors, the Asian Development Bank (ADB), for example, first used the term “economic corridor” in relation to its Greater Mekong Subregion program in 1998 to encompass cooperation in infrastructure in order to help promote economic growth and social development. The economic corridor framework “integrates physical infrastructure to production, trade and investment, by way of minimizing non-physical cross-border barriers within a specific geographic area in order to promote increased flow of trade and investment, expanded access to raw materials and external markets, regional development in border areas, and increased efficiency in the use of economic space.”

ASEAN Connectivity and economic corridors

Let me now discuss recent efforts in ASEAN on connectivity, which is a cornerstone of our integration agenda.

Although ASEAN did not have explicit initiatives that employed the economic corridor framework until very recently, ASEAN Leaders have expressed support for economic corridors particularly along the CLMV countries. Also, ASEAN’s initiatives on connectivity, trade and investment liberalization and facilitation as well as the broader initiatives towards establishment of the ASEAN Economic Community (AEC) by 2015 provide significant synergies to the various economic corridors involving ASEAN Member States.

In ASEAN, connectivity refers to the physical, institutional and people-to-people linkages that comprise the foundational support and facilitative means to achieve the economic, political-security and socio-cultural pillars towards realizing the vision of an integrated ASEAN Community. The deepening and widening of connectivity in the region would reinforce ASEAN’s position as the hub of the East Asian region and preserve the centrality of ASEAN, which could further be strengthened through realizing the potentials of a broader connectivity in the longer term with its partners in the wider region.

Physical connectivity, encompassing both hard infrastructure in transport, ICT and energy infrastructure as well as the regulatory framework and the software necessary to deliver associated services and utilities, plays a crucial role in the process toward a more

economically and socio-culturally integrated ASEAN region, through trade- and investment- facilitating infrastructure, potential reductions in trade-related costs, and by facilitating people-to-people contact.

There are two flagship land transport infrastructure projects within ASEAN, namely the ASEAN Highway Network (AHN) and the Singapore-Kunming Rail Link (SKRL).

The AHN is an expansion of the 'Trans-Asian Highway' network within ASEAN. It is ongoing project and significant progress has been made by ASEAN Member States in terms of increasing the length and upgrading the road quality of the highway. There are still missing links and below standard roads in some Member States.

As for rail infrastructure, the SKRL flagship project was proposed at the Fifth ASEAN Summit in December 1995 targeted for completion by 2015. It covers several routes through Singapore–Malaysia–Thailand–Cambodia–Viet Nam–China (Kunming) and spur lines in Thailand–Myanmar and Thailand–Lao PDR. Currently there are 4,069 kilometers of missing links or links which needs to be rehabilitated in 6 Member States including Cambodia, Lao PDR, Malaysia, Myanmar, Thailand and Vietnam.

In maritime transport, the ASEAN Port Network consisting of 47 designated ports in nine ASEAN countries form the backbone of the trans-ASEAN port network. In air transport infrastructure, the airports in ASEAN capital cities are considered sufficient in terms of runway lengths to accommodate the existing operation of aircrafts.

All these physical linkages will be rendered sub-optimal if the goal of seamless transport does not progress in parallel through the software of regional agreements and institutional arrangements for cross border transport. To complement the developments and efforts in building physical connectivity through hard infrastructure, ASEAN is pursuing three land-based transport facilitation agreements and their protocols and three roadmaps for the integration of air and maritime transport and logistics services.

In addition to the ASEAN initiatives, ASEAN Member States are also involved in various sub-regional cooperation programs that seek to promote physical, institutional, and people-to-people connectivity. Many

of these sub-regional initiatives are coordinated and supported by the Asian Development Bank (ADB), and supported by programs parallel to the mechanisms of ASEAN cooperation.

There are currently three major sub-regional initiatives in the ASEAN region: (i) the Greater Mekong Sub-region (GMS) established in 1992, which is composed of Cambodia, Lao PDR, Myanmar, Thailand, Vietnam, and China; (ii) the Brunei Darussalam, Indonesia, Malaysia, and the Philippines-East ASEAN Growth Area (BIMP-EAGA) established in 1994; and (iii) the Indonesia, Malaysia and Thailand-Growth Triangle (IMT-GT) established in 1994. In particular, GMS initiatives have proven fairly successful. There will be a presentation on GMS Economic Corridors, so I will not go into the details. Suffice to say, in all these sub-regional initiatives, most projects involve infrastructure projects and trade and transport facilitation, as well as investment promotion and facilitation.

Similar to ASEAN's initiatives on connectivity, sub-regional initiatives play potentially critical roles in addressing both the development gaps and connectivity gaps between and within countries in the ASEAN region. And the synergies between ASEAN's initiatives and the various sub-regional initiatives are specifically recognized in the Master Plan for ASEAN Connectivity drawn up by the High-Level Task Force on ASEAN Connectivity, which was established by the ASEAN Leaders in 2009.

In particular, the Master Plan for ASEAN Connectivity identified the need to promote links and interface among the various sub-regions to broaden and deepen these partnerships, given the larger geographical coverage and synergy that can be generated among the sub-regions. Many ASEAN programs, particularly those in infrastructure, human resources and the environment, could be implemented with greater focus and at a more rapid pace when carried out in the smaller area and context of the sub-regions.

Enhancing coordination among the GMS, BIMP-EAGA and IMT-GT sub-regional programs with ASEAN will help bridge the gap between project-driven "bottom-up" and policy-driven "top-down" approaches to economic integration and promote closer linkages between the sub-regional programs and ASEAN. It will also be necessary to examine how to more closely coordinate the three sub-regional programs in terms of sub-regional analyses and assessments, program and project planning.

I believe the sub-regions can be used as test cases for accelerating the implementation of relevant ASEAN agreements to contribute towards acceleration of ASEAN economic integration. Conversely, the sub-regions can capitalize on the existing ASEAN Economic Community initiatives in order to further strengthen their development agendas. A useful start would be the mapping of sub-regional action plans and sector roadmaps vis-à-vis the AEC Blueprint. This mapping exercise would assist in the identification of short-term and long-term measures for strengthening coordination and promoting links among these sub-regional programs and with ASEAN mechanisms.

Bearing these synergies in mind and to assist the Member States, it is then necessary to align the sub-regions in order to accelerate the development of ASEAN's regional market and connectivity. The synergies between ASEAN and the sub-regional economic programs offer immense potential for growth and development. Governments will use these synergies to strengthen coordination between the ASEAN institutional processes and the sub-regional programs. Furthermore it will have provided ASEAN with the mandate to work closely with the sub-regional platforms to initiate policy measures and develop technical assistance, and raise these with ASEAN's decision-makers.

I believe the Master Plan on ASEAN Connectivity also provides the foundation for wider-regional connectivity in East Asia with ASEAN as the hub. For example, in August 2008, the Economic Ministers of ASEAN+6 affirmed the importance of linking infrastructure development and industrial development planning as it endorsed the Economic Research Institute for ASEAN and East Asia's (ERIA) East Asia Industrial Corridor (EAIC) Research Project for region-wide comprehensive development. Linking India with the Mekong is a key component in the integration of East Asia and EAIC. The Mekong-India Economic Corridor (MEIC) involves integrating the four Greater Mekong countries (Myanmar, Thailand, Cambodia, and Viet Nam) with India through its east coast. Growing trade and investment linkages between India and the Greater Mekong countries will add further momentum to corridor development.

Last year, at the East Asia Summit on the Global Economic and Financial Crisis, the EAS Leaders called on ERIA, ADB and ASEAN Secretariat to work together to prepare a coherent master plan, which would contribute to coordinating, expediting, upgrading and expanding sub-

regional initiatives and promoting private sector participation. Later, ERIA will be presenting on the Comprehensive Asia Development Plan (CADP). The intention of CADP is to provide a coherent master plan of economic infrastructure and industrial placement in East Asia, including ASEAN, to deepen regional integration, stimulate economic growth, and narrow the development gap.

ASEAN-India economic integration

As I've mentioned earlier, ASEAN and India have been working together on a number of integration and cooperation initiatives over the years.

ASEAN and India's Trade in Goods Agreement entered into force on January 1, 2010. Under the Agreement, tariffs on over 4,000 product lines will be eliminated by 2016 and sensitive products have been given a longer timeframe to phased-in for tariff liberalisation. Both sides are now consolidating the trade in services and investment provisions and have set themselves an ambitious target of 2010 to complete the two agreements as a single undertaking.

With a combined market of over 1.8 billion people and a GDP of almost US\$2.75 trillion and geographical proximity, potential for ASEAN-India cooperation is immense and waiting to be further tapped. Despite the slowdown in trade flows due to the global financial crisis, India remained a major export and import market for ASEAN. In 2009, India's share of ASEAN's total exports amounted to US\$ 26.5 billion (3.3%) and total import share of India reached US\$ 12.5 billion (1.7%). ASEAN has also remained an important investment destination for India with a significant increase from USD 698.6 million in 2008 to USD 983.6 million in 2009, representing a growth of 40.8 percent.

These developments show the deepening of the partnership between ASEAN and India in the economic front, and is in fact a product of the long years of engagement between them. It is also a clear indication of the intertwining of ASEAN's outward looking perspective and India's "Look East Policy", which would allow us to forge deeper economic integration initiatives in the future as we view each other as natural extensions of our strategic and economic space.

India's economic engagement with ASEAN Member States is also visible at the sub-regional level. Sub-regional initiatives include the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMST-EC) and the Mekong Ganga Cooperation (MGC), focusing on various activities that bring India and ASEAN Member States closer.

For example, BIMSTEC's main priorities include transport connectivity, technological development, tourism, fisheries, energy, agriculture and human resource development. And efforts to further enhance cooperation are still on-going. At the 12th BIMST-EC Ministerial Meeting in Myanmar in December 2009, the Ministers endorsed a study that aims at improving transportation and communication linkages and greater connectivity among the member countries.

The MGC, on the other hand, has its priorities focused on the development of transportation networks, which include the East-West Corridor project and the Trans-Asian Highway. The East-West Corridor visualizes linking the Bay of Bengal to the South China Sea. The project was finalized in December 2006. The Trans-Asian Highway is expected to connect Singapore to New Delhi via Kuala Lumpur, Ho Chi Minh City, Phnom Penh, Bangkok, Vientiane, Chiang Mai, Yangon, Mandalay, Kalemjo, Tamu, Dhaka and Kolkata. There is also a proposal to build a rail link from Hanoi in Vietnam to New Delhi in India which will pass through Myanmar, Laos, Thailand and Cambodia. The link will integrate India's northeast with the Mekong delta and southern China and can be of significant economic benefit.

Overall, however, these initiatives have not been as successful as the GMS initiatives for instance. The challenge is how to strengthen them, perhaps incorporate them into the CADP.

Conclusion

In closing, I would like to reflect on three important challenges facing India-East Asia economic integration.

First, given the challenges of economic globalization, India and East Asia could be more competitive if, working together, efforts are strengthened to remove bottlenecks to growth, improve infrastructure such as economic corridors, and create an environment conducive for cross-

border investment and financial flows to thrive. I think these are the essential conditions for countries in the region to compete in a global system.

Second, good institutions and regional infrastructure matter. Considering that India and East Asia are geographically distant from the major world markets, the only way to attract investors in the region is to ensure that they can access the home markets through well-functioning institutions and infrastructure. As we all know, weak institutions and breakdowns in the rule of law may undermine the ability of our countries to integrate globally and regionally.

Finally, it goes without saying that the challenges of integrating our region cannot be solved by the governments alone. While incentives and regional institutions and infrastructure are crucial, I believe that deeper integration in East Asia will only be achieved if the various stakeholders involved in integration – governments, the private sector, civil society, regional institutions, and multilateral organizations – can work together to expand opportunities in the region.

I wish your Conference a great success. Thank you.

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