

Mega Regional Agreement: Implications for ASEAN-India Ports and Shipping

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ASEAN-India trade growing exponentially, showing signs of production networks

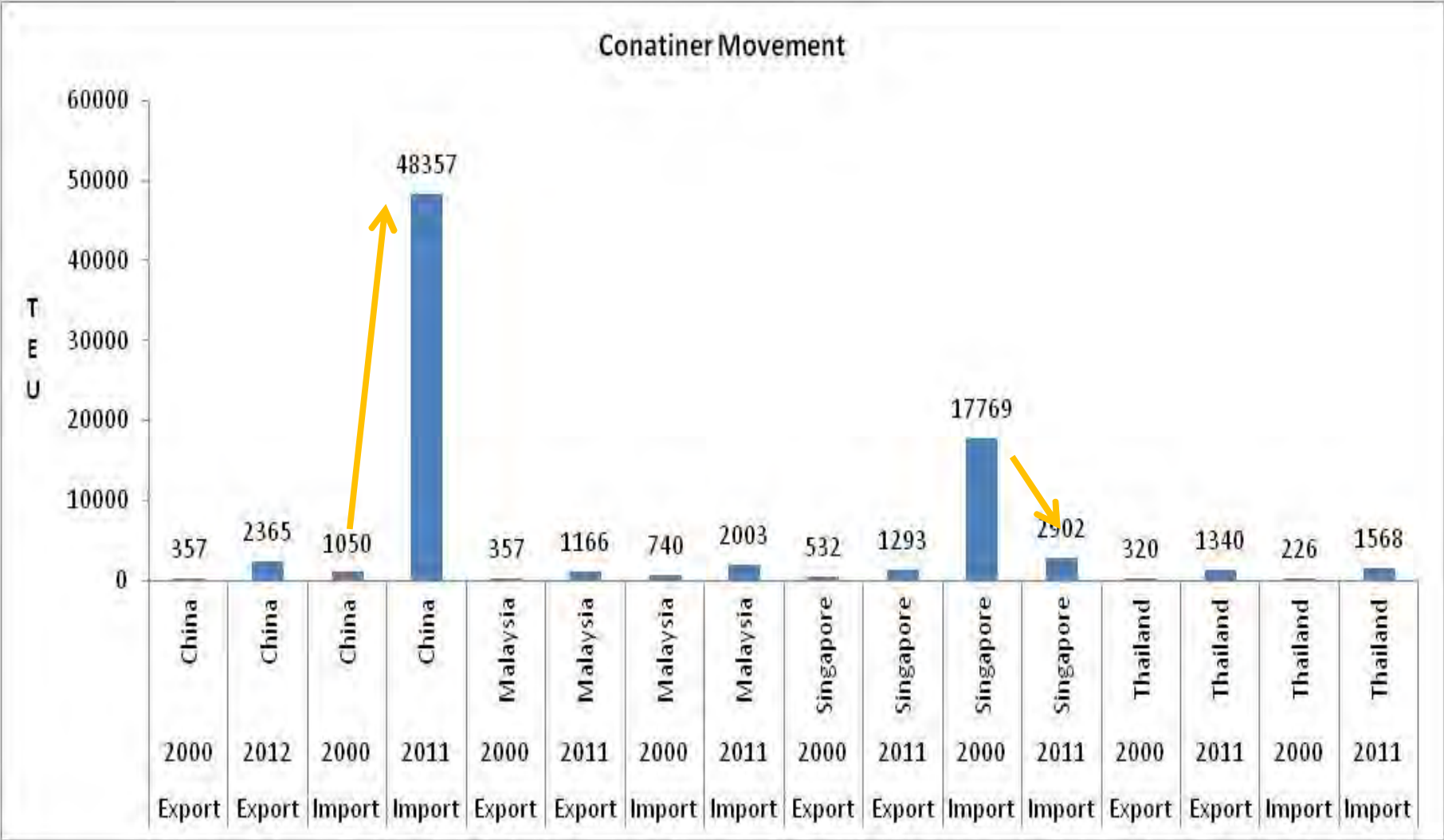
- India's trade with ASEAN growing exponentially, 23% CAGR
 - US\$ 7.13 billion in 2000
 - US\$ 76.26 billion in 2012
- ASEAN as India's partner in 2012
 - 11% export share; 9% import share
- ASEAN-India FTA in goods from 2010, services + investment to be added in 2013
- RCEP a new hope to Asian integration; account for 21% of India's goods export (2012)
- India's low trade with CLMV countries, showing lot of potential
- Rise in trade in parts and components in capital goods

Partner	2000	2009	2012	CAGR
	(US\$ billion)			(%)
ASEAN	7.13	41.32	76.26	23.16
ASEAN+3	14.57	101.47	182.23	21.48
World	92.96	422.85	787.68	17.57
ASEAN share* (%)	7.67	9.77	9.68	
ASEAN+3 share* (%)	15.67	24.00	23.14	

*Share in country's total trade

Source: Calculated based on DOTS, IMF

Estimated trends in India's trade in P&C with Southeast Asia



Source: De (2013)

Megaregional overview

- Some megaregional agreements: TTP (12), RCEP (16), TTIP (2)
- Aim to create large economically integrated spaces at the regional level (in Asia), as well as at the trans-Atlantic and trans-Pacific levels
- India is part of RCEP (16 member countries)
- Features of RCEP:
 - Gradually reduce tariff and non-tariff barriers on most trade in goods to create a free-trade area;
 - Largely eliminate restrictions and discriminatory measures on trade in services for all sectors and modes of services;
 - Create an open and facilitative climate for investment;
 - Address the special needs of less developed ASEAN countries through early elimination of tariffs on products of interest to them and provision of development assistance to narrow development gaps;
 - Provide for a dispute-settlement mechanism to effectively resolve trade disputes.

RCEP in the global economy

- Significant economic benefits in long run (several simulations suggest)
- Income gains reaching \$644 billion (or 0.6% of world GDP) by 2025 (Petri, Plummer and Zhai 2012)
- Many questions and challenges remain

Measure	Magnitude	Share of World
Population	3.4 billion	49.0% (2012)
GDP (Current)	\$ 21.4 trillion	30.0% (2012)
Trade (Goods & services exports and imports)	\$ 12.9 trillion	29.3% (2011)
FDI Inflow	\$ 402.8 billion	26.4% (2011)
FDI Outflow	\$ 378.9 billion	22.4% (2011)

Note: Based on IMF

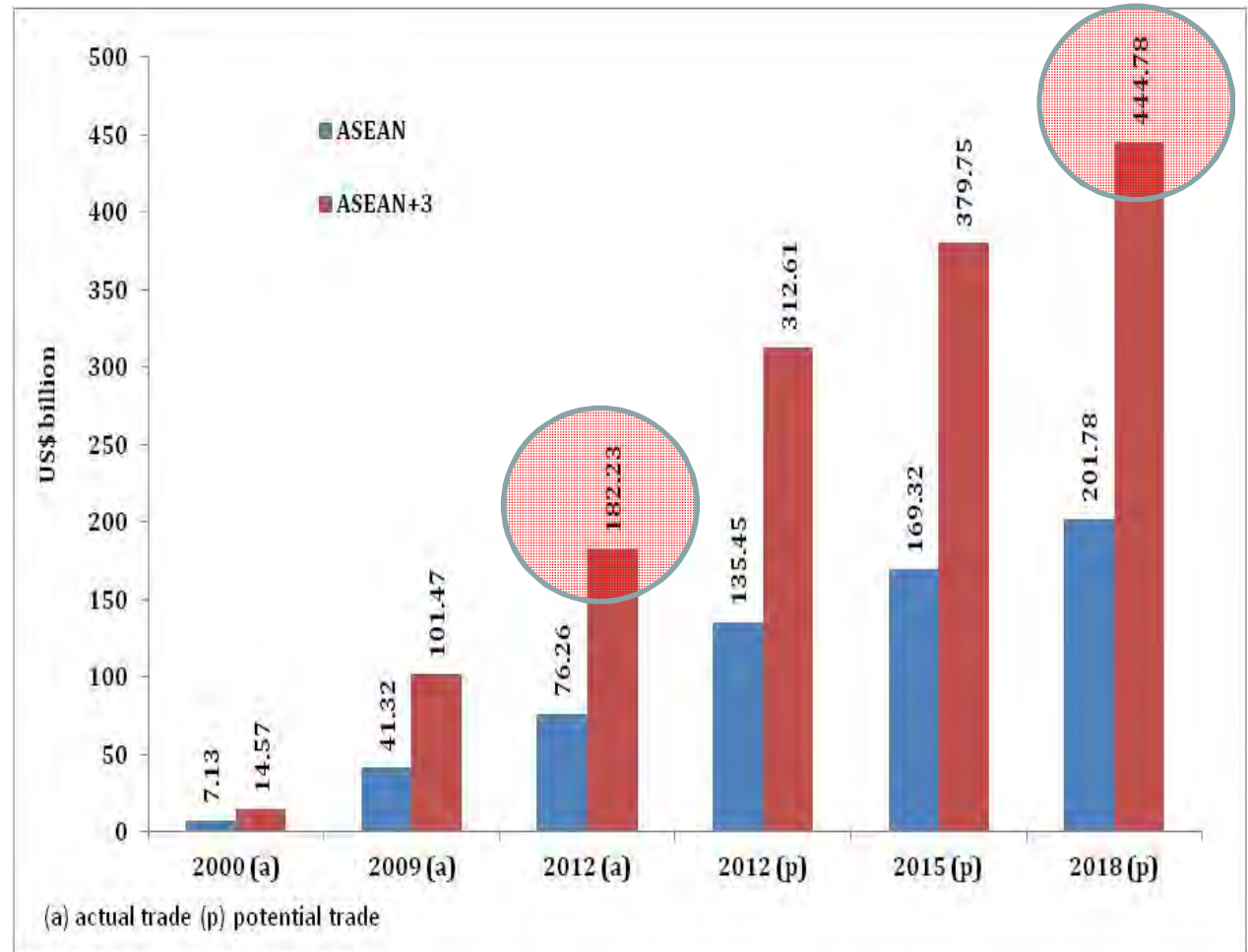
India's share in 2012

External PTA	% Share in World GDP	% Share of Exports in World Trade	% Share of Imports in World Trade	Intra-Regional Trade in Group	%Share of India's Imports	%Share of India's Exports
TPP	38.42	31.4	39.86	26.79	18.98	23.03
TTIP	45.09	40.28	44.42	37.17	24.65	31.27
EU-ASEAN	26.35	38.72	38.42	41.11	27.46	27.78

Source: Borrowed from Joseph (2014)

India's trade potential with ASEAN+3 likely to cross US\$ 500 billion by 2020

- India and ASEAN to strengthen regional connectivity and integration, particularly through cross-border infrastructure.



*Based on an augmented gravity model
Source: De (2013)

India's trade potential

Partner	2000	2009	2012	2012	2015	2018
	Actual	Actual	Actual	Potential	Potential	Potential
	(US\$ billion)					
Brunei	0.003	0.511	1.002	2.143	2.897	4.022
Cambodia	0.009	0.045	0.121	1.028	1.983	3.875
Indonesia	1.308	10.736	20.261	33.443	43.439	50.328
Lao PDR	0.005	0.021	0.168	0.845	1.439	3.023
Malaysia	1.957	8.387	14.171	27.663	34.435	38.825
Myanmar	0.227	1.405	1.875	6.308	8.983	11.559
Philippines	0.249	1.017	1.610	8.852	11.032	13.011
Singapore	2.308	12.769	22.487	26.909	31.122	35.276
Thailand	0.845	4.276	8.966	18.338	21.002	25.635
Vietnam	0.220	2.149	5.599	9.918	12.983	16.230
ASEAN	7.131	41.316	76.261	135.447	169.315	201.784
China	2.207	38.995	68.878	103.328	125.902	148.232
Japan	3.783	9.572	19.202	35.654	40.542	45.111
Korea	1.446	11.589	17.894	38.181	43.992	49.652
ASEAN+3	14.567	101.471	182.234	312.610	379.751	444.779

Source: De (2013)

Connectivity is central to ASEAN-India strategic partnership

- ASEAN – India Eminent Persons Group Report 2012
- ASEAN – India Vision Statement 2012
- Two major windows:
 - FTA (software) – e.g. RCEP, Single Window in Customs
 - Connectivity / services links (hardware) – e.g. Trilateral Highway
- Connectivity in India shows two structures:
 - National connectivity [DMIC, DFC, NMDP, a.o]
 - Regional connectivity [TH, KMTTP, MIEC, a.o]
- India's regional connectivity with ASEAN two axis:
 - North East India [multimodal & intermodal type]
 - Southern India [multimodal]

Key barriers to ASEAN-India Trade:

Stylized facts

- High NTBs
- High non-physical barriers
- Inadequate infrastructure – national and regional (inadequate and poor stock and link of infrastructure)
- Lack of trade facilitation and absence of regional transit trade
- Unfavourable currency in border trade
- Inconsistent and difficult border crossing formalities and procedures
- Restrictive visa regime
- Different standards on vehicles and drivers across countries
- Restrictions on entry of motor vehicles
- Etc.

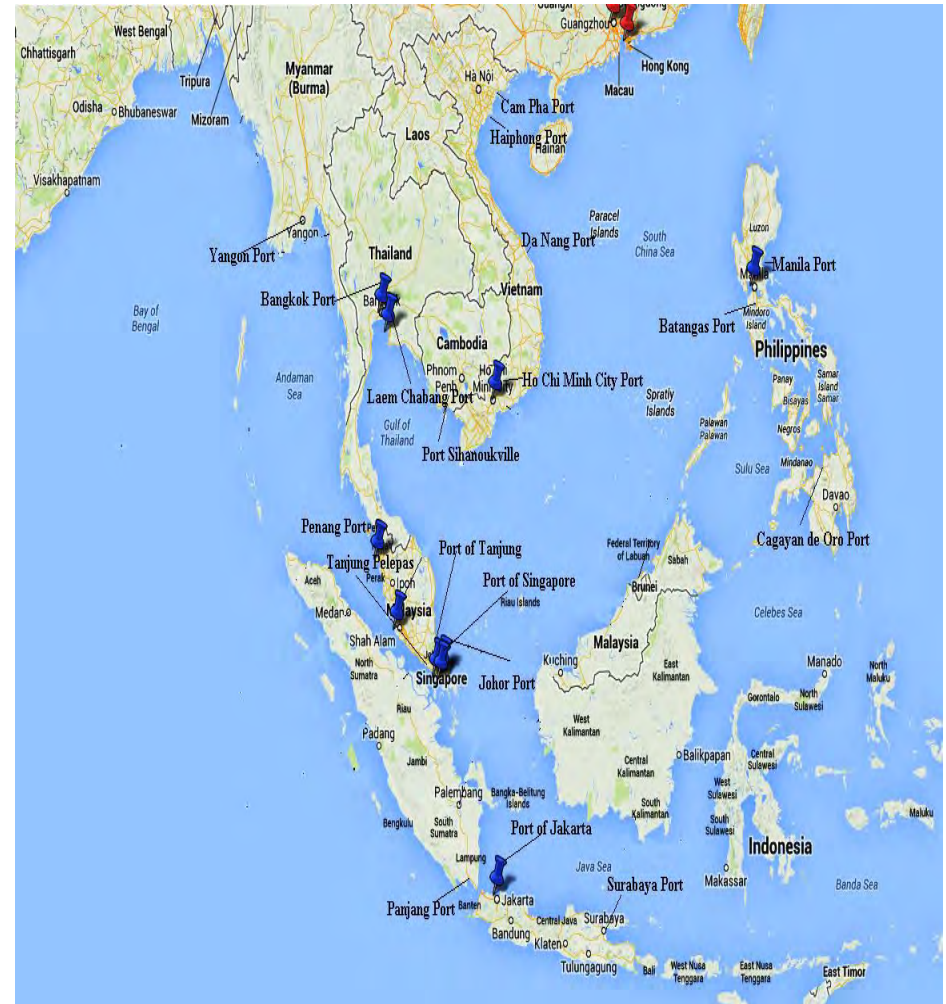
Why a stronger maritime connectivity?

- Key to production network in certain products and sectors
- Building stronger value chains
- Linking various economic and development corridors in Asia
- WTO TFA, scope for reengineering of trade processes and procedures
- Environmental benefits

ASEAN-India maritime links

Country	Coastline (km)	Number of Seaports	Number of Container Ports	Container Port Traffic, 2011 (Million TEUs)	Gross Register Tonnage, 2010
Brunei	161	1	1	0.11	9
Cambodia	443	2	1	0.24	544
Indonesia	54716	154	9	9.04	1340
Malaysia	4675	25	12	19.91	315
Myanmar	1930	1	1	0.20	29
Philippines	36289	62	7	5.26	446
Singapore	193	1	1	30.73	1599
Thailand	3219	20	7	7.17	363
Vietnam	3444	15	6	6.32	579
China	14500	172	32	139.74	2030
India	7517	212	16	9.98	340
Japan	29751	292	40	18.89	684
Korea	2413	16	9	20.83	786

Port locations



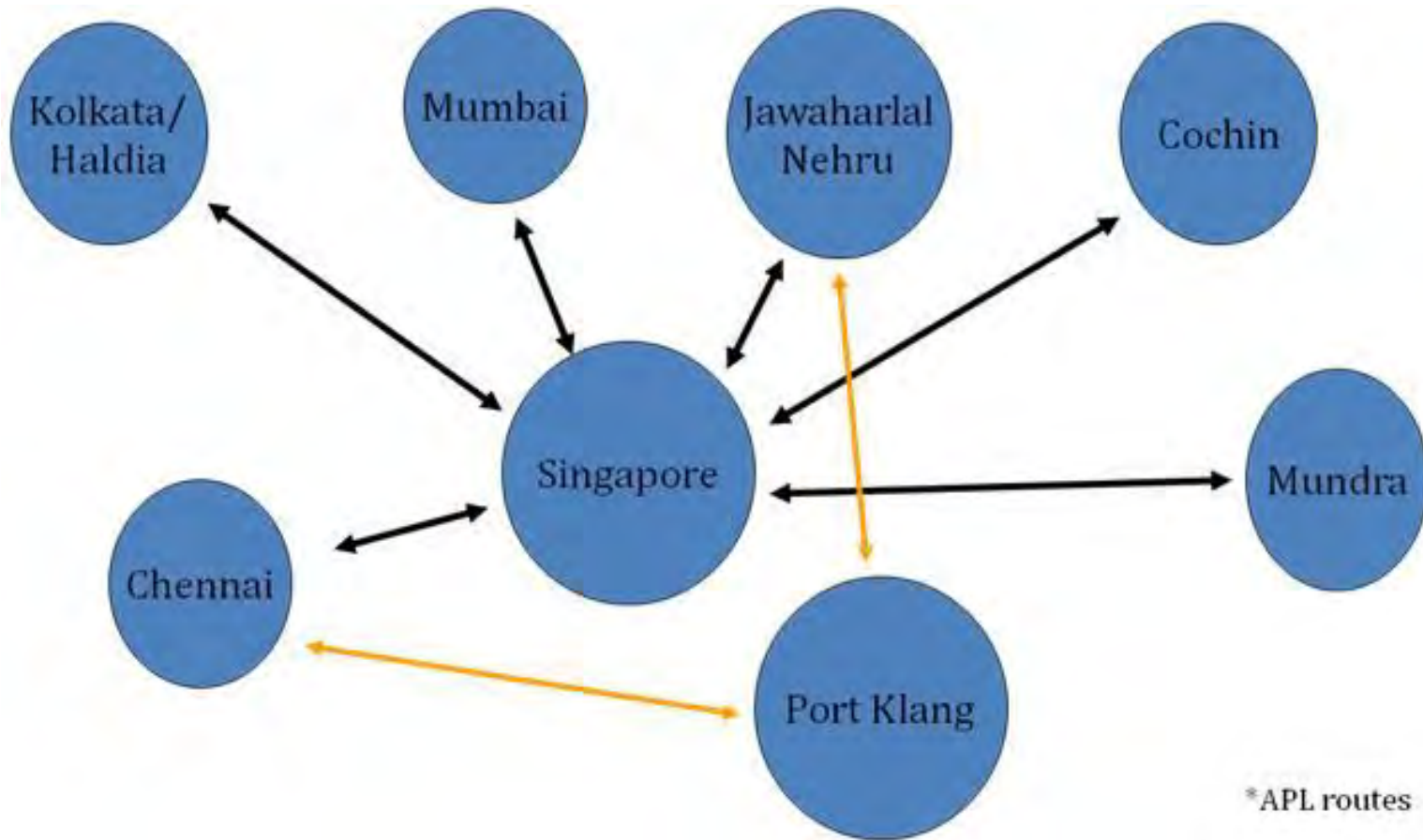
India's Containerized Trade with ASEAN

Country	2009-10	2010-11	2011-12
	(million TEUs)		
Indonesia	0.97	0.58	0.26
Malaysia#	0.50	0.51	0.47
Philippines	0.07	0.06	0.03
Singapore#	0.25	0.33	0.35
Thailand	0.40	0.48	0.41
Vietnam	0.29	0.31	0.26
China	2.47	3.46	4.14
Japan	0.35	0.76	0.72
Korea	0.33	0.46	0.32
Total above	5.64	6.93	6.96

Container vessels operating between India and ASEAN

Country	2009-10	2010-11	2011-12
	(vessels per week)		
Indonesia	4	2	1
Malaysia#	2	2	2
Philippines	0	0	0
Singapore#	1	1	1
Thailand	1	2	2
Vietnam	1	1	1
China	9	13	15
Japan	1	3	3
Korea	1	2	1
Total	21	26	26

Liner network pattern



Liner network, mainline operation & port rotation

Direct call, container trade



*MAERSK routes

Shipping Corporation's Shipping Services

- **Shipping Corporation of India's 'India/Far East' Cellular Service**
- **INDFEX 1 Service**
- This is a weekly direct service from India's West Coast to Central China, Korea, Hong Kong, Singapore and Malaysia, operated with five vessels of 2700-2900 TEUs, on a round voyage schedule of 35 days. The four Vessel Operating Partners are the SCI, PIL, K Line & Wan Hai, with one vessel each. The fifth vessel is a shared vessel by all the partners. The vessel deployed by the SCI is of 2700 TEU capacity and the average weekly allocation for the SCI is about 650 TEUs. Port rotation for this service is as follows: Shanghai - Ningbo – Hong Kong - Singapore – Port Klang - Nhava Sheva - Colombo - Singapore - Shanghai
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- **CIX-2 Service**
- This is a weekly direct service from North China to India's West Coast with the following ports of call: Xingang – Qingdao – Laem Chabang- Singapore – Tanjung Pelepas – Port Kelang (North Port) – Port Kelang (West Port) – Nhava Sheva – Colombo – Port Kelang (North Port) – Port Kelang (West Port)- Singapore –Tanjung Pelepas

Challenges to ASEAN-India Maritime Connectivity

- High intra-ASEAN gap in liner shipping connectivity.
- Shortage of port capacity and shipping sizes
- Very few direct calls
- High port handling charges
- Lack of skilled human resources,
- Absence of an institutional mechanism.
- Trade deficit in sea freight transportation services weakens India's maritime bargaining position.
- Absence of feeder operators to link Indian ports such as Vizag, Kolkata and Haldia with ASEAN countries.

UNCTAD's LSCI

Year	2013	2008	2004
Brunei	4.61	3.68	3.91
Cambodia	5.34	3.47	3.89
Indonesia	27.41	24.85	25.88
Malaysia	98.18	77.6	62.83
Myanmar	6.00	3.63	3.12
Philippines	18.11	30.26	15.45
Singapore	106.91	94.47	81.87
Thailand	38.32	36.48	31.01
Vietnam	43.26	18.73	12.86
China	157.51	137.38	100
India	44.35	42.18	34.14
Japan	65.68	66.63	69.15
Korea	100.42	76.4	68.68

High maritime services deficit weakens India's position globally

		2000		2005		2012	
		Value	Share	Value	Share	Value	Share
		(US\$ mln)	(%)	(US\$ mln)	(%)	(US\$ mln)	(%)
SEA TRANSPORT FREIGHT	Export	1534.01	77.53	4244.64	73.77	7218.39	41.23
	Import	6285.20	72.22	13759.80	66.54	6878.29	11.37
OTHER SEA TRANSPORT	Export	158.88	8.03	995.50	17.30	2726.02	15.57
	Import	1202.66	13.82	2252.73	10.89	35754.60	59.13
TRANSPORTATI ON	Export	1978.71	100.00	5754.08	100.00	17506.70	100.00
	Import	8703.16	100.00	20677.60	100.00	60471.30	100.00

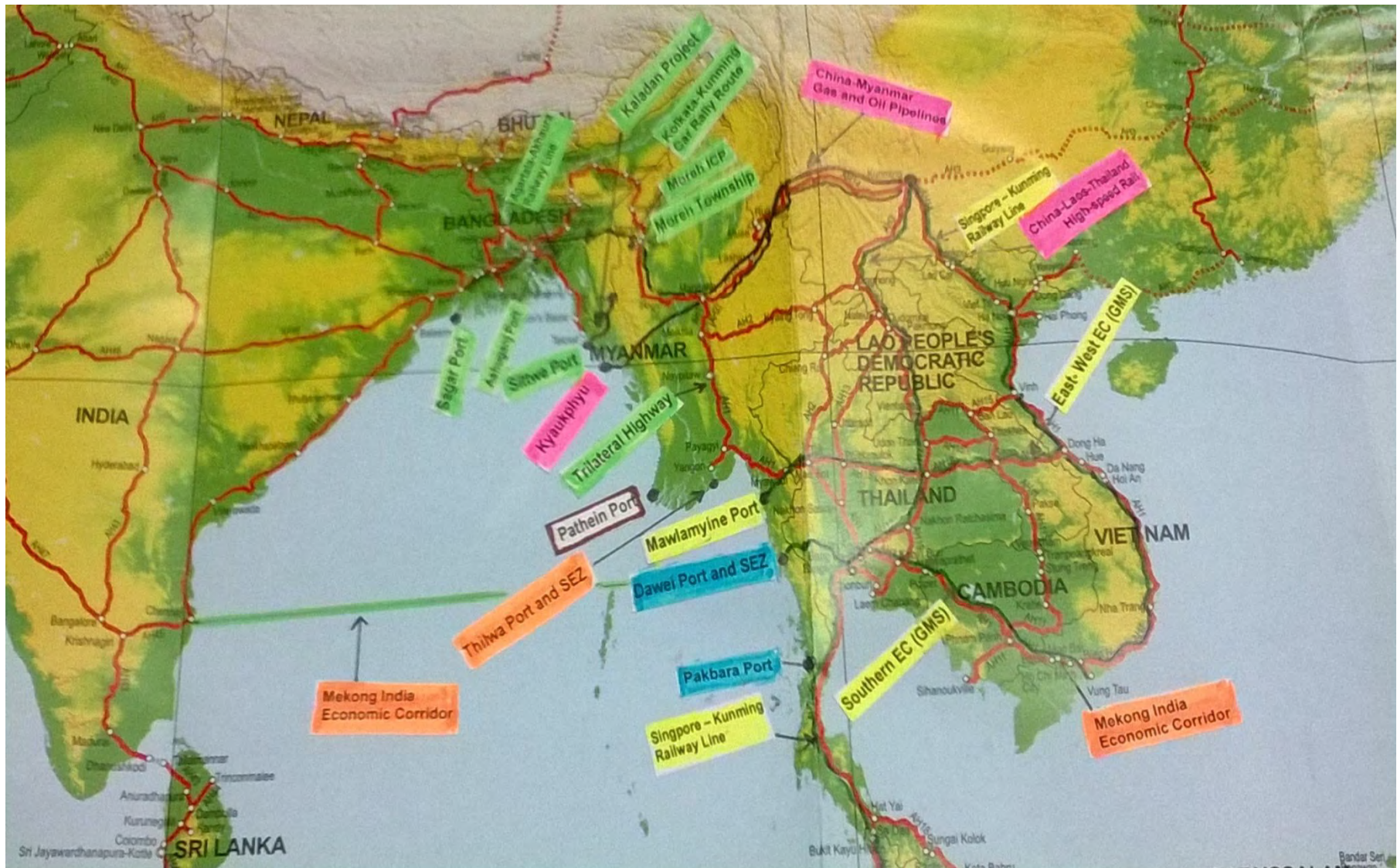
Singapore port's high THC

Port	Export		Import	
	TEU	FEU	TEU	FEU
Singapore-COC	141.96	210.60	141.96	210.60
Singapore-SOC- TP	89.70	136.50	89.70	136.50
Singapore-SOC- TP -OOG	273.00	409.50	273.00	409.50
Singapore-SOC-Local- LADEN	117.00	167.70	117.00	167.70
Singapore-SOC-Local- MTY	62.40	92.04	62.40	92.04
Singapore-SOC-Local- OOG	339.30	507.00	339.30	507.00
Singapore-SOC-Local- DG	179.40	257.40	179.40	257.40
Jawaharlal Nehru	76.80	120.00	69.68	106.48
Chennai	67.60	101.27	67.60	101.27
Mundra	76.08	112.00	77.28	113.92
Tuticorin	50.08	70.64	50.08	70.64
Cochin	79.28	113.54	79.28	113.54

India – Southeast Asia connectivity projects

1. Integrated check posts (ICP): Moreh / Tamu in 2015
2. Kaladan Multimodal Transit Transport Project
3. India – Myanmar – Thailand Trilateral Highway and further extension to Cambodia, Lao PDR and Vietnam
4. The new corridor: India-Myanmar-Lao PDR-Viet Nam-Cambodia
5. Rih – Tidim Road in Myanmar
6. Delhi – Hanoi Railway Link: DPR on Tamu – Kalay missing link
7. Imphal – Mandalay bus and air services
8. Mekong – India Economic Corridor
9. Sitwee SEZ and Port and IWT – Sitwee port to be ready by December 2013
10. BCIM economic corridor
11. MIEC-SKRL link
12. India – ASEAN open sky*
13. India – ASEAN ocean shipping network*
14. India – ASEAN gas and oil pipeline*
15. India – ASEAN ICT link*

Connectivity projects

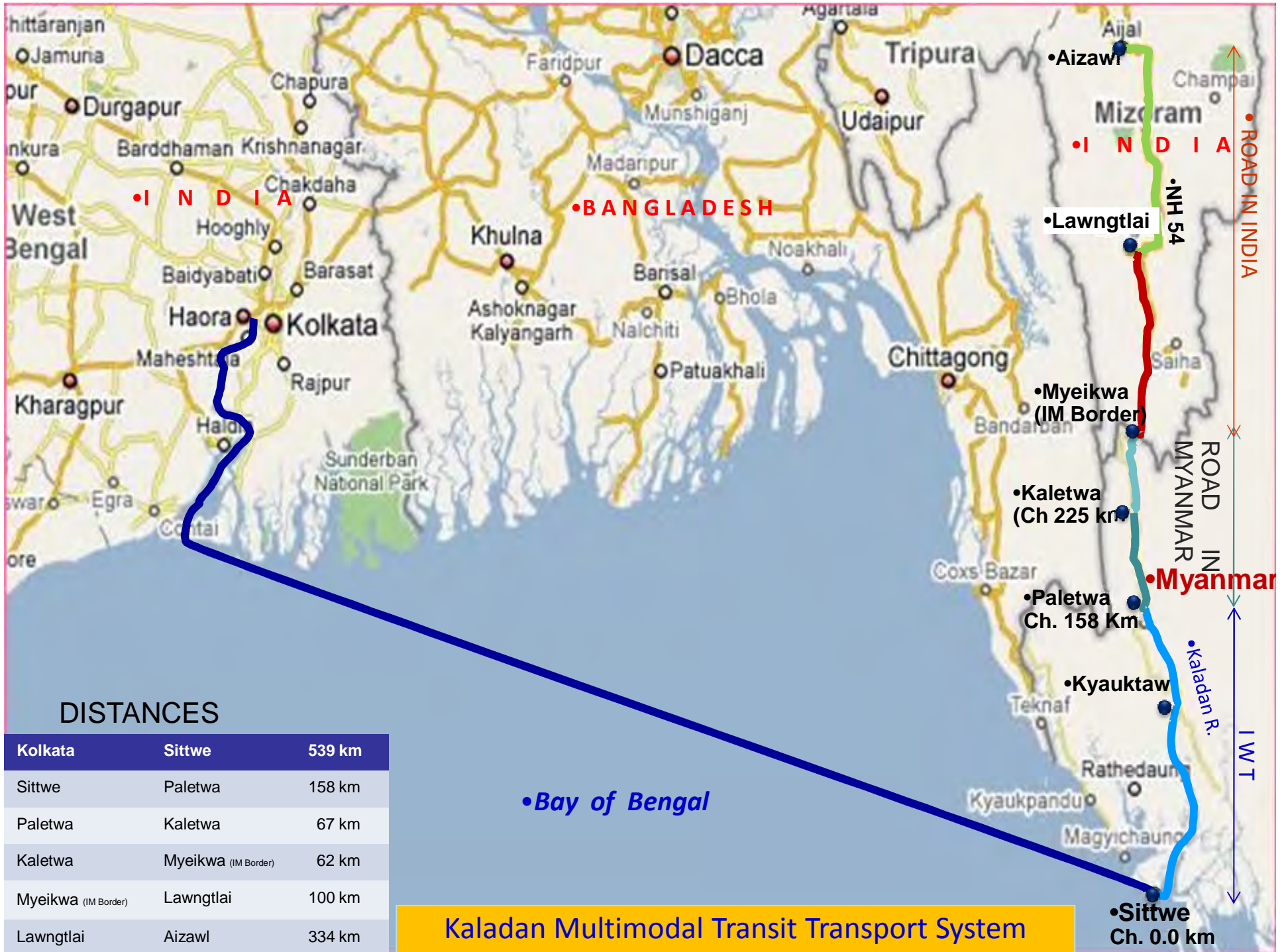


Source: De (2013)

Kaladan MMTTP

- Piloted and funded by MEA
- Project area entirely in Myanmar.
- Transport infrastructure components planned originally
 - Port/IWT development between Sittwe and Kaletwa along Kaladan river
 - Road from Kaletwa to Indo-Myanmar border (*Mizoram*)
- Sittwe port to be ready by December 2013



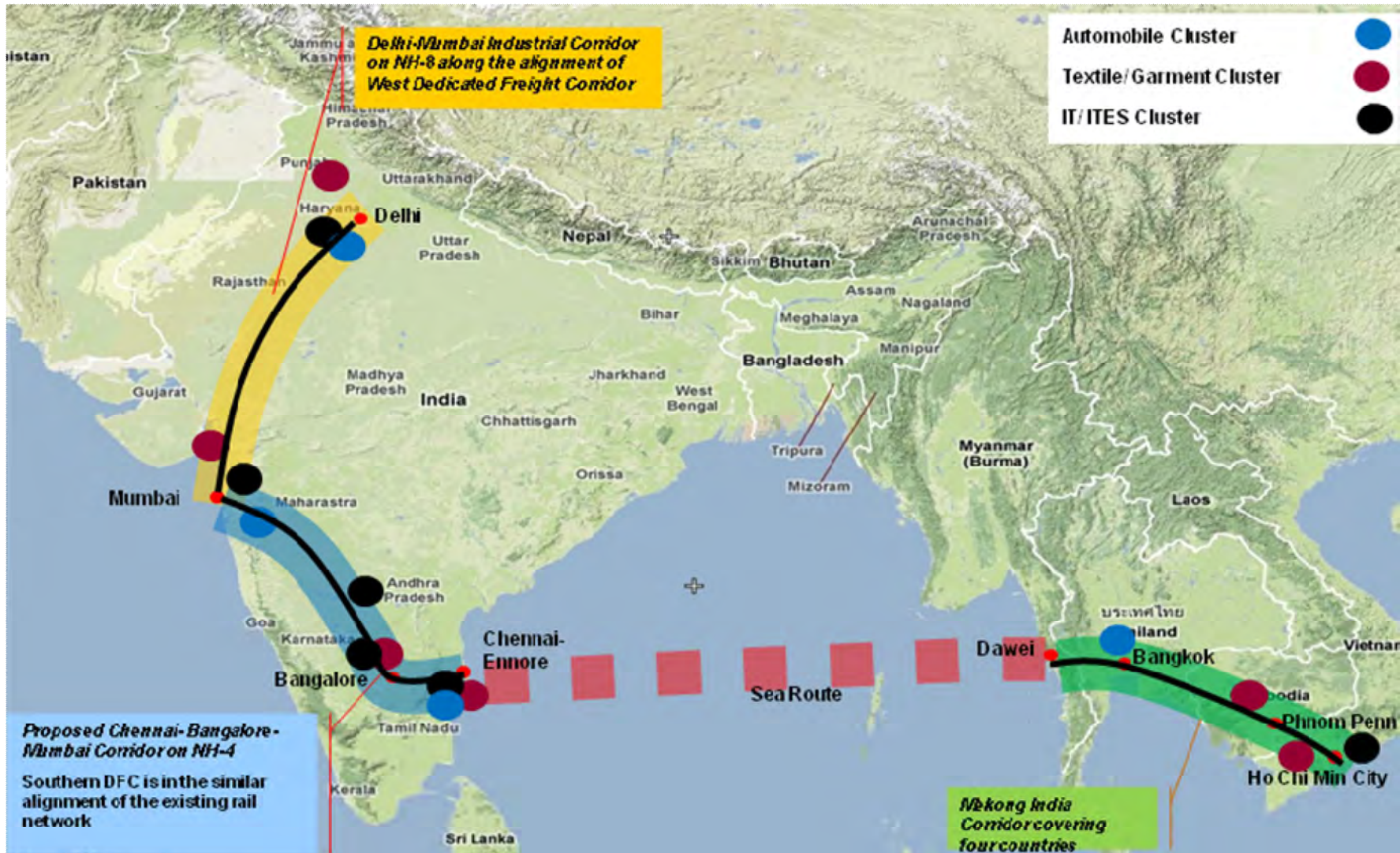


Mekong – India Economic Corridor

- MIEC involves integrating the four Mekong countries (Myanmar, Thailand, Cambodia and Vietnam) with India.
- It connects Ho Chi Minh City (Vietnam) with Dawei (Myanmar) via Bangkok (Thailand) and Phnom Penh (Cambodia) and further linking to Chennai in India.
- It is expected to augment trade with India by reducing travel distance between India and MIEC countries and removing supply side bottlenecks.
- Approx. investment US\$ 88 billion*



Mekong – India Economic Corridor alignment



New Ports and SEZs

- India has approved building two deep sea ports, Sagar (West Bengal) and one at Andhra Pradesh (US\$ 5 billion)
- Bangladesh is planning to set-up a deep sea port
- Four ports + SEZs in Myanmar – Sitwee, Kyaukphyu, Dawei, Thilawa, etc.
- Thailand is planning to set-up a port in Southern seaboard



Recommendations

- **Strengthening National Policy**
- **Building a Stronger Ocean Shipping Network**
- **Cooperation for Improving Efficiency of Ports**
- **Establish an Integrated Multimodal Transport System**
- **Building Chennai and Ennore as Gateway Ports**
- **Promoting Myanmar as 'Landfall' Port**
- **Building a Stronger Coordination Mechanism**
- **Financial Incentive to Raise Fleet Capacity**
- **Financing New Projects**
- **Increase Development Assistance to CLMV in Maritime Sector**

Recommendations

- **Allowing Short Sea Shipping in Limited Scale**
- **Signing MRAs with ASEAN**
- **Joining ASEAN Ro-Ro and Cruise Network, and Promoting Tourism**
- **Connecting to ASEAN Single Shipping Market**
- **Allowing Indian Companies to Own ASEAN Vessels**
- **ASEAN-India Comprehensive Trade Facilitation Mechanism**
- **Signing ASEAN-India Maritime Transport Agreement**

Thank you