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Towards an Asian Economic Community: The Relevance of India

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Towards an Asian Economic Community:
The Relevance of India

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Enhancing Trade and Investment Cooperation in Asia: Issues, Policies and Institutional Reform

This paper forms a part of a larger research project launched at RIS in October 2001 on 'Enhancing Trade and Investment Cooperation in Asia: Issues, Policies and Institutional Reform' as a part of the Sasakawa Peace Foundation (SPF)'s Research Programme on Future of Asia: Institutional and Structural Changes.

The objective of the project is to present a case for an Asian Economic Community (AEC) that would be broader in coverage than the current programs for economic co-operation in different sub-regions such as East Asia, South Asia and Central Asia. Such a grouping would facilitate fuller exploitation of the region's considerable resources –material as well as human— for expediting the process of its development.

There is growing realization that stimulus for future growth in the region has to come from within given the trend of formation of regional trading blocs in rest of the world and slow down in growth expected in the US and EU over the medium term. The Asian region combines the fastest growing economies in the world. Together they form a huge market that is growing faster than any other region in the world.

The project reviews the rationale, significance and relevance of Asia-wide economic integration. It would cover closer economic cooperation in all areas of mutual interest where the complementarities exist. These areas broadly include monetary and financial cooperation, infrastructure development, trade and investment liberalization in the framework of an regional trading bloc, complementarities in industrial and technological capabilities and other resource endowments, among others.

It will also discuss the policy challenges for the regional economic integration in Asia to succeed. A roadmap for a phased implementation of economic integration in the region will be proposed.

The project is progressing as per schedule. After the Inception Meeting held in Manila in October 2001, the project team reviewed the progress of the work at the Coordinating Workshop held in Kuala Lumpur on 20-21 February 2002. Some interim reports will be discussed at a Workshop to be held in Bali on 30 September-1 October 2002. RIS proposes to organize an International Conference in New Delhi in early 2003 to discuss the outcome of the project along with the projects coordinated by the Malaysian Institute of Economic Research (MIER) and the Centre for Strategic and International Studies, Jakarta under the auspices of the SPF research programme.

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1. The Context

In an accompanying paper, a case has been made for a pan-Asian regional economic integration[1]. It has been highlighted that such a grouping would be able to generate internal impulses for growth and pull the region out of current slump besides other favourable effects for the region. It has also been observed that keeping in mind the experiences of regional economic integration from other regions, a practical approach to regionalization in Asia would have to be a phased one. In the initial phase it could cover the five blocs of the Asian regional economy. These includes: **J**apan, **A**sean, **C**hina, **I**ndia and **K**orea (**JACIK**). Once the process of integration is consolidated and some gains of integration are visible, it could be thrown open to other economies of the region.

Some cooperation among the JACIK countries has already been initiated under the framework of ASEAN Plus Three Swap Arrangement, among other programmes. On a parallel track, India's economic linkages with the East Asian countries have been improving over the 1990s as a result of her consciously pursued Look East Policy since 1991. India became a full dialogue partner of ASEAN in 1996 and in 2002 the relationship has been upgraded to the Summit Level. It is argued in this paper that with economic reforms pursued over the past decade, large and diversified economy, robust macroeconomic performance and growing complementarities with the East Asian countries, India's participation in the core group will be important.

In this paper, we take a more detailed look at the relevance of India in the core group JACIK for initiating the Asian Economic Community. This is examined in terms of

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[1] See Kumar (2002), Agarwala (2002). For early conception of pan-Asian cooperation, see Panchamukhi (1995).

the macroeconomic performance indicators, progress of reforms and liberalization, attempts at regional economic integration, intensity of economic linkages and complementarities with other JACIK economies.

2. Reforms and Global Economic Integration

After pursuing an inward-looking development strategy with the state assuming an important role for more than four decades, India decided to take a historic step of changing tracks in 1991 when she embarked on a comprehensive reform of the economy to widen and deepen its integration with the world economy. These reforms formed a part of a programme of macroeconomic stabilization and structural adjustment with the support of the IMF and the World Bank. The implementation of the agenda of the reforms over the past decade has covered the followings, among others.

<u>Trade Policy Reforms</u>

A major reform of trade policy regime has been effected since 1991. The import licensing system has been dismantled. All non-tariff barriers (NTBs) had been phased out from all tradeables except consumer goods. The peak tariff rates have been brought down to maximum 30 per cent by 2002 from up to 355 per cent in 1980s. The average rates have come down to 20 per cent by 1998/99 compared to 87 per cent in 1990/91. Table 1 shows the progressive decline in the average tariff rates applicable to imports confirming a major reform of the trade regime. All the remaining quantitative restrictions have been phased out by April 2001 two years ahead of schedule[2]. The Government has declared its intention to bring down the peak tariff rates to the ASEAN levels of 20 in the next 2-3 years.

<u>Industrial Policy Reforms</u>

The New Industrial Policy (NIP) announced on 24th July 1991 and subsequent amendments have brought far-reaching changes in the policy regime governing the industrial investments. The industrial licensing (or approval) system that regulated the industrial investments in the country has been dismantled by abolishing the requirement of obtaining an industrial licence from the government in all except 14

[2] See WTO Secretariat (2002), Trade Policy Review: India, Geneva, for more details.

specified industries. These specified industries need to be regulated in view of environmental hazards, national security or social well-being considerations.

NIP has thrown open new industries and services to private including foreign private sector by pruning the list of Industries Reserved for the Public Sector. Only six industries which are now reserved for exclusive development by public sector include those considered sensitive from national security point of view. Thus a large number of industries and services including infrastructure such as telecommunication, roads, ports, power generation, petroleum refining have become accessible to the private sector.

NIP accords a much more liberal attitude to foreign direct investments (FDI) than ever in the post-Independence India. The Policy allows automatic approval system for priority industries by the Reserve Bank of India within two weeks subject to their fulfilling specified equity norms. Three slabs of foreign ownerships have been defined for automatic approvals. Up to 50 percent foreign ownership is permitted in six mineral industries listed in the Annexure III Part A of NIP. Upto 51 percent ownership is allowed in 35 priority industries specified in Annexure III and in 14 additional industries specified in Annexure III Part B of NIP. Foreign ownership upto 74 percent is allowed in select high priority infrastructure sectors and other priority industries specified in Annexure III-C of NIP. Up to 100 percent foreign ownership on automatic basis is permitted for infrastructural investment proposals e.g. ports, roads and power generation.

A Foreign Investment Promotion Board (FIPB) has been set up to consider all other proposals that do not qualify for automatic clearance. However, to bring transparency into the working of FIPB, elaborate guidelines and time frame of six weeks in normal cases are also specified. FIPB is authorised to negotiate with the foreign investors in person to expedite the clearances. FIPB is empowered to approve up to 100 percent foreign ownership in cases involving transfer of high technology, projects producing predominantly for exports, energy and infrastructural projects, consultancy or trading companies. The restrictions on investments by large industrial houses and foreign controlled companies under the MRTP Act were also abolished.

A phased programme of disinvestment of public ownership in public sector corporations has been launched. A Disinvestment Commission has been set up to make recommendations on the phasing of the disinvestments.

The outward investments by Indian enterprises have also been liberalized and proposals fulfilling certain norms could now be granted automatic approval.

Exchange Rate Reforms

The rupee was devalued twice in July 1991 leading to a 20 percent depreciation in its value. The partial convertibility of rupee on the trade account was announced in the 1992-3 budget that was subsequently broadened to full convertibility on current account by August 1994. India is moving cautiously towards capital account convertibility following a roadmap provided by the Tarapore Committee.

Capital Market

The Capital Issues Control Act was repealed and the Securities and Exchange Board of India (SEBI) was set up as a watchdog for regulating the functioning of the capital market. SEBI has focused on regulatory reform of the capital market as well as on market modernization. Online trading and dematrialized trading have been introduced. Companies have been allowed to buy back their own shares subject to the regulations laid down by SEBI.

In September 1992, the government announced guidelines for investments by foreign institutional investors (FIIs) in the Indian capital market. FIIs were now welcome to invest in all types of securities traded on the primary and secondary market with full repatriation benefits and without restrictions on either volume of trading or lock-in-period.

Financial Sector

In January 1993 a package of financial sector reforms was announced that included permission to new private sector banks including foreign joint ventures. The government has also established a policy regime for functioning of private non-banking finance companies (NBFCs) and agencies for rating their credit worthiness.

The above discussion thus shows that the government since 1991 has undertaken a comprehensive reform of the economy.

3. Macroeconomic Performance

Some key features of the Indian economy are summarized in Table 1. It is clear that Indian economy in terms of GDP had grown to nearly US$ 457 billion by 2000 compared to $ 183 billion in 1980. At the current growth rates, the size of the Indian economy is expected to be US$ 500 billion in 2002. In terms of purchasing power parity (PPP), the Indian economy in the year 2000 was $ 2.4 trillion[3]. With about 200 strong middle class out of the 1.2 billion population, India represents a large market. In the year 2000, India's imports of goods and services totalled US$ 76 billion. India exported $ 64 billion worth of goods and services in the same year.

The Indian economy has grown at an average rate of 5.8 per cent during the 1980s and at 6 per cent during the 1990s (Table 2). The growth has been accompanied by a steady structural transformation of the economy where the dependence of the economy on agriculture has gradually gone down from 39 per cent in 1980 to 25 per cent in 2000 with a corresponding increase initially in the share of industry and later in the share of services. In 2000 industry contributed 27 per cent of GDP and services 48 per cent. The savings rate has grown from 17 per cent in 1980 to 22 per cent of GDP. With the reforms and liberalization during the 1990s, the economy has become much more open with share of imports of goods and services going up from 9.9 per cent in 1990 to 16.6 per cent in 2000 and of exports from 7.3 per cent to 14 per cent. Exports and imports have grown at 11.7 and 9.5 per cent growth rates respectively during the 1990s.

Table 1: India: Key Economic Ratios and Long-Term Trends

	1980	**1990**	**2000**
GDP (US$ billions)	182.9	316.9	457
Structure of the Economy (% of GDP)			
Agriculture	38.6	31.3	24.9
Industry	24.2	27.6	26.9
Services	37.2	41.1	48.2
Gross domestic investment/GDP	20.9	25.2	24
Gross domestic savings/GDP	17.3	22.5	21.4

[3] World Bank's *World Development Report 2002.*

Trade (% of GDP)			
Exports of goods and services/GDP	6.1	7.3	14
Imports of goods and services	9.7	9.9	16.6
Balance of Payments			
Exports of goods and services	11249	23028	63764
Imports of goods and services	17821	31485	75656
Current account balance/GDP	-1.9	-3.2	-0.6
Total debt/GDP	11.3	26.4	22
Total debt service/exports	9.8	32.4	12.7
Reserves including gold (US$ millions)	6823	5834	42281

Source: The World Bank

The current account balance as a proportion of GDP has come down to 0.6 per cent in 2000 and foreign exchange reserves have built up to a level of $ 42 billion by 2000 and $ 60 billion in 2002.

Table 2: Growth Rates of Macro Parameters, 1980s and 1990s

(average annual growth %)

	1980-90	1990-00
GDP	5.8	6
GDP per capita	3.5	4.1
Agriculture	3.1	3
Industry	6.9	6.4
Manufacture	7.4	7
Services	7	8
Trade		
Exports of goods and services	5.9	11.7
Imports of goods and services	5.9	9.5

Source: The World Bank

a. Growth with Stability

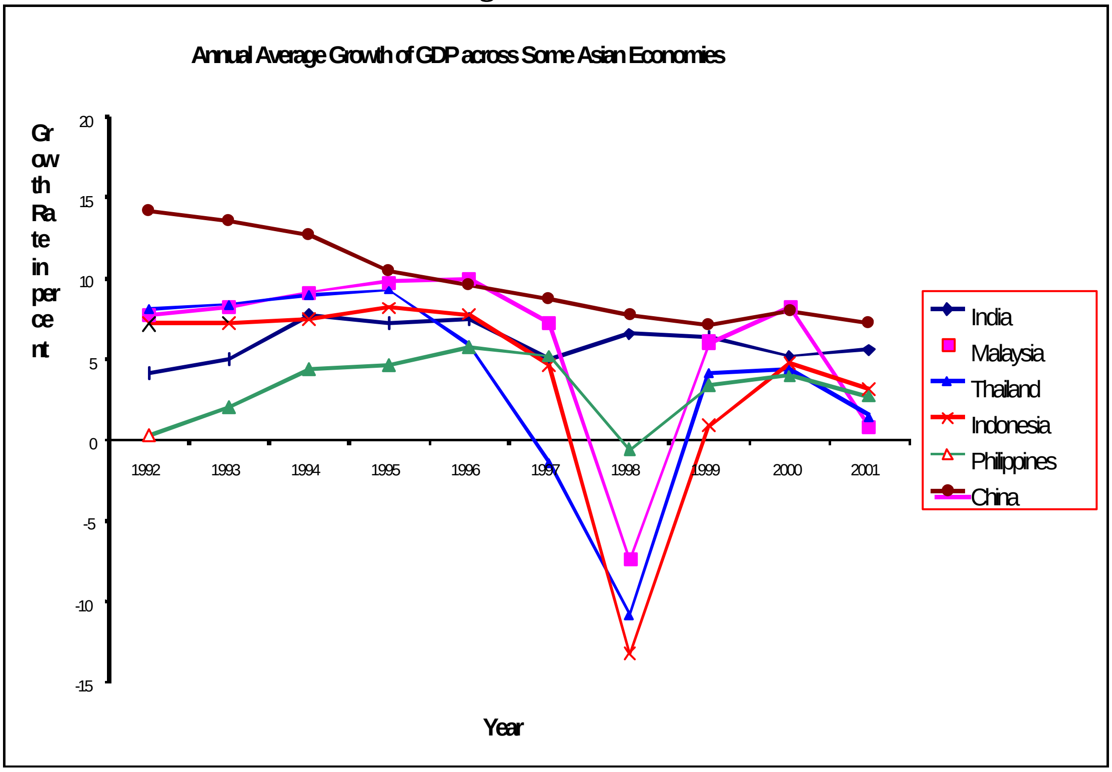
The Indian growth performance has been remarkable in terms of stability. The 1990s has been an eventful decade with the East Asian crisis followed by the slow down of the world economy. Indian economy also undertook reforms during the 1990s creating its own problems of transition and restructuring. The fact that Indian economy could continue to grow at steady pace during the 1990s despite all these changes shows a resilience. Table 3 and Figure 1 summarizes the growth performance of India and Southeast Asian neighbours to put it in a perspective.

Table 3: Growth and Instability in Some Asian Economies

	India	Malaysia	Thailand	Indonesia	Philippines	China
Growth in per cent						
1992-93	4.60	8.05	8.25	7.25	1.20	13.90
1994-96	7.53	9.67	8.07	7.83	4.97	10.93
1997-2001	5.76	3.02	-0.42	0.08	2.94	7.80
1992-2001	6.06	6.02	3.86	3.84	3.20	9.96
Instability in terms of coefficient of variation						
1992-93	0.12	0.04	0.03	0.01	1.06	0.03
1994-96	0.03	0.04	0.23	0.04	0.15	0.15
1997-2001	0.12	2.15	14.92	94.87	0.74	0.09
1992-2001	0.20	0.90	1.61	1.68	0.65	0.27

Source: Based on ADB, ***Asian Development Outlook***, various years; ***Asian Development Outlook Update***, 2001.

Figure 1



Source: Based on ADB, ***Asian Development Outlook***, various years; ADB, ***Asian Development Outlook Update***, 2001

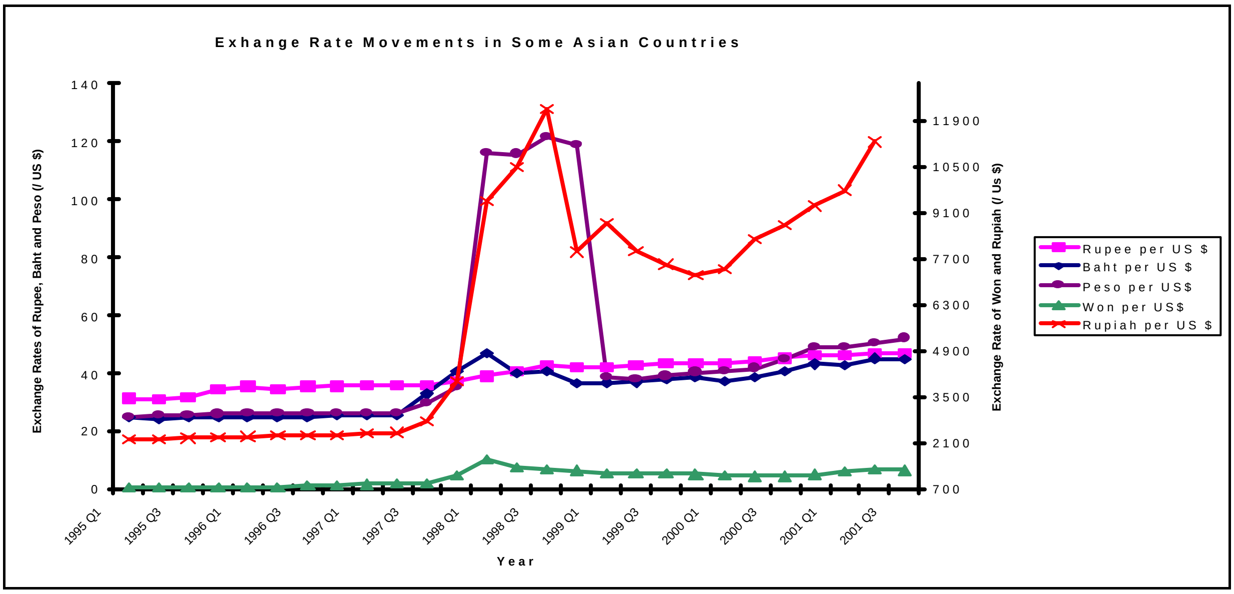
It is clear from Table 3 that Indian economy has had second highest average growth rate of 6.06 per cent per annum during 1992/01 after China. In terms of stability, India ranked first among the countries covered in the Table with the lowest coefficient of variation of 0.20 corroborating the resilience of the Indian economy in the wake of tremendous turbulence in the region. The other aspects of macroeconomic stability are exchange rate stability and rates of inflation. Figure 2 shows that the exchange rate of Indian rupee has not been subject to wild fluctuations like to some currencies in the region. Table 4 summarizes the trends in inflation in India. It would appear that the rate of price rise in India has moderated over the 1990s and has ranged around 4-5 per cent.

Table 4: Inflationary Trends in the Indian Economy (in per cent)

	All Commodities	Primary Articles	Food Articles	Non-Food Articles
1991-92	13.74	18.12	20.19	18.02
1992-93	10.06	7.42	12.40	-0.22
1993-94	8.35	6.95	4.94	8.92
1994-95	12.50	15.70	12.70	24.00
1995-96	8.09	8.30	10.47	11.29
1996-97	4.61	8.38	10.36	-2.75
1997-98	4.40	2.72	2.98	2.46
1998-99	5.95	11.97	12.65	10.40
1999-00 QE	3.27	1.09	3.64	-5.80
2000-01 RE	4.9	2.91	3.15	2.73

Note: The calculations are based on Wholesale Prices Index (1993/94=100). Source: RBI, 2001.

Figure 2



Source: Based on IMF***, International Financial Statistics*,** various issues.

b. Investment Climate

FDI inflows since the liberalization of policy in 1991 reveal a dramatic jump as shown in Table 1 and Figure 1. It is clear that FDI inflows to India have grown from a magnitude of around US$ 200 million in the early 1990s to a peak of $3.6 billion in 1997. Since 1997, however, they have declined and have stagnated at around $ 2.billion a year. India has been able to increase her share in FDI inflows to developing countries that peaked in 1997 before declining to the 1994 level. FDI inflows are estimated to have grown to a level of US$ 4 billion in 2001, according to preliminary estimates.

The magnitudes of FDI inflows received by India would appear too small especially if they are compared with those received by other countries in the region such as China ($ 40 billion). It must be pointed out, however, that the Indian figures of inflows based on fresh inflows and do not include reinvested earnings of existing FDI enterprises. FDI inflows in China also get inflated by substantial round-tripping of Chinese capital. Therefore, the figures of India and China are not strictly comparable.

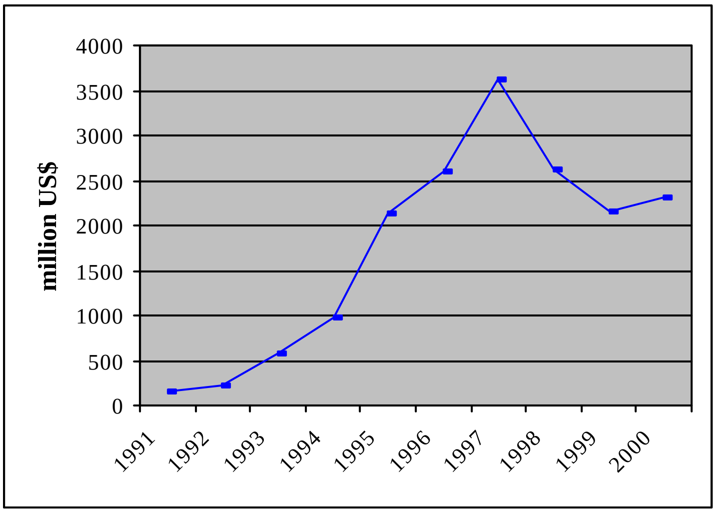
Table 5: Foreign Direct Investment Inflows in India, 1991-2000

(million US $)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
World	158936	175841	217559	255988	331068	384910	477918	692544	1075049	1270764
Developing Countries	41696	51108	72528	104920	113338	152493	187352	188371	222010	240167
India	155	233	574	973	2144	2591	3613	2614	2154	2315

Source: based on UNCTAD data.

Figure 3: FDI Inflows to India, 1991-2000



Source: based on data from UNCTAD 2001.

Given the robust economic performance, the liberalization of FDI policy and reforms, the investment climate in the country has improved. For instance, India has been put as the second most promising destination for investment in the long term among developing countries after China consistently in the JBIC (Japan Bank of International Cooperation)'s recent Surveys, in the past three years. In respect of the medium term prospects, India is ranked among the top 6 among developing countries and top 7 worldwide consistently for the past five years. During the years of East Asian crisis, India's ranking had improved to fourth world-wide (Table 6). However, the actual flows of FDI inflows in India from Japan have yet to match their potential as reflected in the JBIC Surveys.

Table 6: Promising Destinations for FDI over the Medium Term According to JBIC Surveys

1996	1997	1998	1999	2000
China	China	China	China	China
Thailand	US	US	US	US
Indonesia	Indonesia	Thailand	Thailand	Thailand
US	Thailand	Indonesia	**India**	Indonesia
Vietnam	**India**	**India**	Indonesia	Malaysia
Malaysia	Vietnam	Philippines	Vietnam	Taiwan
India	Philippines	Malaysia	Malaysia	**India**
Philippines	Malaysia	Vietnam	Philippines	Vietnam
Singapore	Brazil	Brazil	UK	Korea
UK	Taiwan	UK	Brazil	Philippines

Source: JBIC (2000)

4. Sustained Interest in Regional Economic Cooperation

India has always actively participated in the schemes of regional economic integration. India has been a founder member of the Bangkok Agreement that happens to be one of the first preferential trade agreement having been signed in 1975 combining some of the Asian countries including China, Korea, Sri Lanka, Bangladesh and Lao PDR. India has also been an active member of the Asian Clearing Union since its inception in the mid-1970s. India has been participating in South Asian Association for Regional Cooperation formed in 1985, SAARC

Preferential Trading Arrangement (SAPTA) signed in 1995, of the India Ocean Rim Community Association for Regional Cooperation (IOR-ARC) formed in 1997, and Bangladesh-India-Myanmar-Sri Lanka and Thailand Economic Cooperation (BIMSTEC) formed a few years ago. Since the early 1990s India's ties with ASEAN have also intensified as a part of her conscious 'Look East Policy'. India became a Sectoral Dialogue Partner of ASEAN in 1992 to develop co-operation in the areas of trade, investment and science and technology and tourism. The fifth ASEAN Summit in 1995 decided to upgrade the relationship with India to the level of a Full Dialogue Partnership 'reflecting the growing ties between two sides'. In 2002 ASEAN and India will be meeting at the Summit level for the first time. The mutually agreed agenda for co-operation between ASEAN and India covers such important sectors as trade and investment, science and technology, tourism, infrastructure, human resource development and people-to-people co-operation. A structured programme of co-operation between India and ASEAN has started covering Joint Co-operation Committees, Working Groups on Trade and Investment, Science and Technology, and ASEAN-India Business Council, and Task Forces in Human Resource Development, Tourism, Information and Technology, and Frontier Science and Technology. Studies are being made to further intensify trade linkages with ASEAN.

Dissatisfied with the pace of regional trade liberalization in South Asia, India also pursued bilateral free trade agreements with some interested countries to intensify her integration with he region's economies. In 1996 a bilateral free trade agreement with Nepal was signed followed by one with Sri Lanka in 1998. These two Agreements have led to some industrial restructuring in the region[4]. Proposals of bilateral free trade agreements with Bangladesh, Singapore, Thailand, among other countries, are presently being studied.

5. Growing Economic Linkages with East Asian Countries

As observed earlier India has consciously attempted to strengthen her linkages with the East Asian countries during the 1990s as a part of the official Look East Policy. As a part of this policy, besides growing links with ASEAN, India has strengthen her economic and cultural linkages with the East Asian countries at bilateral levels. As

[4] See RIS (2002) for illustrations.

summarized in Table 7 the institutional framework for India's growing links with East Asian countries now covers bilateral agreements on double tax avoidance, investment protection, joint business councils, science and technology cooperation and tourism and cultural links with Japan, South Korea, China and most of the ASEAN countries.

Table 7: Institutional Framework for India's Economic Links with East Asia

Japan	**South Korea**	**China**	**ASEAN**
Tax Treaty	BIPA	MFN Agreement	Sectoral Dialogue Partner 1992, Full Dialogue Partner 1995, ASEAN-India Summit 2002
JBC	JBC	JBC, Joint Group on Economic Relations and Trade	JCC, ASEAN-India Business Forum, Trade & Investment Working Group
S&T Cooperation	S&T Cooperation	S&T Cooperation	S&T Working Group, Cooperation in IT and in Biotechnology
Cultural agreement	Tourism and Cultural agreements	Cultural agreement	Sub-regional Cooperation BIMSTEC, Mekong-Gan Cooperation
			Bilateral agreements with most of ASEAN countries

Source: compiled from various sources and reports.

The growing economic integration of India with East Asia is reflected in trade patterns. As Table 8 summarizes, the share of East Asia in India's imports has grown from 15 per cent in 1991 to 29 per cent in 1999. The share of East Asia in India's exports also showed a rising trend from 21 per cent in 1991 to 23 per cent in 1995. However, in 1999 it appears depressed because of demand shrinkage due to East Asian crisis.

Table 8: Importance of East Asian Countries in India's Trade

Year	Share in India's Exports	Share in India's Imports
1991	21.0	15.1
1995	23.4	19.2
1999	19.3	29.2

Source: IMF *Direction of International Trade Statistics.*

The East Asian countries have emerged as important sources of FDI in India. Besides Japan, Korea, Singapore, Malaysia and Thailand have invested in India in significant magnitudes during the 1990s as is clear from Table 9. FDI inflows from East Asia in India have declined since the East Asian crisis. ASEAN countries have emerged as important sources of foreign direct investments in India during the 1990s. An investment worth Rs 130 billion has been approved from ASEAN countries in India during the period 1991-2000. Some of the important investments projects include investments in telecommunication ventures, an IT park, real estate development, among other sectors.

Table 9: Approvals for Foreign Direct Investment from East Asia into India

(Rs million)

Country	**1991-95**	**1996–2001 (upto June)**	**1991-2001**
Japan	28355.3	72503.09	100858.38
Korea	4959.2	92597.14	97556.34
China	6707.2	422.18	7129.38
ASEAN	56816.82	80296.8	137563.63
Singapore	13848.6	33158.86	47007.46
Thailand	23490.1	1103.94	24594.05
Malaysia	14944	41849.32	56793.32
Indonesia	3155.8	775.02	3930.82
Philippines	952.92	2442.42	3845.34
Taiwan	425.4	958.31	1383.71
Viet Nam		8.93	8.93
Sub-total East Asia	96838.52	245819.21	343107.73
Total World	504172.1	1566317.82	2070489.9
Share of ASEAN (%)	11.3	5.1	6.6
Share of East Asia (%)	19.2	15.7	16.6

Source: India, Secretariat for Industrial Assistance, *SIA Newletter*, Vol X No.3, July, 2001, Ministry of Commerce and Industry (Department of Industrial Policy and Promotion).

Investment is hardly a one-way street. The East Asian countries have also been important destinations for Indian companies' overseas investments especially in the 1990s (Table 10). Predictably these investments have been concentrated in the ASEAN countries especially Singapore, Thailand, Malaysia and Indonesia. It is apparent that Indian companies have set up nearly 400 ventures in East Asia with a cumulative investment of US$ 362 million. China is also becoming an attractive destination of Indian investments with 17 ventures coming up in the past couple of years. The areas of operation are diverse such as chemicals and pharmaceuticals, financial services, IT software, consultancy and engineering services, textiles among others.

Table 10: Approved Overseas Investments of Indian Enterprises in East Asia

(US $ million)

	Up to 1991		1991-2000		Total	
	No	Equity	No	Equity	No	Equity
Singapore	19	26.51	192	131.35	211	157.86
Thailand	14	27.52	26	37.36	40	64.88
Malaysia	17	12.21	57	46.55	74	58.76
Indonesia	9	12.67	15	22.14	24	34.81
Viet Nam			5	2.16	5	2.16
Myanmar			2	3.00	2	3.00
Philippines	1	1.61			1	1.61
China			17	28.87	17	28.87
Japan			16	9.84	16	9.84
South Korea			4	0.62	4	0.62
Total	60	80.52	334	281.89	394	362.41

Source: RIS based on unpublished data from Ministry of Finance and Ministry of Commerce, and Indian Investment Centre, *Indian Joint Ventures and Wholly Owned Subsidiaries Abroad*, various years

6. Growing Complementarities of India with East Asian Countries

India's economic structures is highly complementary to that of East Asia's as is clear from a caricature outlined in Table 11. For instance, East Asia's tremendous capability in IT hardware is complemented by India's software prowess that is now acknowledged world-wide. India has developed in development of cost effective software solutions for various corporate applications. These capabilities have enabled the country to earn an estimated US$ 8.5 billion from the export of computer software and related services in 2001/02. Many East Asian countries are seeking Indian expertise in the area. India is also helping ASEAN countries in training of IT manpower and several Indian companies are becoming active in the region in IT field. Indian capability in development of cost effective processes for production of pharmaceuticals is similarly complemented by East Asian companies product development and marketing prowess. Finally, while there is substantial underutilized capacity in construction and engineering industry, India has huge demand for investments in infrastructure. As summarized in Table 12, the projected investment requirements in different infrastructural sectors have been estimated at US$ 450 billion over a decade.

Table 11: Complementarities between Economic Structures of India and East Asia

East Asia's Strengths	India's Strengths
IT Hardware and Electronic Equipment	Computer software
Heavy Engineering	Light engineering and pharmaceuticals
Product Development and Marketing	Process development
Underutilized Capacity in Construction	Huge potential demand

Table 12: Projected Investment Requirements in Infrastructure Projects in India over the Next Decade

Sector	Particulars	Estimated Investment
Power Generation and Transmission	To create 83000 MW of additional generating capacity	US$ 143 billion
Oil & Natural Gas	Increased exploration and transportation	$ 100-150 billion
Coal Mining	To add 400 mt. Capacity	$ 18 billion
Telecommunications	Add 82 million lines	$ 53 billion
Roads and Highways	Massive expansion of road network and upgradation	$ 34 billion
Ports	350 mt. of additional capacity	$ 7.3 billion
Urban Infrastructure	1. Improvement of sanitation And water supply 2. Mass Rapid Transit (MRTs) systems for metros	$ 6.0 billion $ 20 billion

Source: Compiled from Government of India sources and own projections.

7. Concluding Remarks

To sum up, therefore, India has emerged in the 1990s as one of the fastest growing dynamic economies increasingly integrated with the world economy in general and the East Asian region, in particular. The pattern of development, endowments and capabilities of India suggest a number of important complementarities with other JACIK economies. Hence, integration of Indian economy with ASEAN+3 in an RTA framework would be to a mutual advantage. It could facilitate the exploitation of substantial complementarities and important synergies that exist between these economies and would help in expediting the process of development.

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