

ASEAN-INDIA STRATEGIC PARTNERSHIP

Perspectives from the
ASEAN-India Network of Think-Tanks



ASEAN Secretariat



Government of India



RIS
Research and Information System
for Developing Countries



ASEAN-India
Centre at RIS

ASEAN-India Strategic Partnership: Perspectives from the ASEAN-India Network of Think-Tanks

7-8 August 2012, New Delhi

**Proceedings of the First Round Table on ASEAN-India
Network of Think-Tanks (AINTT)**



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LIST OF ABBREVIATIONS

AANFTA	ASEAN-Australia-New Zealand Free Trade Agreement
ACB	ASEAN Centre for Biodiversity
ACCC	ASEAN Connectivity Coordinating Committee
ACCI	ASEAN Climate Change Initiative
ACD	Asian Cooperation Dialogue
ACEC	ASEAN-India Comprehensive Economic Cooperation
ACEGEC	ASEAN-China Expert Group on Economic Cooperation
ACFTA	ASEAN-China Free Trade Agreement
ACH	Asia Cargo Highway
ACMCM	ASEAN-China Maritime Consultation Mechanism
ACMECS	Ayeyawady-Chao Praya-Mekong Economic Cooperation Strategy
ADB	Asian Development Bank
ADBI	Asian Development Bank Institute
ADP	Ad Hoc Working Group on the Durban Platform for Enhanced Action
AEC	ASEAN Economic Community
AERR	ASEAN + 3 Emergency Rice Reserve
AFSIS	ASEAN Food Security Information System
AFSRA	ASEAN Food Security Reserve Agreement
AFSRB	ASEAN Food Security Reserve Board
AFTA	ASEAN Free Trade Area
AIBC	ASEAN-India Business Council
AIBF	ASEAN-India Business Fair
AIBS	ASEAN-India Business Summit
AIEPG	ASEAN-India Eminent Persons Group
AIF	ASEAN-India Fund
AIFS	ASEAN Integrated Food Security
AIFTA	ASEAN-India Free Trade Area
AIFSPF	ASEAN Integrated Food Security Policy Framework
AIGF	ASEAN-India Green Fund
AIGGI	ASEAN-India Green Growth Institute
AINTT	ASEAN-India Network of Think-Tanks
AIRTIA	ASEAN-India Regional Trade and Investment Area
AITG	Adapt-Innovate-Transfer-Grow Model

AITTA	ASEAN-India Transit Transport Agreement
AJCEP	ASEAN-Japan Comprehensive Economic Partnership
AKFTA	ASEAN-Korea Free Trade Agreement
AOSIS	Alliance of Small Island States
APBSD	ASEAN Policy Blueprint for SME Development
APCT	ASEAN Tourism Promotional Chapter
APEC	Asia-Pacific Economic Cooperation
APT	ASEAN Plus Three
APTERR	ASEAN Plus Three Emergency Rice Reserves
AR4	Fourth Assessment Report of the Intergovernmental Panel on Climate Change
ARF	ASEAN Regional Forum
ARIC	Asia Regional Integration Center
ARTNeT	Asia-Pacific Research and Training Network on Trade
ASAM	ASEAN Single Aviation Market
ASMEWG	ASEAN SMEs Working Group
ATIGA	ASEAN Trade in Good Agreement
ATM	ASEAN Transport Ministers
AWG-KP	Annex I Parties under the Kyoto Protocol
AWG-LCA	Ad Hoc Working Group on Long-term Cooperative Action
BAP	Bali Action Plan
BCIM	Bangladesh-China-India-Myanmar
BGREI	Bridging the Green Revolution in Eastern India
BIMP-EAGA	Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BIPA	Bilateral Investment Protection Agreement
BPO	Business Process Outsourcing
BRICS	Brazil-Russia-India-China-South Africa
BULOG	Bureau of Logistics
CADP	Comprehensive Asia Development Plan
CAGR	Compound Annual Growth Rate
CASE	Commission for Additional Sources of Energy
CBMIC	Chennai-Bangalore-Mumbai Industrial Corridor
CECA	Comprehensive Economic Cooperation Agreement
CEDP	Comprehensive Economic Development Plan
CEPEA	Comprehensive Economic Partnership for East Asia
CGE	Computable General Equilibrium
CLMV	Cambodia-Lao PDR-Myanmar-Vietnam
COP	Conference of the Parties
CTCN	Climate Technology Centre and Network
DFC	Dedicated Freight Corridor
DFID	Department for International Development

DHRL	Delhi-Hanoi Rail Link
DMIC	Delhi Mumbai Industrial Corridor
DTAA	Double Taxation Avoidance Agreement
EAM	External Affairs Minister
EAS	East Asia Summit
EDC	Entrepreneurship Development Centre
EHS	Early Harvest Scheme
EU	European Union
EWEC	East West Economic Corridor
FAO	Food and Agriculture Organisation
FDI	Foreign Direct Investment
FMCG	Fast Moving Consumer Goods
FTA	Free Trade Agreement
GATS	General Agreement on Trade in Services
GDP	Gross Domestic Product
GHG	Green House Gase
GMS	Greater Mekong Subregion
GNP	Gross National Product
Gol	Government of India
GoM	Government of Myanmar
GQ	Golden Quadrilateral
GRDP	Gross Regional Domestic Product
GSTP	Global System of Trade Preferences
IAI	Initiative for ASEAN Integration
IBSA	India-Brazil-South Africa
ICT	Information and Communication Technology
ICTSD	International Centre for Trade and Sustainable Development
IDE-JETRO	Institute of Developing Economies-Japan External Trade Organisation
IDRC	International Development Research Centre
IFPS	Institute of Foreign Policy Studies
IGSAC	International Genome Sequencing and Analysis
ILO	International Labour Organisation
IMF	International Monetary Fund
IMTTH	India-Myanmar-Thailand Trilateral Highway
IOR-ARC	Indian Ocean Rim Association for Regional Cooperation
IPCC	Intergovernmental Panel on Climate Change
IPCS	Institute of Peace and Conflict Studies
IPE	International Political Economy
IPNs	International Production Networks
IPR	Intellectual Property Rights
IT	Information Technology

ITC	International Trade Centre
ITCC	India-Thai Chamber of Commerce
ITD	Italian Thai Development Public Co. Ltd.
IVLP	International Visiting Leaders Programme
JENESYS	Japan-East Asia Network of Exchange for Students and Youths
JICA	Japan International Cooperation Agency
JSG	Joint Study Group
JV	Joint Venture
KMMTTP	Kaladan Multimodal Transit Transport Project
LCS	Land Customs Station
LEP	Look East Policy
LDC	Least Developed Country
LPI	Logistic Performance Index
LSCI	Liner Shipping Connectivity Index
MEA	Ministry of External Affairs
MFN	Most Favoured Nation
MGC	Mekong-Ganga Cooperation
MIEC	Mekong-India Economic Corridor
MALPAS	Multilateral Agreement for the Liberalisation of Passenger Air Services
MNC	Multinational Corporation
MoU	Memorandum of Understanding
MPA	Myanmar Port Authority
MPAC	Master Plan on ASEAN Connectivity
MRA	Mutual Recognition Agreement
MT	Million Tonnes
NAPCC	National Action Plan on Climate Change
NER	North East Region
NHDP	National Highway Development Programme
NSEC	North South Economic Corridor
NSEW	North-South, East-West Corridor
NSSO	National Sample Survey Organisation
NT	Normal Track
NTB	Non-Tariff Barrier
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OGL	Open General Licensing
OP	Operating Procedures
PAFTAD	Pacific Trade and Development
PM	Prime Minister
PoA	Plan of Action
PPP	Public Private Partnerships

PSRO	Product Specific Rules of Origin
RCEP	Regional Comprehensive Economic Partnership Agreement
R&D	Research and Development
RIS	Research and Information System for Developing Countries
RoO	Rules of Origin
RTA	Regional Trade Agreement
RTIA	Regional Trade and Investment Area
SAARC	South Asian Association for Regional Cooperation
SAFTA	South Asian Free Trade Area
SEC	Southern Economic Corridor
SEZ	Special Economic Zone
SME	Small and Medium Enterprise
SPA-FS	Strategic Plan of Action on Food Security
SSC	South-South Cooperation
S&T	Science and Technology
ST	Sensitive Track
TAC	Treaty of Amity and Cooperation
TAIB	Tabung Amanah Islam Brunei
TEC	Technology Executive Committee
TH	Trilateral Highway
TIG	Trade in Goods
TNC	Transnational Corporation
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNFCCC	United Nations Framework Convention on Climate Change
UNIDO	United Nations International Development Organisation
US	United States
WCO	World Customs Organisation
WEF	World Economic Forum
WHO	World Health Organisation
WTO	World Trade Organisation

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FOREWORD

Ambassador Shyam Saran

Chairman

Research and Information System for Developing Countries (RIS), and
Chairman, National Security Advisory Board (NSAB), India

The First Round Table of ASEAN-India Network of Think-Tanks (AINTT) is the realisation of an idea put forward by the Prime Minister of India, Dr. Manmohan Singh at the 7th India-ASEAN Summit to initiate and expand a much broader interaction and dialogue among our think-tanks, policy makers, media and business representatives. RIS was given the task to convene such an interaction and provide a platform for sharing of views, ideas and proposals aimed at strengthening ASEAN-India relations. Our efforts have paid off, in no small measure, due to the support and assistance we have received from the Ministry of External Affairs and our missions abroad and the enthusiastic cooperation of sister think-tanks in friendly ASEAN countries.

The impressive growth in ASEAN-India relations is something we in India are proud about. Since the reorientation of Indian foreign policy in 1992, when the Look East Policy was initiated, our achievements have been significant. We have successfully moved from a dialogue partnership to a summit partnership and established a free trade area. We are part of Regional Comprehensive Economic Partnership Agreement (RCEP), which is being negotiated at present.

At ASEAN-India Commemorative Summit 2012 in New Delhi we elevated our relations into a Strategic Partnership level. We have endorsed the ASEAN-India Vision Statement, and have been implementing several projects to take forward the mandates set forth in the Vision Statement. Convening the First Round Table of ASEAN-India Network of Think-Tanks (AINTT) is one such project that we have implemented recently.

The Round Table of AINTT has provided us new ideas and suggestions in deepening the ASEAN-India Strategic Partnership. I am sure that the Network will meet more frequently and make significant contributions in strengthening the already close and broad-based relationship between India and ASEAN countries.

I am certain that the Proceedings of the First Round Table will be a valuable reference for policymakers, academics and practitioners.



Shyam Saran

MESSAGE

Dr. Biswajit Dhar

Director-General

Research and Information System for Developing Countries (RIS), New Delhi

The idea of organising the Round Table on ASEAN-India Network of Think-Tanks (AINTT) was first mooted by our Prime Minister, Dr. Manmohan Singh at the 7th ASEAN-India Summit, held in 2009, so that the think-tanks, policy makers, scholars, media and business representatives could interact to bridge the knowledge gap. Dr. Singh envisioned that the Round Table would 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 for organising the Round Table.

Fittingly, the First Round Table was organised in 2012, the year in which India and ASEAN completed two decades of their close economic partnership. It was in 1992 that India became a sectoral dialogue partner of the association of the countries in its immediate neighbourhood. This development followed India's adoption of the "Look East Policy", the first major foreign relations initiative that the country had taken in the post-Cold War era. Coming as it did in a phase, which was witnessing far reaching economic integration between countries, the "Look East Policy" became the harbinger of close economic relations between India and ASEAN members.

Since then, the relations between India and ASEAN have seen several significant developments. Economic relations between ASEAN and India have reached a new high with the formalisation of the Free Trade Agreement (FTA) in goods in 2010. These relations received further impetus after a decision was taken by the two partners to seal a deal in services and investment towards the end of 2012.

Although the economic engagements between India and ASEAN have moved at a fair pace, there are plenty of challenges which need effective policy interventions. The regional challenges have to be addressed through joint initiatives taken by India and ASEAN. 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 these objectives, the policy dialogue among think-tanks, media and business community from India and ASEAN assumes utmost importance. These deliberations would not only help in promoting awareness about the potentials of India-ASEAN partnership, they would also help in exploring new vistas for strengthening regional cooperation. By adopting a more proactive strategy for harnessing the *inter se* relationship between two of the most dynamic economies, the dialogue between institutions, media and business community will help identify the challenges to furthering cooperation in identified areas.

It is of immense satisfaction to RIS that the Round Table on ASEAN-India Network of Think-Tanks (AINTT) has become an annual event. 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 AINTT. The AINTT was formed following a decision taken by the Leaders of ASEAN and India at their First Summit held in November 2002.

RIS involvement in India-ASEAN issues goes a long way back. One of its flagship programmes was the ASEAN-India Eminent Persons' Lecture Series, which was initiated in 1996 to facilitate people-to-people contact between India and ASEAN countries. This programme was discontinued a few years back, but has now been put back on track.

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.

The First Round Table on ASEAN-India Network of Think-Tanks discussed a number of key issues that are relevant from the point of view of deepening the relations between the two partners. Representatives of the think-tank community presented several ideas, which, we are sure, would be found useful by the policy makers and researchers, who are working on deepening the economic ties between India and ASEAN.

Finally, I would like to record my appreciation of the efforts that have been put by my senior colleague, Dr. Prabir De, in putting together this volume. I would also like to express my gratitude to Ambassador Shyam Saran, Chairman, RIS, without whose constant encouragement this endeavour would not have gone as far as it has done.



Biswajit Dhar

ACKNOWLEDGEMENTS

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The First Round Table was benefitted from cooperation of the RIS Administration. Mr. Tish Kumar Malhotra coordinated the production of the Proceedings with the support of Ms. Ruchi Verma. Ms. Kiran Wagh, Mr. N. N. Krishnan and Ms. Anu Bisht extended secretarial support. Mr. Sachin Singhal provided the DTP assistance. Views expressed are those of the participants of the Round Table. Usual disclaimers apply.

SUMMARY

FIRST ROUND TABLE ON ASEAN-INDIA NETWORK OF THINK-TANKS (AINTT)

1. The first Round Table on ASEAN-India Network of Think-Tanks (AINTT) was held on 7-8 August 2012 at New Delhi. It was organised by the Research and Information System for Developing Countries (RIS) with support of the ASEAN Secretariat and the Ministry of External Affairs (MEA), Government of India. The Round Table was inaugurated by Mr. S. M. Krishna, Hon'ble External Affairs Minister of India. Mr. Nyan Lynn, Deputy Secretary General, ASEAN Secretariat delivered the special address. Ambassador Shyam Saran, Chairman, RIS and former Foreign Secretary gave the welcome address.
2. Indian Prime Minister Dr. Manmohan Singh conceptualised the Round Table of ASEAN-India Think-Tanks in 2009 at the ASEAN-India Summit to bridge the information gap and also to provide policy inputs to the governments of India and ASEAN countries on future areas of cooperation. This Round Table was, therefore, an outcome of India's commitment to ASEAN. RIS was given the task to convene the Round Table. The interaction between Think-Tanks is important to deepen the ASEAN-India partnership through policy research and advocacy. RIS envisages this forum as high quality research platform for the policy makers, academics, professionals, and the research communities.
3. 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 policy makers to take informed decisions. This two-day Round Table dealt with seven important issues, starting from economic cooperation to climate change to cooperation in biodiversity and traditional medicines.

Inaugural Session

4. Ambassador Shyam Saran in his welcome address said that greater regional economic integration and leveraging our collective strength ensure that our economic prospects remain robust. This is a very timely event, which would help strengthen regional integration between ASEAN and India. Hon'ble External Affairs Minister of India (EAM) reiterated India's commitment for ASEAN centrality and extended his fullest support for stronger ASEAN-India cooperation. He congratulated RIS Chairman and his team for taking up this significant initiative in a year when ASEAN and India were celebrating two decades of their partnership.
5. Hon'ble EAM said that India's engagement with the ASEAN is at the "heart" of its Look East Policy. We are convinced that India's future and our economic interests are best served by greater integration with our Asian partners. ASEAN-India FTA in goods is a first major step

in our objective of creating an ASEAN-India Regional Trade and Investment Area. At the same time, challenges are plenty and need effective policy interventions. These regional challenges have to be addressed through joint initiatives, taken by India and ASEAN. 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 these objectives, the policy dialogue among relevant institutions, media and business community from India and ASEAN assume utmost importance. These deliberations would not only help in promoting awareness about the potential of the ASEAN-India partnership, they would also help in exploring new vistas for strengthening regional cooperation. By adopting a more proactive strategy for harnessing the *inter se* relationship between two of the most dynamic economies, the dialogue between institutions, media and business community will help identify the challenges to furthering cooperation in the identified areas.

6. Hon'ble EAM said that ASEAN-India strengths lie in the fact that we together constitute a 1.8 billion people, a market with resource and demand, a region with complementary capacities and resources. These have contributed to the tremendous resilience that our economies have been able to show since the time of the downturn in the global economy in 2008. With the FTA between India and ASEAN coming in effect from 1 January 2010, ASEAN-India partnership has taken a new shape. Relations between ASEAN and India are more strengthened with the FTA. Interestingly, ASEAN-India trade has already crossed the target of US\$ 70 billion to reach nearly US\$ 80 billion, showing a very significant growth of 37 per cent in 2011-12.
7. Hon'ble EAM reminded us that ASEAN-India FTA in goods has been a positive contributor in enhancing trade. Trade in services and investment agreement between ASEAN-India is being negotiated. We look for early finalisation of ASEAN-India FTA in investments and services, which would allow us to truly focus on our collective human resource development. Hon'ble EAM also said that a comprehensive agreement would allow India and ASEAN to begin talks on the Regional Comprehensive Economic Partnership (RCEP) initiative, to further accelerate regional economic integration. Besides, ASEAN-India cooperation is now extended to cover many other issues such as human resource development, science and technology, transportation, tourism, ICT, energy, etc. ASEAN-India Green Fund (AIGF) on climate change has also been set up. Thus, we need to broaden the scopes of cooperation beyond trade in goods for which a greater amount of discussion is required among the policy researchers.

Working Session I:

Leveraging ASEAN-India Free Trade Agreement in Goods

8. The first working session on FTA in goods dealt with issues relating to ASEAN-India comprehensive cooperation, greater market access for CLMV countries and vice-versa, and barriers to trade in goods. A second generation reform in institutions and governance would help facilitate trade flows. According to the panelists of this session, more research works are needed to be done in trade facilitation, removal of non-tariff barriers (NTBs), harmonisation of trade agreements, which have been identified as more important than mere tariff liberalisation.

9. Indian investment in ASEAN was identified as an important catalyst to regional production network. Greater production networks between India and ASEAN can take ASEAN-India partnership to a higher level. Free flow of investments can help strengthen production networks between countries. ASEAN and India shall work together to foster regional supply chain based on complementarities. The major challenges to regional supply chains are NTBs, connectivity, lack of harmonisation of standards, etc.
10. 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, and connectivity, which need to be addressed in order to strengthen the partnership. Deliberations between think-tanks would help provide well-considered policy inputs to the governments.
11. Three broad outcomes of ASEAN-India FTA witnessed so far are: (i) trade deficit not alarmingly high; (ii) not much change in export patterns, and (iii) no large surge in imports from ASEAN. Participants felt that the CLMV countries need to expand their trade basket in Indian market. According to the Confederation of Indian Industry (CII), some of the Indian sectors which were negatively affected due to FTA in goods are tea, spices, coffee, and rubber. The loss can be compensated by India's services export to ASEAN, where India has comparative advantages in many sectors. Therefore, a comprehensive agreement would help expand trade between ASEAN and India. ASEAN would also gain from Indian market in services such as financial services or construction services. According to CII, Indian industry is heavily looking for a comprehensive agreement with ASEAN. Some of the sectors showing high potential of trade between ASEAN and India are health and pharmaceutical, agricultural machinery and heavy vehicles.

Working Session II:

Exploring Opportunities through Deeper Integration in the Services and Investment

12. The Session II was devoted on services and investment. As per ASEAN-India FTA in goods, services and investment agreements have to be concluded by 2016. Some sectors that show good potential in trade in services are accounting, engineering and architectural services. India's interests in services trade are in Mode 1 and Mode 4, whereas ASEAN's interest is in Mode 3 (FATS). Major challenges, as highlighted by participants, are high trade protection, increasing unemployment, loss of market share and fall in GDP in some ASEAN countries. Intergovernmental efforts to create statistics in trade in services were also felt important.
13. Indian FDI was rising in ASEAN countries till recently but it started declining. The participants felt that Indian FDI is moving only into some traditional ASEAN countries, whereas the CLMV countries were left out. There are high investment opportunities in CLMV countries in tourism and culture, transportation, and communication. SMEs of India and ASEAN can facilitate trade and investment since both of them have good presence of the private sector. All panelists felt that ASEAN and India should negotiate and conclude a comprehensive agreement in services and investment at an early date.

Working Session III:

Enhancing Connectivity for Promoting ASEAN-India Economic Integration

14. In Session III, panelists found that with the completion of ERIA and RIS studies, plans and proposals relating to connectivity are now ready for negotiations. Harmonisation of standards in transportation, financing innovation, risk sharing, setting up of regional fund, access to local bond market financing, etc., were identified as important for fostering connectivity between ASEAN and India. Besides, proper institutional arrangements, trade and transport facilitation, etc., were identified as key elements to deepen connectivity between ASEAN and India. It was also suggested that ASEAN and India may negotiate a transit and transport agreement between them for enhancing trade and transportation.
15. Participants called for a separate institution and a task force in order to drive ASEAN-India connectivity projects. Panelists suggested that a new task force should also be created to take forward the ASEAN-India connectivity projects and their implementations.
16. Some of the connectivity projects' spill-over like Dawei Deep Sea project is very important. Involvement of local community and sustainable development would turn our diversity into strength. Multi-modal approach of transportation should be pursued.
17. ASEAN and India have been celebrating two decades of their diplomatic relations. In order to take forward the ASEAN-India strategic partnership from 2013 onward, we should build a stronger connectivity. Higher financing and stronger institutions would complement ASEAN-India comprehensive agreement in trade. Researchers and think-tanks have identified projects which would strengthen the physical connectivity between ASEAN and India.

Working Session IV:

Joint Ventures in Third Countries

18. Session IV dealt with the potentials of joint ventures between India and ASEAN in third countries. Panelists have shown that there has been a healthy flow of FDI moving between ASEAN and India, and in many cases the ventures reach third countries such as Turkey, Australia, etc. Presentations in this session indicated that there are ample opportunities for ASEAN-India joint ventures in industries such as oil and gas, infrastructure, banking and finance, health care, steel, education, etc.
19. Representative of the Federation of Indian Chambers of Commerce and Industry (FICCI) gave examples of successful joint ventures between Indian and ASEAN companies in the region and also outside the region. Indian FDI in Singapore, Malaysia and Thailand has been rising. FDI inflow from Singapore to India touched US\$ 70 billion during 2000 and 2010. Number of joint ventures between India and Malaysia has increased from 70 to 80. Five broad areas of joint ventures are showing high potential such as services, telecom, infrastructure, natural resources, and energy. There is a good example of India-Malaysia joint venture for development of airport in Turkey. L&T and Scoomy Engineering (Malaysia) could build joint venture for development of projects in many South Asian countries. Singapore's Changi Airport, in collaboration with an Indian company, is setting up an airport township in West Bengal, India, which offers possibility of setting up a similar project in neighbouring

Bangladesh. There is also a successful partnership between Indian and Malaysian companies, such as Punj Lloyd of India and United Group of Companies (UGC) of Malaysia. Similarly, in power and energy sector, India's GVK has collaborated with ASEAN companies. These experiences can be extended in power sector in third countries. In the telecom sector, Malaysian company (Global Transit) is setting up under-sea pipeline in collaboration with Bharati Airtel. These joint ventures are good examples for developing telecom sector in other countries, particularly in Africa. There are many more successful joint ventures between India and ASEAN companies; for example, Mahindra Satyam in IT sector, Apollo Hospital in health care sector, to mention a few. There are also opportunities for trilateral solutions in expanding business through ASEAN-India joint ventures. For example, MakemyTrip.com and Malaysian Airport Authority (MAA) can jointly improve air connectivity between India and Pacific countries. Similarly, Expedia.com and Air Asia can together improve air connectivity between India and Southeast Asia, which would enhance trade and commerce in travel and tourism industries between the two countries. In financial services, India's three major banks are now setting up branches in Malaysia. Singapore's GIC has invested in Vasan Eye Care, and this type of joint venture can be extended to develop health sector in Bangladesh and many other developing countries. Indian and Singapore companies are working together to acquire mining fields in Australia. There is another successful example of joint venture between India, Thailand and Indonesia for setting up pulp and plantation plant in Lao PDR. India and Malaysian companies are having active collaborations in biotechnology and life sciences.

20. FDI in manufacturing sector will facilitate the regional value chains between ASEAN and India. There are many areas where value chain could be developed between the two partners such as intermediate goods, capital intensive goods and technology-oriented goods. Joint ventures between ASEAN and Indian countries are very important in strengthening such regional value chains. At the same time, stronger regional value chains will enhance trade and investment. There are many areas where regional value chains between ASEAN and India can be developed such as textile and clothing, automobile, pharmaceuticals, chemicals, etc. Stronger service links (connectivity) between ASEAN and India are required for fostering regional value chains.

Working Session V:

Strategies for Meeting the Challenges of Food Security

21. Session V was devoted to the food security. The general consensus is that most of the ASEAN countries and India have been facing sporadic rise in inflation in agriculture and food. Rise in population, global financial crisis, demand for bio-fuel, scarcity of water and land, climate change, low productivity, etc., were identified as challenges to regional food security. Panelists suggested for carrying out new studies on food security with more emphasis on ASEAN-India regional cooperation. Some of the suggestions made as way forward are as follows: training of manpower, education, R&D, infrastructure, marketing the use of technology in farming, etc. Campaign for green food, change in food consumption and lifestyle are also important to food security. ASEAN countries shall maintain and enhance trade relations with partner countries in order to manage smooth flow of food supply.

22. There are food surplus areas in ASEAN and India, and at the same time, there are food deficit areas. ASEAN countries entered into an Agreement in 1979 called ASEAN Food Security Reserve Agreement (AFSRA). ASEAN + 3 Emergency Rice Reserve (AERR) is a good example of regional cooperation. ASEAN countries have introduced a regional policy, namely, ASEAN Integrated Food Security Policy Framework (AIFSPF). South Asian countries have a regional food bank (SAARC Food Bank). We need to identify ASEAN+4 regional cooperation mechanism in food security.
23. In ASEAN, there is an ASEAN Rice Forum since ASEAN countries are rice producing (and consuming) countries. However, some countries like Brunei import almost 90 per cent of their rice consumption from neighbouring countries. Rice is a staple food in ASEAN and also in some parts of India. Therefore, a stronger regional cooperation between ASEAN and India would perhaps stabilise the supply of food in the region.
24. To assure the supply of food, agriculture innovation is important. India has a strong role to play in assuring food security in ASEAN, which calls for a regional cooperation mechanism. More activities are needed in research, capacity building, etc., between ASEAN and India. Most of the participants from ASEAN countries have felt that India can help their agriculture sector; therefore, deeper cooperation with India is needed.
25. South Asia's intra-regional trade, compared to ASEAN, is much low. South Asia has similar arrangement like ASEAN for food stock – it is called SAARC Food Bank. India and ASEAN should have a long-term agreement in rice trade with reciprocal arrangement such as Palm oil. Recent National Sample Survey Organisation (NSSO) statistics indicate that monthly per capita expenditure in food in rural India is rising faster than urban India. All the panelists in this session agreed that ASEAN-India regional cooperation is very important for food security. Regional cooperation between ASEAN and India would not only improve the supply of food in the region, but would also support the regional productivity.

Working Session VI:

Meeting the Challenges of Climate Change

26. Session VI was devoted on climate change. ASEAN and India are both vulnerable to climate change. Maintaining a balance between connectivity and carbon footprints is very important. ASEAN and India have jointly set up ASEAN India Green Fund (AIGF) with a seed capital of US\$ 5 million to support collaborative projects. ASEAN countries have a regional consulting platform known as ASEAN Climate Change Initiative (ACCI). An ASEAN-India Forum would be important in order to support climate change projects and also for sharing experiences. In parallel to AIGF, panelists of this session suggested to set up ASEAN-India Green Growth Institute (AIGGI).
27. Availability of new technology would help ASEAN countries and India to fight back climate problems. Exchange of information between ASEAN and India in climate change has been identified as key to environment protection. Besides, innovation, technology transfer, development of human resources would also help protect our environment. ASEAN countries and India have to look for technology and funding sources for climate change projects. South-South Cooperation (SSC) in climate change is a way forward.

Working Session VII:

Cooperation in Biodiversity and Traditional Medicines

28. Session VII was on cooperation in biodiversity and traditional medicines. Panelists talked about ASEAN-India cooperation in biodiversity since benefits of regional cooperation are plenty. India enacted Biodiversity Law in 2004. India has set up National Biodiversity Authority (NBA), which already has collaborative projects with ASEAN Centre for Biodiversity (ACB). Joint ventures between ASEAN and India would lead to develop cost-effective drugs. Panelists suggested to set up India-ASEAN Biodiversity Science Policy Interface initiative.
29. Panelists also suggested that we should strengthen our institutional cooperation in areas such as biodiversity information, management, access to genetic resources and benefit sharing, biosafety and biodiversity law and development. There are regional funds to promote ASEAN-India initiative for biological resources. Development of regional value chains in traditional medicine was also felt important.
30. Panelists recommended that biodiversity product classification should be integrated in the HS Customs Code. Countries in ASEAN and India are diversified and we need to protect our nature.

Valedictory Session

31. In the Valedictory Session, Secretary (East), Ministry of External Affairs said, "The AINTT assumes special meaning, when the global politico-economic structure is slowly transforming with the global economic centre of gravity shifting towards Asia and when this century is being seen as the Asian Century". He further added that one of the necessary conditions to permit such activity is connectivity in the region and beyond – physical, institutional and people to people – as envisaged under the ASEAN Master Plan on Connectivity. When the industrial corridors in Chennai and Bangalore are linked with industrial corridors around Dawei, Bangkok and Ho Chi Minh City, they will open avenues for development in the Mekong countries as well as in India.
32. Along with deepening economic integration and promoting connectivity, India is also committed to bridging developmental gaps and enhancing regional integration. The Entrepreneurship Development Centres (EDC) and Centres for English Language Training (CELT) in CLMV countries are part of India's support to the Initiative for ASEAN Integration. India has also suggested development of an e-Network for Tele-medicine and Tele-education for CLMV countries to leverage the expertise and capacity in India to develop human capital in these countries.
33. The Round Table discussed in detail the ASEAN-India FTA and the need to bring within its ambit services and investments. It deliberated on connectivity and promoting integration as well as on the important challenges for food security and climate change and issues related to bio-diversity and traditional medicines. Several ideas and inputs have emerged from the two-day deliberations at this Round Table to foster this important partnership and we greatly value these inputs. The single fact that stands out about the ASEAN-India partnership is that it is a partnership for mutual benefit, a partnership

devoid of differences and problems, one that is marked by an identity of objectives and ambition. Secretary (East) concluded by commending RIS for the excellent arrangements made for the meeting. He extended his special thanks to our friends from the ASEAN countries for their participation.

34. It was suggested that future Round Table should be held with regular periodicity in ASEAN countries as well as in India, propelling issues and opportunities to the attention of the governments. It was, therefore, decided that next Round Table of 2013 would be held in an ASEAN country in consultation with the ASEAN Secretariat and the Ministry of External Affairs (MEA), Government of India. AINTT Secretariat at RIS has been asked to continue coordinating the AINTT.
35. To conclude, the First Round Table of AINTT dealt with several important issues starting from the economic cooperation to climate change to cooperation in biodiversity and traditional medicines. Participants of the Round Table called for an early conclusion of comprehensive agreement between ASEAN and India, which would not only help deepen the integration process between them, but would also strengthen the Asian integration process that has been emerging through RCEP. There are many challenges to overcome, the foremost of which are investment and services liberalisation and strengthening the connectivity. Stronger regional cooperation and integrated transportation programme between ASEAN and India are essential for elevating the partnership to the next higher level. Higher infrastructure financing and stronger institutions would strengthen ASEAN-India partnership. The proceedings of the event would be released at the 2nd Round Table of AINTT. The event ended with Vote of Thanks to the ASEAN Secretariat; Ministry of External Affairs, Government of India; and RIS for organising the First Round Table of AINTT.

AGENDA

Day I: 7 August 2012

09.30 - 10.00: Registration

10.00 - 10.45: Inaugural Session

- Welcome address by **Ambassador Shyam Saran**, Chairman, RIS
- Special address by **Mr. Nyan Lynn**, Deputy Secretary General for Political Security Community, ASEAN Secretariat, Jakarta
- Inaugural address by **Mr. S. M. Krishna**, Hon'ble External Affairs Minister, India
- Vote of Thanks by **Dr. Biswajit Dhar**, Director-General, RIS

10.45 - 11.00: Tea/Coffee Break

11.00 - 12.30: Working Session I: Leveraging ASEAN-India Free Trade Agreement in Goods

In chair: **Ambassador Shyam Saran**, Chairman, RIS

Panelists:

- **Dr. Pradumna B. Rana**, Associate Professor, S. Rajaratnam School of International Studies (RSIS), Nanyang Technological University (NTU), Singapore
- **Mr. Poch Kongchheng**, Researcher, Economic Institute of Cambodia (EIC), Phnom Penh
- **Mr. Pranav Kumar**, Head, International Trade Policy, Confederation of Indian Industry (CII), New Delhi

Q&A

12.30 - 14.00: Lunch Break

14.00 - 15.30: Working Session II: Exploring Opportunities through Deeper Integration in the Services and Investment

In chair: **Dr. Sok Siphana**, Chair of Board of Directors, Cambodia Development Resource Institute (CDRI), Phnom Penh

Panelists

- **Mr. Viengsavang Thipphavong**, Deputy Director, Trade Policy Division, Economic Research Institute for Trade (ERIT), Ministry of Industry and Commerce, Vientiane
- **Dr. Aida Licaros Velasco**, Associate Professor, Decision Science and Innovation Department, & Director, Center for Business Research and Development, RVR College of Business, De La Salle University, Manila
- **Dr. Ram Upendra Das**, Senior Fellow, RIS

Q&A

15.30 - 15.45: Tea/Coffee Break

15.45 - 17.30: Working Session III: Enhancing Connectivity for Promoting ASEAN-India Economic Integration

In chair: **Ambassador Rajiv Kumar Bhatia**, Director General, Indian Council of World Affairs (ICWA), New Delhi

Panelists

- **Dr. Mahani Zainal Abidin**, Chief Executive, Institute of Strategic and International Studies (ISIS), Kuala Lumpur
- **Dr. Michael Yeoh**, Co-founder and CEO of the Asian Strategy & Leadership Institute (ASLI), Kuala Lumpur
- **Dr. Suthiphand Chirathivat**, Chairman, Chula Global Network and Executive Director, ASEAN Studies Center, Chulalongkorn University, Bangkok
- **Dr. Siwage Dharma Negara**, Researcher, Research Center for Economics, Indonesian Institute of Sciences (IIS), Jakarta
- **Mr. U Khin Maung**, Former Superintending Engineer, Public Works Department, Ministry of Construction, Myanmar Government, Yangon
- **Dr. Prabir De**, Fellow, RIS

Q&A

19.30: Dinner

Day II: 8 August 2012

09.00 - 10.30: Working Session IV: Joint Ventures in Third Countries

In chair: **Ms. Ng Yeen Seen**, Senior Vice President / Chief Strategy & Programme Officer, Asian Strategy & Leadership Institute (ASLI), Kuala Lumpur

Panelists

- **Dr. Nguyen Huy Hoang**, Deputy Director, Southeast Asian Studies, Vietnam Academy of Social Sciences (VASS), Hanoi
- **Mr. Manab Majumdar**, Assistant Secretary General, Federation of Indian Chambers of Commerce & Industry (FICCI), New Delhi
- **Dr. S K Mohanty**, Senior Fellow, RIS

Q&A

10.30 - 11.00: Tea/Coffee Break

11.00 - 13.00: Working Session V: Strategies for Meeting the Challenges of Food Security

In chair: **Dr. Mahani Zainal Abidin**, Chief Executive, Institute of Strategic and International Studies (ISIS), Kuala Lumpur

Panelists

- **Dr. Haji Ismail Bin Haji**, Executive Director, Centre for Strategic and Policy Studies (CSPS), Brunei Darussalam
- **Dr. Somchai Ratanakomut**, Professor, Shinawatra University, Bangkok
- **Dr. Roehlano M. Briones**, Senior Research Fellow, Philippines Institute for Development Studies (PIDS), Manila
- **Dr. Myint Thaung**, Former Rector, Yezin Agricultural University, Yangon
- **Dr. Sombounmy Phomtavong**, Researcher, Development Research Division, National Economic Research Institute (NERI), Ministry of Planning and Investment, Vientiane
- **Dr. I N Mukherji**, Senior Consultant, RIS

Q&A

13.00 - 14.00: Lunch

14.00 - 15.30: Working Session VI: Meeting the Challenges of Climate Change

In chair: **Dr. Ramgopal Agarwala**, Distinguished Fellow, RIS

Panelists

- **Ms. Rahimah Abdulrahim**, Executive Director, The Habibie Center, Jakarta
- **Ms. Vu Xuan Nguyet Hong**, Vice President, Central Institute for Economic Management (CIEM), Ministry of Planning and Investment, Government of Vietnam, Hanoi
- **Ms. Kasturi Das**, Consultant, RIS

Q&A

15.30 - 15.45: Tea / Coffee Break

15.45 - 17.00: Working Session VII: Cooperation in Biodiversity and Traditional Medicines

In chair: **Dr. Myint Thaung**, Former Rector, Yezin Agricultural University, Yangon

Panelists

- **Dr. Biswajit Dhar**, Director-General, RIS
- **Dr. Sachin Chaturvedi**, Senior Fellow, RIS

Q&A

17.00 - 17.30: Valedictory Session

In chair: **Dr. Biswajit Dhar**, Director-General, RIS

- Address by **Mr. Sanjay Singh**, Secretary (East), Ministry of External Affairs, Government of India
- Vote of Thanks by **Dr. Prabir De**, Fellow, RIS, and Coordinator, AINTT



WELCOME ADDRESS

Ambassador Shyam Saran

Chairman

Research and Information System for Developing Countries (RIS) and
Chairman, National Security Advisory Board (NSAB), India

Hon'ble Minister for External Affairs, Shri S.M. Krishna; Director-General of Research and Information System for Developing Countries, Dr. Biswajit Dhar; Distinguished scholars from friendly ASEAN countries; ladies and gentlemen. Let me extend a very warm welcome to our all guests this morning. I would like to express my deep-felt appreciation to Hon'ble External Affairs Minister, who has kindly spared us his valuable time to inaugurate this Round Table and to share his own thoughts with us on how best to utilise this initiative and take it forward in the service of strengthening India-ASEAN partnership.

This Round Table takes place at a particularly propitious time. In a few weeks from now the India-ASEAN Eminent Persons' Group, which I have the privilege to co-chair, will be meeting in Kochi, Kerala to deliberate on a Vision Document for India-ASEAN relations during the next decade. This document will be presented to the Indian and ASEAN leaders who will meet in December this year to commemorate the 10th anniversary of India-ASEAN Summit Partnership. It is our intention to recommend that our relations shall be upgraded to the level of a strategic partnership taking into account the rapid expansion in all aspects of our relationship over the past two decades. Mr. Minister, Sir, you would recall that last year you had kindly received all the Eminent Persons from India and ASEAN and not only endorsed the idea of a strategic partnership but encouraged us to chalk out a bold and inspiring vision of our multilayered relationship.

This Round Table is the realisation of an idea put forward by the Prime Minister of India, Dr. Manmohan Singh, at the 7th India-ASEAN Summit as an instrument to initiate and expand a much broader interaction and dialogue among our think-tanks, policy makers, media and business representatives. RIS was given the task to convene such an interaction and provide a platform for sharing of views, ideas and proposals aimed at strong-warming India-ASEAN relations. This has not been easy but finally our efforts have paid off, in no small measure, due to the support and assistance we have received from the Ministry of External Affairs and our missions abroad. We thank them for their contribution.

RIS is, of course, welcoming several old friends and some new colleagues as well from our ASEAN partner countries. We have been interacting with several prestigious think-tanks in a number of ASEAN countries for the past several years. In 2004, RIS had convened a Conference on 'ASEAN-India Vision 2020' in New Delhi on behalf of the ASEAN-India Network of Think-Tanks. This Network was set up at the first India-ASEAN Summit held in 2002. The Round Table which you will be inaugurating today, Hon'ble Minister, will be the second conference bringing the network together. Let us express the hope that the Network will meet more regularly than it has so far and make a significant contribution in deepening the heady close relationship between India and ASEAN countries. I can assure all our friends gathered here that RIS is willing to fulfill its responsibility from the Indian side.

Hon'ble Minister, distinguished guests, the impressive growth in India-ASEAN relations is something we in India are proud about. Since the reorientation of Indian foreign policy in 1992, when the Look East Policy was initiated, our achievements have been significant. We have successfully moved from a dialogue partnership to a summit partnership, established a free trade regime in goods and hope to extend this to investment and services. The volume of India-ASEAN trade is currently US\$ 80 billion, but we have a target of US\$ 100 billion by 2013. There is every reason to be confident about our ability to reach the target, given the fact that our trade and economic relations have continued to grow in spite of the ongoing global financial and economic crisis. We must, however, face up to the reality that future growth must be sought within our own region rather than in our traditional markets in North America and Western Europe. It is through greater regional economic integration and our collective strength that we can ensure that our economic prospects remain robust. This Round Table will be exploring some of these issues in a more focused manner. I would certainly hope the deliberations here will contribute in a major way to the work of the Eminent Persons.

I thank all our distinguished guests who have been gracious enough to accept our invitation to this Round Table. Hope the arrangements that we have made to welcome you and make your stay comfortable match your expectations. I am certain that we will have very lively and productive discussions today and tomorrow. I wish the Round Table every success. And once again, I sincerely thank our Hon'ble Minister for gracing this occasion.

Thank you for your attention.



KEYNOTE ADDRESS

Mr. S. M. Krishna

External Affairs Minister
Government of India

Deputy Secretary-General of ASEAN Mr. Nyan Lynn,
Secretary Shri Sanjay Singh,
Chairman RIS Ambassador Shyam Saran,
Distinguished Panelists and Speakers,
Members of the Think-Tank Community,

Ladies and Gentlemen,

I am delighted to join you today for the First Round Table of the ASEAN-India Network of Think-Tanks, organised by Research and Information System for Developing Countries. I would like to commend Chairman RIS and his team for taking up this significant initiative in this important year for ASEAN and India – a year in which we are commemorating 20 years of our partnership. It is also timely as India and ASEAN are seeking to break new ground in identifying the future roadmap and content of their partnership.

Prime Minister of India, Dr. Manmohan Singh conceptualised the Round Table of ASEAN-India Think-Tanks in 2009 India-ASEAN Summit to bridge the information gap and also to provide policy inputs to the Governments of India and ASEAN countries on future areas of cooperation. We will follow your discussions over the next two days with great interest.

Ladies and Gentlemen

The ASEAN-India partnership is a natural one, founded on congruent ideas and a common vision of the region and the world, under-pinned by strong civilisational linkages through the millennia. We are convinced of the unique ability of our partnership to further progress and prosperity, peace and security in the region.

Our strengths lie in the fact that we together constitute a 1.8 billion people, a market with resource and demand, a region with complementary capacities and resources. These have contributed to the tremendous resilience that our economies have been able to show since the time of the downturn in the global economy in 2008.

ASEAN-India trade has already crossed the target of US\$ 70 billion to reach nearly US\$ 80 billion, showing a very significant growth rate of 37 per cent in 2011-12.

The ASEAN-India Free Trade Agreement in Trade in Goods has been a positive contributor in enhancing trade. We would now like to see early finalisation of ASEAN-India FTA in Investments and Services. This would allow us to truly focus on our collective human resource development. It would also allow India and ASEAN to begin talks on the Regional Comprehensive Economic Partnership (RCEP) initiative, to further accelerate regional economic integration.

ASEAN Secretariat is currently processing projects worth over US\$ 70 million, suggested by India under the ASEAN-India Plan of Action for the period 2010-15. These are across sectors to enhance people-to-people and institutional connectivity between ASEAN and India. The human resource in our countries, the demographic advantage, the potential in an expanding canvas for ASEAN-India relations are some of the drivers in these projects. This region's future lies in its youth, the building blocks for the future, who constitute 40 per cent and 50 per cent of the ASEAN and India populations, respectively.

Ladies and Gentlemen,

India accords a very high priority to enhance physical connectivity with ASEAN. India began discussions with ASEAN at the Land Transport Working Group Meeting in early July. There are multiple ideas and possibilities, apart from India-Myanmar-Thailand Trilateral Highway, wherein we have just recently taken on additional commitments at the request of Myanmar. There are ideas about extension of the Trilateral Highway to Laos and Cambodia and also a new highway linking India-Myanmar-Laos-Vietnam-Cambodia.

The study by Economic Research Institute for ASEAN and East Asia on a Comprehensive Asia Development Plan and the Master Plan for ASEAN Connectivity Plus adopted at the 6th East Asia Summit are also of interest and practical relevance. I hope your discussions today will cover practical aspects of these ideas and also examine the feasibility of Public Private Partnership (PPP) and joint venture route into the programmes of the concerned Governments.

We have endorsed ASEAN centrality in the geopolitical and economic architecture of the region. We wish to further enhance cooperation with ASEAN countries in confronting non-traditional security challenges before us – fight against international terrorism, drug trafficking, maritime issues, climate change, disaster management, food and energy security. These transnational issues require new and innovative responses. I hope AINTT would deliberate on these issues and come up with practical recommendations.

Ladies and Gentlemen,

I am confident that your deliberations would come up with tangible and implementable suggestions to aid decision-making, which would help governmental efforts to further strengthen India-ASEAN partnership.

I also wish to see that the future Round Table meetings are held with regular periodicity in ASEAN countries as well as in India, propelling issues and opportunities to the attention of the Governments. The deliberations in these Round Table meetings covering ASEAN and India, the two significant regions in Asia, will have greater salience as we now witness a gradual geopolitical shift in gravity to Asia.

I take this opportunity to welcome members of the ASEAN Secretariat, who are on a special orientation visit to India. I hope their interactions here will give them a better understanding of the thinking that India has brought to its Dialogue Partnership.

I commend RIS for this initiative and convey my appreciation to the members of the Think-Tank community in India and ASEAN for their active participation. I wish you success in your deliberations.

Thank you.

New Delhi
August 7, 2012



SPECIAL ADDRESS

Mr. Nyan Lynn

Deputy Secretary General for Political Security Community
ASEAN Secretariat, Jakarta

Your Honourable Mr. S.M. Krishna, Minister of External Affairs of India,
Your Excellency Ambassador Shyam Saran, Chairman of Research and Information System,
Dr. Biswajit Dhar, Director-General of Research and Information System,
Excellencies, Distinguished guests, Ladies and Gentlemen,

ASEAN-India Relations

1. At the outset, allow me to express my sincere appreciation to the RIS for inviting me to this important gathering that seeks to contribute to advancing ASEAN-India relationship.
2. India's "Look East" policy in foreign affairs put in place since 1991, including its efforts to strengthen relations with ASEAN as a group, has been well reciprocated by ASEAN as an "outward-looking" organisation.
3. India has been an important partner of ASEAN since 1992 and ASEAN has attached great importance to the relationship and partnership with India. It is notable that ASEAN-India Partnership had grown relatively rapidly to a full dialogue partnership in 1995. The relationship was further elevated with the convening of the annual ASEAN-India Summit since 2002. This clearly signifies the importance of the dialogue partnership between ASEAN and India and the progress made in the cooperation.
4. This year, ASEAN and India will mark 20th Anniversary of their Dialogue Partnership with, among others, a symbolic and meaningful "Special Commemorative Summit", scheduled to be held here in New Delhi on 20-21 December 2012. Several commemorative activities such as the Delhi Dialogue IV, the Visit of the ASEAN CPR to India, the Meeting of Heads of Space Agencies of ASEAN and India, and the Meeting of Agriculture Ministers have been implemented. Meanwhile a number of activities, namely the ASEAN-India Car Rally, the Sail Training Ship "Sudarshini" Expedition to ASEAN Member States, the ASEAN-India Agri Expo, and the Meeting of ASEAN and India Environment Ministers, among others, are also being planned to mark the special occasion.

5. Both ASEAN and India are now working to elevate the Dialogue Relations to that of a strategic partnership. There are some common features of what we in ASEAN refer to as “strategic partnership”.
 - First, the external partner is a Dialogue Partner of ASEAN, which India became in 1995 as I mentioned earlier. Today, ASEAN and India have set up 27 regular dialogue and cooperation mechanisms from the highest level – the summit, five ministerial level meetings, eight senior officials meetings and 14 expert working groups in the three pillars of political-security, economic and socio-cultural cooperation.
 - Second, the country has acceded to the TAC, our Treaty of Amity and Cooperation in Southeast Asia, sometimes dubbed as the non-aggression treaty by the media. The signing of the TAC by India in 2003 is recognition of India by ASEAN as a major player in the region and the strong commitment and valuable contribution India has made and is making to regional peace, stability and prosperity.
 - And third, ASEAN has “substantive relations” with that Partner.
6. Today, I am leading a large delegation from the ASEAN Secretariat for a visit to India to exchange views with several Indian agencies to further explore tangible and practical areas and joint activities and to encourage and facilitate the implementation of the on-going programmes that, we hope, would contribute further to substantiating the ASEAN-India Partnership.
7. Furthermore, I am delighted to note that the ASEAN-India Eminent Persons Group (AIEPG) has been established and has met three times to take stock of ASEAN-India relations over the past 20 years, to explore ways to widen and deepen existing cooperation between ASEAN and India as well as recommend measures to further strengthen ASEAN-India relations. We very much look forward to the visionary recommendations of the AIEPG, and the final visionary recommendations of the AIEPG, who are expected to complete their final Report to be submitted to the Leaders of ASEAN and India at the Summit later this year. The AIEPG is co-chaired by H.E. Shyam Saran, who is present here with us today and would share his vision for the future of ASEAN-India Partnership.

Economic Cooperation

8. In the economic sphere, ASEAN and India have aimed to achieve a free trade area. With a combined market of over 1.8 billion people and a GDP of US\$ 3.8 trillion and relative geographical proximity, there is huge potential awaiting to be tapped in ASEAN-India economic cooperation. ASEAN-India Trade in Goods (TIG) Agreement, signed on 13 August 2009 in Bangkok, will pave the way for the creation of one of the world’s largest free trade areas, while the negotiation on trade in services and investment has been under way.
9. Based on statistics compiled by ASEAN in 2011, the total trade between ASEAN and India was US\$ 68.4 billion, a growth of 23.4 per cent from US\$ 55.4 billion in 2010. This accounted for 2.9 per cent of the total ASEAN trade in 2011. India moved up by one

position to be the sixth largest trading partner of ASEAN. At the 8th ASEAN-India Summit in October 2010, the leaders reaffirmed their commitment to achieve a bilateral trade target of US\$ 70 billion by 2012. This is not an impossible target. In addition, there is an emerging consensus that ASEAN and India should set a more ambitious trade target, which could be pronounced at the ASEAN-India Commemorative Summit in December 2012.

10. In contrast, there was a net outflow of foreign direct investment (FDI) to India from ASEAN.
11. ASEAN and India are also working on enhancing private sector engagement, including the re-activation of the ASEAN-India Business Council (AIBC), the holding of the first ASEAN-India Business Summit (AIBS) and an ASEAN-India Business Fair (AIBF) held in New Delhi on 2-6 March 2011. The events were part of overall efforts to stimulate trade and business-to-business interaction between ASEAN and India. On the sidelines of the forthcoming ASEAN-India Special Commemorative Summit, the 2nd ASEAN-India Business Forum and Business Conclave (2nd AIBF) have been planned to be held on 18-20 December 2012 in New Delhi.

Socio-Cultural Cooperation

12. Over the years, ASEAN-India socio-cultural cooperation has been expanded to include human resource development, science and technology (S&T), people-to-people contacts, health and pharmaceuticals, transport and infrastructure, small and medium enterprises (SMEs), tourism, information and communication technology (ICT), agriculture, energy and initiative for ASEAN integration (IAI). All cooperation projects are funded by the ASEAN-India Fund (AIF).
13. Cooperation in these areas are carried out through the implementation of the Plan of Action (PoA) to implement the ASEAN-India Partnership for Peace, Progress and Shared Prosperity, which was adopted by the Leaders at the 3rd ASEAN-India Summit in November 2004 in Vientiane. The PoA encompasses activities under the various existing ASEAN sectoral work plans, Declarations concluded between ASEAN and India, as well as priority activities under the Roadmap for an ASEAN Community 2009-2015 that could be implemented with India.
14. Another important contribution by India to substantiate the partnership is the establishment of the ASEAN-India Green Fund with an initial amount of US\$ 5 million, which is aimed to support activities relating to adaptation to climate change. The ASEAN-India Green Fund is unique and only of kind that ASEAN has with its Dialogue Partners. Furthermore, the ASEAN-India Science and Technology Development Fund with an initial amount of US\$ 1 million has been established and has become operational to encourage collaborative R&D and technology development between ASEAN and India.
15. India is also actively contributing to narrowing the development gaps in ASEAN through the implementation of the Initiative for ASEAN Integration (IAI) Work Plan with the implementation of some of the IAI projects/activities, such as the Entrepreneurship Development Centres (EDC) and the Centres for the English Language Training (CELT) in Cambodia, Lao PDR, Myanmar and Vietnam.

16. The ASEAN Leaders also welcomed the announcement made by Prime Minister, Manmohan Singh to allocate US\$ 50 million to the ASEAN-India Cooperation Fund and the ASEAN Development Fund in support of the above initiatives, as well as IAI programme and projects in the areas of education, energy, agriculture and forestry, SMEs and implementation of the ASEAN ICT Master Plan.

ASEAN and the Evolving Regional Architecture: India's Role?

17. The recent regional and global dynamics are giving increased importance to discussions on the regional architecture in East Asia. The dynamics bring along uncertainties, challenges and opportunities that the region has to manage.
18. As the new realities dawn on the region's horizon, ASEAN as the fulcrum of relations in the East Asia region is very well aware that it faces more challenges in preserving its relevance and centrality.
19. In expanding ASEAN's external relations to constructively engage its friends and partners to shape the evolving regional architecture, and at the same time to ensure that ASEAN will have a united voice and will be at the centre or forum the core of the evolving regional architecture, ASEAN will strive to continue to exercise leadership and remain proactive in managing the cob-web of processes and cooperation in the region.
20. In fact, the Leaders of ASEAN are very well aware of the challenges facing ASEAN. They, at the 16th ASEAN Summit held in April 2010 in Hanoi, adopted a two-prong approach with priority given to the acceleration of ASEAN's integration and community building while intensifying ASEAN's external relations and ensuring ASEAN's role as the driving force in regional cooperation frameworks.
21. They emphasised the need for ASEAN to continue to develop strategies with important partners and foster ASEAN's common stance and approach on important regional and global issues. In essence, ASEAN must remain:
 - Credible by being at the forefront in formulating new ideas and in improving existing ASEAN processes and mechanisms of dialogue and cooperation: new frameworks should be built on existing structures, as there is familiarity with the "ASEAN way". ASEAN is also seen as a neutral party which is capable of bringing all key stakeholders together. While ASEAN may not be the best driver, it is the most acceptable one.
 - Dynamic, creative and responsive to new regional and global realities and challenges: Inaction is not an option.
 - Not complacent with the status quo: ASEAN's central position in regional processes including the ARF, ASEAN+ (1 and 3) mechanisms, the EAS and the ADMM-Plus is a privilege and not a right. While ASEAN remains in the driver's seat, this position was earned through careful and deliberate planning. ASEAN cannot be complacent and must continue to work hard to maintain its central position.
22. Related to discussions on evolving regional architecture is the expansion of the East Asia Summit (EAS), which has included the Russian Federation and the United States

of America. ASEAN has placed high stakes and has the expectation that the two major powers could contribute to the evolving regional architecture.

23. All EAS participating countries stressed the need for the EAS process to adhere to the principles, objectives and modalities of the EAS as outlined in the 2005 Kuala Lumpur Declaration, and the need to keep to the existing agenda and priorities of the EAS even after the participation of Russia and the US.
24. At this important juncture, ASEAN is very well aware of the challenges that lie ahead in managing the evolving regional architecture, and is prepared to handle this daunting task. What is gratifying is the all-around strong, unanimous and unwavering support for ASEAN centrality that we have received from all our dialogue partners, including India.
25. What we, in ASEAN, mean by maintaining and enhancing our centrality:
 - To ensure progress in the attainment of the ASEAN Community into the year 2015 by continuing and building upon achievements and by identifying and forging new areas of cooperation in the three pillars as well as by addressing issues of particular concern for the region; and
 - To ensure that the evolving regional architecture and environment remains conducive to the pursuit of development in the region by establishing a dynamic equilibrium with ASEAN in the driving seat. This includes strengthening our Partnership with all our Partners, including India.

ASEAN Connectivity and Community Building: India's Possible Role?

26. ASEAN is embarking on a bold and long-term strategy to improve the region's physical, institutional and people-to-people connection. Enhanced ASEAN Connectivity would promote ASEAN centrality in the regional architecture, facilitate the building of an ASEAN Community and serve as a foundation for a more enhanced connectivity beyond the region.
27. Enhanced connectivity will encourage competitive growth; facilitate economies of agglomeration and integrated production networks; and enhance trade. Expanding and improving road, rail, inland waterways, maritime and air linkages will also be crucial for enhanced connectivity for economic development, narrowing development gaps, and other reasons.
28. In addition to the tangible economic benefits of ASEAN Connectivity, improved linkages will also promote deeper ties among ASEAN people, foster cultural and historical bonds, and as a result, intensify and strengthen the ASEAN Community building efforts.
29. To achieve this, ASEAN has developed a Master Plan on ASEAN Connectivity. The document was adopted by the ASEAN Leaders at the 17th ASEAN Summit in 2010.
30. The focus of the ASEAN Connectivity basically encompasses three main parts: a) People-to-People Connectivity; b) Physical Connectivity; and c) Institutional Connectivity. These three

main parts need the support from intra-ASEAN resources, Multilateral Development Banks, Dialogue Partners and private sector.

31. The ASEAN Connectivity Coordinating Committee is currently coordinating with various stakeholders in implementing the Master Plan on ASEAN Connectivity.
32. To realise the ASEAN Connectivity initiative, ASEAN Leaders called on external partners, multilateral development banks, regional and global funds, the private sector and other parties to take part directly in the implementation of the Master Plan. ASEAN will be developing an implementation plan to translate the key actions into specific activities or projects. What is important is the development of viable or bankable projects, particularly for those under physical connectivity. The support of our external partners, including India, is essential. The Leaders of EAS participating countries had issued a Declaration to support ASEAN Connectivity.

Estimates of Infrastructure Requirements in the ASEAN Connectivity

33. Asian Development Bank (ADB) and Asian Development Bank Institute (ADBI) in the study, *Infrastructure for a Seamless Asia*, estimated that “between 2010 and 2020, Asia needs to invest approximately US\$ 8 trillion in overall national infrastructure. In addition, Asia needs to spend approximately \$290 billion on specific regional infrastructure projects in transport and energy that are in the pipeline.”¹
34. “ASEAN countries will require infrastructure investments amounting to US\$ 596 billion during 2006-2015, with an average investment of US\$ 60 billion per year.”²
35. “A 20 per cent reduction in logistics costs would increase the share of trade in GDP by more than 10 per cent.”³

ASEAN-India Connectivity

36. ASEAN welcomed India’s support in realising the Master Plan on ASEAN Connectivity.
37. As Asia becomes the engine for the growth of the global economy, ASEAN and India must capitalise on their partnership through enhanced connectivity to reap the benefits.
38. Physical connectivity, institutional linkages and closer people-to-people interaction are mutually reinforcing. The concept of ASEAN Connectivity is not only relevant but also critical to India and ASEAN-India Partnership. With the geographical proximity, the physical infrastructure linkages – land, maritime, air, ICT, energy – are crucial, and they need to be supported by the peoples’ interaction to sustain and substantiate comprehensive ASEAN-India Partnership.
39. India’s commitment to the development of the India-Myanmar-Thailand trilateral highway, its extension to Lao PDR and Cambodia and the new India-Myanmar-Lao PDR-Vietnam-Cambodia highway is very much welcomed. Such linkages as well as those through the Mekong-India Economic Corridor will enhance regional connectivity and plug Asia firmly into the regional and global economies. The ASEAN-India senior officials are also

exerting efforts to conclude the air transport agreement/protocol at the earliest possible opportunity. The PMC+1 meeting on July 11, 2012, called for the early convening of the ASEAN-India Transport Ministers' Meeting to discuss these developments, particularly to look into the possibility of taking concrete steps towards the development of Mekong-India Economic Corridor linking the east coast of India to the Southeast Asian region.

40. In addition, the Kaladan Multi-Modal Transit Transport Facility provides an alternate route for transport of goods to North-East India by connecting the Indian Ports on the eastern seaboard and Sittwe Port in Myanmar and then through river line transport and by road to Mizoram.
41. Another area of prospect is information and communication technology (ICT). India's readiness to set up IT Training Centres in CLMV countries and increasing the number of the ASEAN-India Entrepreneurship Development Centres and Centres for English Language Training in CLMV countries are very much appreciated.
42. As India's ICT market matures, ASEAN countries could benefit from cooperation with India in this sector. Both sides are accelerating the development of an ASEAN-India broadband high speed optical fibre network that would enhance virtual connectivity. India could certainly make an important contribution to ASEAN in accelerating the development of ICT infrastructure and services in each ASEAN countries, particularly the establishment of an ASEAN Broadband Corridor, given its technology and human resource capabilities in ICT.
43. Tourism is another key area of enhanced cooperation. The number of tourist arrivals between ASEAN and India had shown steady growth with the total number of tourist arrivals from India to ASEAN recorded more than 2.4 million arrivals and ASEAN to India more than 400 thousand arrivals in 2010. The establishment of the ASEAN Tourism Promotional Chapter (APCT) in Mumbai marked an important collaborative platform for ASEAN National Tourism Organisations to market ASEAN to the Indian consumers. With enhanced connectivity, we can expect stronger number of tourist arrivals.
44. It is recognised that increased mobilisation of private investments and economic corridor development, including public-private partnerships is needed as there are limitations to official development assistance (ODA) and public resources and it is essential to have sector reforms that create an enabling policy, legal and regulatory environment for public private partnership (PPP) and other form of private sector participation. The experience and success of India in PPP could very well be a good source of inspiration and emulation as ASEAN develops its own PPP agenda.
45. There is a need to build capacity in developing commercially viable or bankable projects and develop a list of pipeline projects under the Master Plan on ASEAN Connectivity that can be funded by Dialogue Partners and other External Parties.
46. ASEAN would be holding the ASEAN Connectivity symposium with the theme of "Realising ASEAN Connectivity for ASEAN Community Building" in Phnom Penh, Cambodia, in September 2012. India's participation at the said Symposium would be very much welcomed.

47. On the occasion of the 20th commemorative year of India-ASEAN Dialogue relations, a Special Commemorative Summit is to be held on 20-21 December 2012 in New Delhi, India. Good progress has also been made for the preparations for the ASEAN-India Car Rally, which will kick off from Batam Island; Indonesia, with a ceremonial flag-off in Singapore. In addition, there will be a Cultural Festival and a Sailing Training Ship "Sudarshini" Expedition to ASEAN Member States.
48. As ASEAN and India celebrates its 20 years of Dialogue relations, it is time for us to strengthen connectivity and the setting up of an ASEAN-India Joint Committee on Connectivity to coordinate and oversee all cooperative activities related to connectivity would be a natural step forward.

Conclusion

49. Twenty Years of ASEAN-India Partnership has yielded mutual benefits for both sides. Yet we cannot afford to be complacent and the vast potentials for this Partnership await us to further tap to its fullest.
50. The ASEAN Community building process, the commitments made towards the ASEAN Connectivity and the evolving regional architecture have now presented both challenges for us to work together to overcome, and opportunities to seize and utilise for our mutual benefits.
51. The enlightened regionalism and building an open and inclusive regional architecture, ASEAN has always taken into account that we forge the environment within and beyond our region, which is conducive for peace, security and stability for national and regional development, and prosperity. To achieve this grand objective and that our partners have important roles to play and find it in their interest.
52. In marking the 20th Anniversary of ASEAN-India Dialogue Partnership in 2012, it is a symbolic opportunity for us to look back and take forward this Partnership – the possibilities and the ways and means to elevate the Partnership a higher plane, including a strategic one.

Endnotes

- ¹ Asian Development Bank (ADB) and Asian Development Bank Institute (ADBI). 2009. *Infrastructure for a Seamless Asia*, Manila and Tokyo.
- ² Biswa Nath Bhattacharya. 2009. "Infrastructure Development for ASEAN Economic Integration". ADBI Working Paper, Asian Development Bank Institute (ADBI), Tokyo.
- ³ Source: Carruthers, R., and J.N. Bajpai. 2003. "Trends in Trade and Logistics: An East Asian Perspective". World Bank Working Paper No. 2, World Bank, Washington, D.C.



VALEDICTORY ADDRESS

Mr. Sanjay Singh

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

Ambassador Shyam Saran, Chairman, RIS,
Deputy Secretary-General of ASEAN, Mr. Nyan Lynn,
Distinguished Panelists and Speakers,
Members of the Think-Tank Community,
Ladies and Gentlemen,

1. It is my privilege to join you today for the Valedictory Address at a most important landmark in ASEAN-India relations. The ASEAN-India Network of Think-Tanks as a consequence of this Round Table is emerging as a unique bridge of ideas, thoughts, and narratives. I would like at the outset to express our appreciation to RIS for their partnering us in starting this very important dialogue in the Commemorative year for ASEAN and India.
2. I would urge, as did the External Affairs Minister of India, that the AINTT has now become a regular mechanism for the Track 2 interface between ASEAN and India. Your agenda of discussions over the last two days has been intensive, reflecting the depth and multisectoral nature of the ASEAN-India partnership. It is a useful curtain raiser to preparations for the special ASEAN-India Commemorative Summit in December 2012 and also to the deliberations of the ASEAN-India Eminent Persons' Group, of which Amb. Shyam Saran is the Indian Co-chair and Amb. Lynn the ASEC Member.
3. There is a very strong foundation to this partnership, in all its three pillars: politico-security, economic, and socio-cultural. In December 2012, ASEAN and Indian Leaders would be marking an important milestone at the ASEAN-India Commemorative Summit in New Delhi and provide direction for the future course of the Dialogue Partnership.

4. The AINTT also assumes special meaning, when the global politico-economic structure is slowly transforming with the global economic centre of gravity shifting towards Asia and when this century is being seen as the Asian Century.
5. The economic engagement between ASEAN and India is robust. Trade has seen steady with increases of 20 per cent over the last some years but registered a significant 37 per cent rise last year to reach US\$ 79.86 billion. And yet, the full potential of the synergies between the Indian economy and the ASEAN economy is yet to be tapped. I hope your recommendations would give added reason and impetus to the conclusion of the ASEAN-India FTA in Services and Investments. India would like to begin the Regional Comprehensive Economic Cooperation (RCEP) discussions with ASEAN at the earliest.
6. ASEAN and India are developing interactions between the young, educated and entrepreneurial population in our countries. This is our building block for the future. The ASEAN-India Car Rally from Yogyakarta to Guwahati, and the INS Sudarshini expedition to ASEAN countries will add to the dimension of land and maritime connectivity and the trade, investment and cultural linkages between our countries, by means of the B2B, cultural and people-to-people events along their route. Naval cadets from the nine ASEAN countries and India aboard this ship would bond and share their experiences. We will be able to follow these activities through the ASEAN-India website and social media sites such as Facebook, Twitter, Foursquare, YouTube, GooglePlus, etc. The first ASEAN Inter-Parliamentary Assembly Delegation to visit India came during this Commemorative Year at the invitation of the Speaker of our Lok Sabha. They were also the first international delegation to call on the President of India after his assumption of Office. We have had a very successful Artists Camp in Darjeeling in June and the work done there by ASEAN and Indian artists has been showcased in Patna in July on the sidelines of the ASEAN-India Civilisational Dialogue Conference.
7. In January this year, India became the first Dialogue Partner to enter into an MoU on Tourism Cooperation with ASEAN. India has now extended 'visa on arrival' facility to seven ASEAN countries. The institutionalised media exchange, youth exchange, training programmes of diplomats, etc., would further increase understanding between our people. The Delhi Dialogue, the Fifth edition of which will be held in next February, is another platform for exchange of ideas between ASEAN and India and this had seen increasing participation from both sides over the last five years. There is much better understanding of India in ASEAN and ASEAN in India, than a decade ago and we can and should intensify such mechanisms. I invite you as representatives of think-tanks of ASEAN countries to establish contacts with representatives of ICWA to associate yourself with the Delhi Dialogue.
8. Apart from this, Investment Round Tables are being organised in Singapore, Jakarta, Kuala Lumpur, Bangkok and Ho Chi Minh City during the ASEAN-India Car Rally 2012. Indian Council for Cultural Relations is organising a fusion cultural extravaganza by ASEAN and Indian troupes at the time of the Commemorative Summit and also sending multiple Indian artists to perform along the route of the Car Rally and the INS Sudarshini expedition.

9. One of the necessary conditions to permit such activity is connectivity in the region and beyond, physical, institutional and people to people, as envisaged under the ASEAN Master Plan on Connectivity Plus. When the industrial corridors in Chennai and Bangalore are linked with industrial corridors around Dawei, Bangkok and Ho Chi Minh City, it will open avenues for development in the Mekong countries as well as India.
10. Along with deepening economic integration and promoting connectivity, India is also committed to bridging developmental gaps and enhancing regional integration. The Entrepreneurship Development Centres (EDC) and Centres for English Language Training in CLMV countries, are part of India's support to the Initiative for ASEAN Integration. India has also suggested development of an e-Network for Tele-medicine and Tele-education for CLMV countries, to leverage the expertise and capacity in India to develop human capital in these countries.
11. The Round Table has discussed in detail ASEAN-India FTA and the need to bring within its ambit services and investments. It has deliberated on connectivity and promoting integration as well as on the important challenges for food security and climate change and issues related to bio-diversity and traditional medicines. Several ideas and inputs have come from the two-day deliberations at this Round Table to foster this important partnership and we greatly value these inputs. The single fact that stands out about the ASEAN-India partnership is that it is a partnership for mutual benefit, a partnership devoid of differences and problems, one that is marked by an identity of objectives and ambition. This is a unique USP!
12. I would like to conclude by commending RIS for the excellent arrangements made for the meeting. I hope everyone will go back convinced of the continuous utility of such meeting of minds and we will soon know where and when the next edition of the AINTT would be held. My special thanks to our friends from the ASEAN countries for their participation. I hope they carry pleasant memories of their stay in India.

Thank you.

ABOUT AINTT

FIRST ROUND TABLE ON ASEAN-INDIA NETWORK OF THINK-TANKS (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 policy makers 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 Look 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, they would also help in exploring new vistas for strengthening regional cooperation.

The Round Table 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 Round Table comprising think-tanks to bridge the knowledge gap. One of the primary objectives of this Round Table 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 Round Table. 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 policy makers, 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 RIS. To know further about this network, please contact Dr. Prabir De at prabirde@ris.org.in

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Policy Coordination for Food Security: The Case of the ASEAN Rice Trade Forum

Roehlano M. Briones*

1. Rice Market and Trade Policies

Rice is the most important staple crop in Asia. In 2008-2010, rice production averaged 452 million tonnes (MT). However, the volume of world trade in rice is low: only 7 per cent, i.e. about 30 MT is traded, compared to 11 per cent for wheat and 18 per cent for corn. This feature of the world rice market has been used by governments to intervene heavily in rice trading. For instance, in major rice importing countries, importation is limited to a parastatal (BULOG in Indonesia, National Food Authority in the Philippines), by which quantitative restrictions are imposed. Rice exporting countries are also engaged in parastatal trade, such as the Public Warehouse Corporation in Thailand. They may even restrict the trade altogether, such as through the Vietnamese Food Association in Vietnam.

By various means, governments have sought to insulate consumers or producers from world markets, in the name of food security and poverty alleviation. Rice is regarded not merely as a source of food and livelihood, but also as a barometer of state legitimacy, i.e. a *political commodity*. Intervention in rice markets is, therefore, the *status quo*; rather than idealising free trade, the appropriate response would be proper management of rice intervention regimes.

2. Trade Policies and Price Shocks

Sudden changes in policy may be provoked by shocks affecting the world market, particularly supply shocks. For instance, in response to massive crop damage, an exporting country may ban exports. The role of supply shocks in food crisis should never be underestimated. The food crisis of the early 1970s was triggered by an *El Niño* episode (Timmer 2010). However, no supply shock of similar magnitude occurred in the recent 2008 episode. Rather than natural calamity, the world market was hit by an artificial scarcity. At the individual level, there was hoarding of stocks by consumers, farmers, and traders (Timmer 2010). At the national level though one must take into account ad hoc trade policy, measures taken by governments to avert a food crisis may have ironically contributed to it.

- Headey and Fan (2010) have identified a series of policy actions that may have contributed to the crisis: Vietnam and India place partial restrictions on exports, owing to concerns about domestic food prices: September-October, 2007.
- Vietnam bans export sales, citing cold weather in Red River delta in February, 2008 (Slayton and Dawe 2009).
- Egypt restricts exports, China has imposed 10 per cent export tax and imposes VAT in January, 2008.
- The Philippines has purchased annual import quota over the period January-April, 2008; paid US\$ 700 per tonne for the 11 March 2008 tender, and US\$ 1,200 per tonne for the 17 April 2008 tender.
- Saudi Arabia has raised imports from Thailand by 90 per cent within the Q1 of 2008; Iran has ordered 800,000 tonne of Thai rice in January-February, 2008 owing to drought.

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Altogether, policy shocks on the export side may have accounted for a 61 per cent increase in world rice price, according to Headey and Fan. Policy shocks on the import side add another 65 per cent. The combined impact is 126 per cent, which is close to the observed change in the price of Thai rice from July 2007 to June 2008.

Trade policy shocks are certainly not restricted to rice. Sharma (2011) has documented food export restrictions implemented by various countries since 2010. He has also provided an account of the 2007-2008 price crisis in the wheat market. A series of export restricting moves by Ukraine, India, China, Russia and Argentina including quotas, bans, export taxes, and the like helped push wheat price to its peak of nearly 500 per tonne in March 2008 before falling to around 200 per tonne by year end. This demonstrates the pervasiveness of ad hoc trade policy as drivers of volatility episodes in global food trade.

3. Coordinating the Trade Policies

Unfortunately, governments tend to impose policies under an invariance assumption – that is, that world markets are largely unaffected by its own actions. In trade theory, this is also known as a small open economy assumption. If, however, the assumption is incorrect, which may be the case for large market players, country-level trade policies can be seen as shocks affecting market level outcomes.

Suppose, crop loss may provoke ad hoc insulating policies, i.e. export restrictions or tariff reduction. An insulating policy by any single country is aimed at securing food supplies domestically. It may be effective if other follow the assumption of policy invariance. However, if actions are simultaneous (though uncoordinated) this may end up amplifying volatility, both globally and perhaps even domestically. This is the collective action problem analysed by Martin and Anderson (2011). Under plausible short-run elasticities, the effect of a shock on world price can be amplified nearly seven-fold. They applied their simple framework to the 2008 crisis, and estimated that insulating policies accounted for 45 per cent of the increase in the international rice price, and 30 per cent for the international wheat price. This indicates the danger of ad hoc unilateral policies, and the need to coordinate policy responses to shocks.

Ad hoc unilateral action typically proceeds without proper information about actions of other players in the market, which feeds into the invariance assumption. Information about status and conditions of supply, demand, and stocks also tends to be unreliable and outdated, particularly in the midst of a brewing crisis. Hence, policy coordination would typically involve compiling and evaluating up-to-date and credible information – a link also made in G20 Inter-Agency Report (2011).

Ideally coordination of reactive policy is done within a global multilateral framework that is the World Trade Organization (WTO). The Agreement on Agriculture contains provisions on export restrictions as follows:

- Export bans on foodstuffs are prohibited, except to obtain temporary relief given “critical shortage” (Article 11).
- A country implementing an export ban must provide due notice to Committee on Agriculture, and consult with affected importing Member upon request (Article 12).
- The preceding provisions apply to developed country members and also to developing country members, who are net food exporters of the concerned foodstuff.

4. Case of the Rice Trade Forum

Such disciplines have obviously been ineffective in practice, particularly for developing member countries who are also net exporters. If multilateral approaches are not working, might not regional approaches to food policy coordination be more effective? Such an alternative parallels the transition (hopefully temporary) from multilateral trade deals (now mired in the Doha Round) to regional free trade arrangements.

Regional initiatives are not new. As early as 1979, ASEAN signed the ASEAN Food Security Reserve Agreement. The Agreement established the ASEAN Emergency Rice Reserve (87,000 tonne) and the ASEAN Food Security Reserve Board (AFSRB). The AFSRB is tasked with supervision of the Agreement, including analysis of the food security situation regionally and globally.

In 2009, the ASEAN Summit approved the ASEAN Integrated Food Security (AIFS) and Strategic Plan of Action on Food Security (SPA-FS) covering the period 2009-2013. The components of the AIFS are as follows:

- Emergency short-term relief: This aims, among others, to strengthen regional food security mechanisms, such as establishing the ASEAN Plus Three Emergency Rice Reserves (APTERR), and reinforcing AFSRB in compiling, managing, and dissemination of statistics and information on food and food security.
- Sustainable food trade: This involves promotion of conducive food trade, including full implementation of ASEAN Trade in Goods (ATIGA) Agreement, as well as analysis of trade information.
- Food security information: An action programme to reinforce the ASEAN Food Security Information System (AFSIS) towards a long-term mechanism.
- Agricultural innovation: Entails promoting sustainable food production, and investment in food and agro-based industry.

The tasks assigned to the AFSRB under the ASEAN Food Security Reserve Agreement as well as AIFS-SPA-FS are consistent with the function of coordinating policy based on reliable and updated information advocated in this paper. The AFSRB has, therefore, undertaken a Rice Trade Forum on pilot basis, to test the usefulness and sustainability of such a function.

The first ASEAN Rice Trade Forum was held in Siem Reap, Cambodia on 19-20 June 2012.¹ Participants included the AFSRB, and representatives from the academia, civil society organisations (non-governmental organisations and farmer organisations), and the donor community. The meeting was supported by the Asian Development Bank (ADB) under a Technical Assistance to ASEAN in relation to the AIFS. The objectives of the Forum are that at the end of the meeting participants will have:

- shared and analysed rice market information;
- identified areas of cooperation and policy coordination to mitigate or avoid extreme rice price volatility;
- determined long-term and strategic policy reforms for the sustained development of regional rice trade; and
- tested and discussed the business processes and arrangements involved in organising a rice trade forum.

The agenda covered the following topics:

- Rice market situation and outlook;
- Extreme price volatility and trade;
- Calamity, price volatility, and emergency rice reserves; and
- Approaches to address price risk.

The Forum is still at a pilot stage, with further meetings being planned. If the results of the pilot are deemed successful, the Rice Trade Forum may be formalised as a permanent function of the AFSRB.

5. Prospects for the Rice Trade Forum

The task of policy coordination is advantageous in principle, but confronts with numerous obstacles in practice. The primary challenge appears to be the need to balance national sovereignty with collective action. Countries tend to treat domestic policy, particularly over such a politically sensitive matter as food, sacrosanct and to be kept free of interference from other governments. Policy coordination does not, however, entail ceding of national sovereignty, but rather simple recognition that policy invariance is an incorrect assumption all around. Insisting on national sovereignty guarantees all countries fall into a low level equilibrium trap; hence the goals of sovereign action are not satisfied anyway. Unfortunately, the very fact that other countries are coordinating their policies may tempt individual countries to practice insulating policies. This is common to all collective action games, e.g. the temptation to “chisel” away at a cartel agreement.

The long-term solution is to bind countries legally to collective as opposed to unilateral action, say by treaty obligation. Such disciplines, however, entail protracted negotiation, particularly over the details of what is allowed, what is permitted, and even the circumstances which activate treaty provisions. Moreover, as we have seen for the WTO Agreement, enforcement is an equally difficult problem as negotiation.

In the interim, therefore, as formal agreements await negotiation and enforcement, there is a need for a consultative process at an international level: a regional grouping would make this consultation more manageable. At the same time expanding the consultation to cover not just policymakers, but also a broad spectrum of stakeholders, supported by evidence-based assessment of current or planned policies, would help open national food policies to greater scrutiny. This process of multi-sectoral discussion and information exchange is precisely the intent of the Rice Trade Forum.

While its current format of periodic meetings is necessary, it must innovate mechanisms to enable the AFSRB to convene emergency meeting quickly in the event of imminent food crisis. Moreover, membership in ASEAN may be too narrow to ensure effective policy coordination, it should encompass major rice producers, consumers, exporters, and importers, in the region, with whom ASEAN has already developed some sort of partnership. This covers the Plus Three countries (People’s Republic of China, Republic of Korea, and Japan). This would also include India, now a Dialogue partner of ASEAN. Initially they may participate as observers; eventually though they may be elevated as co-conveners together with AFSRB to increase the sense of ownership, and therefore, ensure effectiveness of the coordination effort.

There remains much to be done to transform the Rice Trade Forum into a workable and sustainable venue for food policy coordination. However, all excellent proposals need to start somewhere; hopefully the Rice Trade Forum can gather momentum towards meaningful discussions towards collective approaches to food policy and food security.

Endnote

¹ <http://www.adb.org/news/events/asean-rice-trade-forum>

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Building Connectivity for Deepening ASEAN-India Economic Integration

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1. Introduction

ASEAN has achieved much to be proud of since its inception in 1967. Presently, the ten economies are progressively moving towards the formation of ASEAN Economic Community (AEC) in 2015. Consistent with the development of the grouping, ASEAN is also thinking beyond the AEC viewing from its relationships with dialogue partners over the years. In a rapidly changing global and regional environment, in particular the uncertainty in Europe and the slow growth in North America, emerging ASEAN has set important challenges to meet. Therefore, mitigating risks and exploring opportunities remain important agenda for ASEAN in years to come.

What is less known is that during the past few years, Asia was also regionally integrated and globally connected. However, Asia was divided and fragmented during the 19th and the first half of the 20th centuries. The recent end of the Cold War and the new episode of “re-emerging” Asia have put Asia on the hot spot. Asia’s contribution to the global growth is truly remarkable. In this particular setting, ASEAN is strategically located to link to the whole region. If ASEAN were combined into a single market, it would stand as the world’s ninth largest economy and keep growing coherently. No doubt, by 2015 and beyond, ASEAN would be well placed to take enormous gains from larger market size, better resources allocations and new landscape of regional specialisation.

However, great disparity among individual countries of ASEAN still remains. It is an important agenda for the grouping to better move for an inclusive growth and a reduction in development gaps which ASEAN has also consistently pursued by different programmes which included, among others, the Hanoi Action Plan and the Blueprint of the AEC. Not surprisingly, the same applies to a huge disparity in basic infrastructure, a necessity for ASEAN to improve competitiveness, technology and productivity. Simply put, many Southeast Asian countries lack proper road transportation to sea ports, and airports which make them difficult to move further in their economic development and progress.

The recent Master Plan of ASEAN Connectivity (MPAC) is, in a way, a response to the above mentioned ASEAN bottlenecks in infrastructure, in addition to becoming the economic pillar of the ASEAN Community. Investments in infrastructure to improve connectivity within ASEAN will bring people closer and help it become a truly economic community. Reaching that goal will require ASEAN to invest close to a trillion worth of US dollars over the next one to two decades. The regional landscape of ASEAN connectivity is also evolving – with China’s rise and India’s recent emergence, thus involving such countries like Japan, South Korea, with its strong presence in the region, and the USA, with its recent shift in the Southeast Asian foreign policy. The future of ASEAN connectivity has also to be understood from the perspective of the infrastructure development of mainland and archipelago Southeast Asia, the Greater Mekong Subregion (GMS) and BIMP-EAGA. Regional economic integration of ASEAN is, therefore, no longer a choice; it has become a necessity to develop a well-connected region to increasingly integrate Asia and intensify the global economy.

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What should ASEAN countries do to connect India from the perspective of the region? This paper has set themes to be discussed according to the recent development in the region and future challenges that remain to be solved for a better promotion of ASEAN-India economic integration.

2. Trade and FDI Flows between ASEAN and India

Trade between ASEAN and India has been increasing enormously; for instance, the total trade growth of ASEAN and India with each other stood at 31.6 per cent and 27.55 per cent, respectively, in 2010. The trade share of ASEAN with India has increased from 1.02 per cent in 1990 to 2.83 per cent in 2010 and that of India with ASEAN increased from 5.7 per cent to 9.19 per cent, indicating much higher volume of trade flows. During the last decade (2000-2010) ASEAN's export growth to India more than doubled whereas for India the figure remained insignificant. Contrary to export performance (as indicated in Table 1) which remained positive, ASEAN's import growth decreased, though in case of India it spurred high from negative growth in 2000. However, the general trend of shares of exports and imports of ASEAN and India have increased significantly (nearly doubled) in 2000-2010, compared to 1990-2000.

Table 1: ASEAN-India Trade Indicators

Indicators	ASEAN			India		
	1990	2000	2010	1990	2000	2010
	(per cent)					
Export Growth ¹	NA	11.92	36.41	NA	31.81	32.51
Import Growth ²	NA	44.54	39.92	NA	-10.45	23.96
Export Share ³	1.23	1.59	3.51	4.27	6.45	10.32
Import Share ⁴	0.85	0.91	2.09	6.77	8.70	8.46
Total Trade Growth ⁵	NA	20.96	37.62	NA	2.18	27.55
Trade Share ⁶	1.02	1.28	2.83	5.70	7.67	9.19
Trade Intensity Index ⁷	1.62	1.78	1.48	1.36	1.24	1.40

Notes: 1. Export growth is the percentage change in the value of exports relative to the previous year. 2. Import growth is the percentage change in the value of imports relative to the previous year. 3. Export share is the percentage of exports going to a partner to total exports of a country/region. A higher share indicates a higher degree of integration between partner countries/regions. 4. Import share is the percentage of imports from a partner to total imports of a country/region. A higher share indicates a higher degree of integration between partner countries/regions. 5. Total trade growth is the percentage change in the value of total trade (exports plus imports) relative to the previous year. 6. Trade share is the percentage of trade with a partner to total trade of a country/region. A higher share indicates a higher degree of integration between partner countries/regions. 7. Trade intensity index is the ratio of trade share of a country/region to the share of world trade with a partner. An index of more than one indicates that trade flow between countries/regions is larger than expected given their importance in world trade.

Source: *Directions of Trade Statistics*, IMF, retrieved at Integration Indicators, ARIC, ADB.

In terms of absolute values, the increase in trade volume is substantial (Table 2). In 1990s, India's trade with ASEAN had small volume. With the beginning of market-oriented policy reforms in India, ASEAN-India partnership has grown rapidly from a sectoral dialogue partnership in 1992 to a full dialogue partnership in December 1995. The relationship received a further fillip with the convening of the ASEAN-India Summit in 2002 in Phnom Penh, Cambodia. The total trade between ASEAN and India, which stood at US\$ 3151 million in 1990, reached US\$ 56,789.33 million in 2010.

Table 2: ASEAN-India Total Trade*, 1990-2010

	1990	2000	2010
	(US\$ million)		
ASEAN	3151.00	10148.99	56789.33
India	2383.87	7131.05	52699.88

Note: * Total trade is the sum of the value of exports and imports.

Source: *Directions of Trade Statistics*, IMF, retrieved at Integration Indicators, ARIC, ADB.

The emergence of international product fragmentation has been identified as a prime characteristic of recent development in international trade which is established by a number of studies. Fragmentation of production across international borders is taking place rapidly owing to increasing gains from economies of scale, product variety, competition, factor-cost advantages, etc. Since the fragmentation of production activities involves trade in intermediate goods and services (termed as 'parts and components'), they play a critical role in international trade.

Asian international production network (IPN) has emerged and evolved rapidly coining the term "Factory Asia" with the development of China as the "global assembly centre". ASEAN has facilitated production network by increasingly involving international supply chain and developing associated activities like foreign outsourcing and offshoring. ASEAN along with East Asian economies supply inputs for China's exports to the rest of the world (Anuboonwattaka 2011).

Referring to Kimura's (2007) framework of industrial development through utilising IPNs, India would probably be characterised as having entered the first phase of integrating into IPNs (Sen and Srivastava 2010). In 2011, the percentage contribution of Singapore, Malaysia, Indonesia, Thailand, the Philippines to the intra-regional trade in the Asia-Pacific region was 63, 67.2, 71.6, 63.3 and 63.5, respectively. However, India's share, on a relative basis, was low, that is, 34.8 per cent (UNESCAP 2011). Though China and India are geographically knit together with ASEAN, participation of India is said to be relatively low, though it has been gradually increasing. Creating a competitive and business-friendly investment climate by improving physical infrastructure, developing necessary exit policy for labour in manufacturing sector, reduction in transaction costs of cross-border trade, etc., are vital for strengthening its participation (Sen and Srivastava 2010). Hence, connectivity in this context becomes important.

It could be observed from Table 3 that growth of export share of intermediate goods from ASEAN member nations to India has been positive over the decade (1998-00 to 2007-09), with Indonesia, Malaysia, Singapore and Thailand being the major exporters. In case of India, a positive but very gradual growth is observed. It becomes clear from Table 3 that the growth of export share of intermediate goods from ASEAN members to India and vice-versa is very low, compared to that of China. Especially, with the emergence of China as the "Global Assembly Centre", the figures indicate China to have evolved as a major export destination of intermediate goods for ASEAN countries and also India.

Table 3: Share in Intermediate Goods Exports*

(per cent)

	India		Indonesia		Malaysia		Philippines		Singapore		Thailand		Vietnam		China	
	1998-00	2007-09	1998-00	2007-09	1999-00	2007-09	1999-00	2007-09	1999-00	2007-09	1999-00	2007-09	1999-00	2007-09	1999-00	2007-09
India	-	-	1.9	3.0	1.9	3.0	0.6	0.8	3.2	3.6	2.8	2.8	0.8	2.4	3.3	18.6
Indonesia	2.4	7.6	-	-	3.7	6.0	2.0	2.0	10.6	9.5	2.0	3.3	1.0	1.5	6.5	12.5
Malaysia	3.2	5.0	1.8	3.8	-	-	2.1	1.9	20.8	15.5	4.7	6.5	0.6	1.8	4.1	4.0
Philippines	0.2	0.6	0.5	1.1	5.4	4.2	-	-	10.7	7.4	4.5	3.5	0.2	1.1	2.2	12.3
Singapore	2.0	3.8	14.6	9.7	20.6	14.0	2.7	2.3	-	-	5.3	5.0	0.9	1.7	4.2	12.9
Thailand	1.1	3.4	2.5	5.1	6.8	8.1	2.7	2.5	13.0	7.3	-	-	1.8	4.5	6.5	14.9
Vietnam	0.4	1.0	3.0	2.8	5.1	6.0	6.2	2.1	11.1	8.9	4.9	4.4	-	-	17.0	14.3
China	1.5	4.4	1.7	2.8	1.7	2.6	1.3	1.3	3.5	3.2	1.9	2.1	0.9	2.3	-	-

Note: *Column headings represent export destinations.

Source: United Nations, *Comtrade Database*; and IMF staff calculations, retrieved at *Regional Economic Outlook, Asia & Pacific*, IMF, 2011.

3. Rationale for ASEAN-India Connectivity

ASEAN is expeditiously working towards establishment of the ASEAN Community in 2015. The 17th ASEAN Summit laid special emphasis on the role of connectivity as a prerequisite by adopting ambitious Master Plan on ASEAN Connectivity (MPAC). The MPAC by defining the three dimensions – physical, institutional and people-to-people, has taken a holistic approach to welcome the ASEAN Community.

Connectivity reduces distance, cuts down trade costs, facilitates exchanges and interactions at the institutional level and brings people closer. Though MPAC envisioned intra-regionally well-connected ASEAN, connectivity with the economies beyond the region is also as much critical to the success of ASEAN as a Community. Having a future perspective and in recognition of the importance of connecting with the nations beyond Region, the Sixth East Asia Summit (EAS) on ASEAN Connectivity, held in Bali, Indonesia on 19 November 2011, declared to “Include ASEAN Connectivity as a key priority area of cooperation in the EAS, together with other agreed priority areas of cooperation.”

One of the significant developments in international trade and foreign direct investment (FDI) in Asia during the recent years is the rapid growth of international production networks, largely driven by multinational corporations (MNCs) leading to increased intra-regional trade in parts and components and outsourcing in bulk (Athukorala and Yamashita 2006). This phenomenon is facilitated by the revolutionary growth in transportation and communication networks triggered by technological advancement. As a response to this new wave in trade theory, connectivity has become vital for deeper integration.

ASEAN's immediate neighbours consist of two Asian giants - China and India. Increased intra-industry trade on account of intensified vertical integration of Asian economies has characterised the recent economic growth process. China and India are the world's two most populous countries. In 2010, China and India accounted for nearly 20 per cent and 18 per cent of the world population, respectively. Output and income per capita of China are found to be significantly (real GDP more than double) higher than that of India (Anuboonwattaka, 2011). In spite of the fact that China and India share similar economic characteristics and are experiencing rapid growth, the degree of connectivity with ASEAN differs significantly. China's aggressive penetration into ASEAN is supported by the government and the active role played by the private sector. However, the exposure of India to ASEAN is limited on account of varying historical ties and weaker physical connectivity with ASEAN (ERIA 2010). Hence, in order to achieve much deeper regional integration, it is in the interest of both ASEAN as a Community and India as an emerging Asian economy to work towards building improved infrastructure.

To build and strengthen ASEAN-India Connectivity, the need for a regional framework, essentially based on a multi-modal, a multi-functional and a multi-tier approach, is called for. That is, all three modes of connectivity – land (including road and railways), maritime (inland waterways transport) and air are to be holistically dealt with (ERIA 2011). A number of projects are required to be undertaken to develop the physical infrastructure, supported by institutional initiatives without which the former may not deliver fully.

A study by Japan International Cooperation Agency (JICA) noted that ASEAN is faced with a number of challenges in providing more efficient shipping network services given the varying levels of port infrastructure development (ERIA 2011). ASEAN countries have been working on improving maritime infrastructure. In spite of it, excluding Malaysia, Singapore and to a lesser extent Thailand, the ASEAN countries perform poorly on liner shipping connectivity index (LSCI),¹ compared to the four East Asian economies, viz. China, Japan, Korea (Table 4). Though similar to China in terms of size of the economy, population and pace of economic growth, India figures low in LSCI.

Table 4: Liner Shipping Connectivity Index (Annual), 2004 and 2011

Country	2004	2011
Brunei Darussalam	3.91	4.68
Cambodia	3.89	5.36
Indonesia	25.88	25.91
Lao PDR	-	-
Malaysia	62.83	90.96
Myanmar	3.12	3.22
Philippines	15.45	18.56
Singapore	81.87	105.02
Thailand	31.01	36.70
Vietnam	12.86	49.71
China	100.00	152.06
Japan	69.15	67.81
Korea	68.68	92.02
India	34.14	41.52

Source: UNCTAD.

4. ASEAN-India Physical Connectivity Initiatives

4.1 Mekong-India Economic Corridor (MIEC)

The transport and economic corridors received a major institutional support in Manila, the Philippines on October 20-22, 1992 with the Asian Development Bank (ADB) initiative of economic cooperation programme that started with the identification of six sectors. It was noted that the highest priority was assigned to the improvement of transport and linkages (Ishida and Isono, 2012). Constructing economic corridors that linked production, trade and infrastructure within a specific geographical framework was taken up and in 2000 the concrete routes of the economic corridors were identified during the Ninth Ministerial Conference of ADB in 2000. Among the three major corridors, namely East West Economic Corridor (EWEC), North South Economic Corridor (NSEC) and Southern Economic Corridor (SEC) – as defined by ADB, MIEC – is an extended version of SEC. MIEC which runs to different development stages, passes through ASEAN members such as Cambodia and Myanmar (ERIA, 2011).

Dawei Development Projects

In order to cater to Myanmar's need for the deep sea ports, three sites, viz. Kyaukpyu in Rakhine State, Kalgauk in Mon State, Dawei and Bokpyin in Tanintharyi Region, were earmarked by Myanmar Port Authority (MPA). In 1996, an MoU between MPA and Italian Thai Development Public Co. Ltd. (ITD) was signed to execute feasibility study for Dawei deep sea port and integrated development plan. As a follow-up, another MoU was signed in December 2008, between MPA and ITD on the Dawei deep seaport and industrial estate project with the addition of Framework Agreement signed in November 2010. The project period spanning over 75 years will cover 250 sq. km and includes development of a deep sea port, industrial estate and trans-border corridor link. The total cost of the project is estimated to be US\$ 80 billion.

The MIEC is consistent with the one of prime objectives of ASEAN Community, viz. to narrow down development gaps. The simulation analysis carried on by the Comprehensive Economic Development Plan (CEDP) has revealed the importance of MIEC through its findings: the percentage increase in real GDP in 2020 vis-à-vis the baseline scenario are 0.32 per cent for EWEC, 0.14 per cent for NSEC and 1.19 per cent for MIEC and the percentage reductions in Gini coefficients (a measure of income inequality), are 0.07 per cent for EWEC, 0.13 per cent for NSEC and 0.23 per cent for MIEC (ERIA, 2010).

With regard to the linkage of Bangkok with Chennai, opening of an access route from Bangkok to Andaman Sea by constructing a highway road connecting Kanchanaburi (Thailand) and Dawei is proposed. Especially a deep sea port in Dawei will open a new shipping route to India facilitating optimisation of production activities in ASEAN and India (ERIA 2011).

The Dawei project is faced with some challenges. The important one is the unfavourable climate for investment. The situation has improved recently with the relaxing of sanctions and the beginning of pro-democratic reforms by the establishment of new government on 30 March 2011.

Thailand and Myanmar agreed in July 2012 to reaffirm their obligations to develop the Dawei economic zone and deep sea port, thus including the opening of Ban Pu Nam Ron in Kanchanaburi province, opposite of Pyathuangsue state in Myanmar, one of several checkpoints of their common border of 2,401 km. Such commitments came at a time when people are starting to question whether this mega project will be able to really take off the ground considering the size of the project, the involvement of different partners and the amount of money that is needed for such infrastructural development. With a commonly set-up joint committee to follow up such a development, both countries will meet to sort out pending issues and expand activities in the development of the Dawei special economic zone (SEZ). For Thailand, the government will be able to push ahead with this cooperation with Myanmar and this includes the Dawei port project now being built by Italian-Thai Development Co., a major Thai construction company. After a preliminary study in earlier years, an MoU was signed between Myanmar Port Authority (MPA) and ITD in December 2008 and the Framework Agreement was signed in November 2010. ITD has been granted to develop the Dawei project covering an area of 250 sq. km., over 75 years project period, for the development of a deep sea port, industrial estate, and trans-border corridor link. ITD expects to get soft loans from Japan to finance up to 75 per cent of the US\$ 8.6 billion required for infrastructure development at its Dawei project. If things go as planned, the first phase of Dawei's deep sea port is scheduled to be operational in 2016. For the moment, the Thai government is being urged to do their utmost efforts to promote the development of Dawei, which includes the establishment of a border town and development of proper infrastructure to link to this port, which is predicted to become an important infrastructure in Asia.

According to Kumagai and Isono (2011), the Dawei project has larger impact than another potential Pak Bara project in Southern Thailand. The Dawei project will enhance direct connectivity between Bangkok and Chennai, thus including states like West Bengal and Tamil Nadu, which can open wide opportunities for firms to optimise their production activities in ASEAN and India through fragmentation and reviewing supply chains. Having this alternative route, in addition to the existing one via Singapore, would enhance the resilience of regional production networks. The Dawei project will provide an attractive industrial location for firms and industrial plants that are currently located in Thailand and neighbouring Southeast Asian countries, including Japanese and other affiliated companies, to relocate to.

However, the Dawei project is facing challenges from other SEZs that are developing in Myanmar, including Thilawa, Kyaukpyu and Sittwe. More recently, Japan relaxed trade and investment regulations to back its support to Thilawa economic zone, which is located around 25 km from Yangon. Kyaukpyu is another economic zone project which is possible of getting support from China as the country plans to invest US\$ 12 billion on transportation development linking Kunming and the Bay of Bengal, with another possible US\$ 15 billion for an oil pipeline and thus the necessity of Kyaukpyu economic zone development. The town itself is a major location in western part of Myanmar, about 400 km northwestern of Yangon. Finally, India is also planning to use the Sittwe economic zone to support its link to a more enclosed northeastern India. Based on the above mentioned projects, the Thai government is caught to assist business, such as ITD, and reduce future risks and uncertainties by creating confidence and strengthening their competitiveness in Myanmar and working more closely with other ASEAN countries, thus helping to guarantee the success of such a project.

For instance, the main overland access point to Dawei, a 138 km road running from Phu Nam Ron checkpoint from the two countries' border is scheduled to finish its design details by the end of 2013, with the construction to start in early 2014. All first phase infrastructure projects are scheduled to be completed by the end of 2015. It will remain important to win the support of the locals for such a project, which includes a possible 30,000 affected people² directly subject to relocation, and other possible crowding out effects to minorities, employment, fishery, mining and industrial development. Future development of a rail network linking Laem Chabang with Dawei looks necessary viewing from a broader infrastructure development to build tracks from Dawei to Ho Chi Minh so that the 427 km route could be extended by another 877 km to connect with Ho Chi Minh City in Vietnam.

4.2 Connectivity between Myanmar, Northeast India and Rest of India

Due to very weak connectivity between Myanmar, Northeast India and rest of India, the vision of well-connected ASEAN-India remains blurred. Because of the geographical setting (most of lengthy borders are mountainous, porous) and prevalence of conflict-ridden atmosphere, especially separatist tendencies, along the borders, the progress of connectivity initiatives has been very slow.

Three routes between Myanmar and Northeast India are identified to be critical in enhancing connectivity between ASEAN and India, viz. Moreh/Tamu route, Zolkawtar/Rhee route, and Nampong/Pangsu route which is known as Stilwell Road. Four land customs stations (LCSs) – (a) Moreh in Manipur/Tamu in Sagaing, (b) Zolkawtar in Mizoram/Rikhawdar in Chin, (c) Avakhung in Nagaland/Layshi in Saginng, and (d) Nampong in Arunachal Pradesh/Pangsu in Sagain have been identified to serve the border trade with Myanmar (Kimura, Kudo and Umezaki, 2011). Similarly, on account of very poor connectivity between Northeast India and rest of India, the Northeastern region of India has remained underdeveloped and politically unstable (RIS, 2011).

Kaladan Multi-Modal Transit Transport Project (KMMTT)

KMMTTP was initiated by signing an MoU between Myanmar and India in 2008. The project leading to a new trade route between Chin State and Rakhine States of Myanmar and Mizoram State of India, would be opened in 2013 providing for inland waterway and road links from Sittwe Port to India's Northeastern region. The construction of the three-year project began in September 2010. The project includes (a) expansion of Sittwe port from the maximum capacity of 4,000 to 7,000 tonne; (b) construction of river port in Paletwa; (c) channel dredging of Kaladan River from Sittwe to Paletwa; (d) road construction from Paletwa to Myeikwa at Myanmar-India border (129 km) (Kimura, Kudo and Umezaki, 2011).

Unfortunately, the project finalised after years of tough negotiations, incurring cost overruns and delays received a setback in May 2012 due to irregularities in government departments of India which are reported to have been "working at cross purposes". At this stage, unless immediate corrective measures are drawn and requirement of additional funds are fulfilled, the Kaladan project is warned of another setback.³

5. ASEAN Plus Three (APT) Initiatives

To be sure, ASEAN-India connectivity is part of the whole picture of the Master Plan on ASEAN Connectivity (MPAC), which includes also the ASEAN connectivity related to China, Japan and Korea. For this reason, MPAC has to reflect on as rethinking regional models for a new global and regional context that is rapidly developing. Realising region connectivity with its roadmap to 2015 and beyond is important for bridging populations, driving growth through travel and tourism, while being the supply chain reaction to Asia's growth, with new technology that enables industries to bridge communities in ASEAN and its partners.

The APT connectivity partnership was recently proposed in order to extend the scope of ASEAN connectivity. It is expected that APT connectivity partnership will finalise the framework to be endorsed by the APT foreign

ministers meeting in July 2012, then to forward such a proposal to the APT Summit in 2012. Before that, there was a meeting of ASEAN Connectivity Coordinating Committee (ACCC) in Indonesia in 2011 to discuss with China and Japan on connectivity projects.

China

Even without the APT connectivity partnership, China has definitely more advantages than Japan and Korea in terms of the country location and common borders with several ASEAN countries. In between, there was a trip as recently as in 2011 by the ASEAN foreign ministers from Northern Thailand via Lao PDR then to Southern China to promote the beginning of the APT connectivity starting with China. For this reason, China will also play also its key role in opening up its inland provinces to the mainland Southeast Asia as the region continues to develop into the AEC.

For instance, the implementation work programme for the strategic plan for ASEAN-China transport cooperation was endorsed with its aim to promote international and cross-border transportation and facilitation in key ASEAN-China transport corridors, namely: (i) China-Myanmar-Andaman sea, (ii) China-Lao PDR/Myanmar-Thailand-Malaysia-Singapore, (iii) China-Vietnam-Laos-Cambodia, (iv) Vietnam-Cambodia-Thailand-Myanmar, and (v) Vietnam-China-Myanmar-Bengal-India.⁴

The ASEAN Plus China Transport Ministers also concluded the MoU between ASEAN-China on transport cooperation and ASEAN-China Maritime Consultation Mechanism (ACMCM). In addition, the cooperation includes issues like capacity building in port management, navigation channel technology, transportation infrastructure design and construction, and other areas of common interest in the transport sector.

Japan

There is no doubt that Japan has long been a key player in transforming the economic landscape and development of Southeast Asia. Japan's commitments are also clear in the business relocation from Japan to the region, with the industrial fragmentation and regional production networks, more developed than any other countries. Even before the presence of China and Korea, the other two Plus Three countries, Japan has always had keen interest to develop new economic corridors in ASEAN, like the GMS economic corridors on mainland Southeast Asia, through the ADB initiatives since the beginning of the 1990s. To a certain extent, the success of the GMS connectivity in the past was due to consistent efforts of Japan in working with all countries involved.

More recently, ASEAN and Japan transport ministers had discussed the framework of ASEAN-Japan transport cooperation, with the adoption of the ASEAN-Japan transport partnership. Such a partnership contains four areas of cooperation which include transport logistics, safety and security, environment and common infrastructure. Future cooperation also plans to promote environmentally-friendly transport through exchange of experience and technical assistance.

Regarding institutional connectivity between ASEAN and Japan, there are several frameworks which include among others ASEAN-Japan customs cooperation towards the realisation of the Asia Cargo Highway (ACH) initiatives, national single windows among ASEAN-Japan, and ASEAN-Japan customs directors-general/commissioners meeting on trade facilitation. It seems that all these initiatives will help to reinforce ASEAN-Japan economic partnerships to a further level as well as to help the ASEAN connectivity moving further into the real phase of implementation.

Korea

Although Korea is a latecomer to Southeast Asia as compared to Japan, the country is catching up very quickly the economic partnership with several ASEAN countries. In the same vein as Japan, Korea has no common borders with any Southeast Asian country. However, the country's economic potential and great stride in economic transformation make it a clear role for any policymakers and businessmen in the region to have their eyes on. Up to now, Korea also possesses its own initiative for the connectivity with the region.

More recently, there has been an attempt to form the ASEAN-Korea transport cooperation in which Korea agreed to support the MPAC. This cooperation also includes policy coordination and exchange of information in different areas pertinent to this connectivity. In addition, Korea has prepared financial facilities and technical support for the region. These will be in addition to the promotion of capacity building in terms of infrastructural development such as roads, ports, bridges and highways, and the development of smart transport systems.

6. Challenges to ASEAN-India Connectivity

Connectivity entails not only building physical infrastructure but also identifying the central nodes that are critical for the connectivity projects, consistent institutional support and investment. Besides the project specific challenges mentioned above, ASEAN-India connectivity is affected by below factors as well.

6.1. The Myanmar Factor and the Northeastern Region of India

Considering the locational leverage of Myanmar, the country emerges as a crucial factor in connecting Southeast Asia to India for it is the only land bridge. Myanmar was admitted into ASEAN in 1997 and is the lowest income country among ASEAN members and is also weakly connected with the other ASEAN members.

Myanmar offers a very conducive geographical setting to ASEAN countries spreading across its southward and eastward. Its immediate neighbours are the two Asian economic giants – the rising China in the North and the emerging India to the West, sharing a common border of 2,185 km and 1,643 km, respectively. On the other hand, Northeastern region of India connects rest of India with Bangladesh, China and Myanmar. Out of eight Northeastern states, four states, namely Arunachal Pradesh, Manipur, Mizoram and Nagaland share border with Myanmar. Northeastern region of India is connected to rest of India through a very narrow Siliguri Corridor, often referred to as “Chicken’s Neck”.

Myanmar's share in regional trade is reported to be limited, though overall international trade has increased gradually during past two decades. The US sanctions on military-led Myanmar have not had major effect on its export growth (in spite of the fact that the US share in Myanmar's exports stood at 22.4 per cent) owing to rapid expansion of trade with Thailand and China. However, share of India in Myanmar's trade expanded as well but sluggishly, that is, from 8.9 per cent in 2000-01 to 10.3 per cent in 2009-10. Also, the shares of China, Thailand and India in Myanmar's border trade were 77.9 per cent, 19.9 per cent and 1 per cent respectively in 2010-11 (Kimura, Kudo and Umezaki 2011). Similarly, trade between Northeastern region and Myanmar never crossed less than 1 per cent mark of India's total trade with Myanmar (RIS 2011).

A very important observation is that Myanmar and Northeastern part of India share similar conditions when compared to rest of India and ASEAN respectively – economically backward, poorly connected, dependent on agriculture, endowed with natural resources and at the same time mutually weakly connected. Although Myanmar and Northeastern India are marginalised, when looked at from a broader perspective, given their strategic significance amidst the major economic entities – China, India and ASEAN – they emerge as the central nodes of ASEAN-India connectivity (ERIA, 2011). Therefore, their development, in terms of connectivity, specially physical connectivity, has potential economic implications and prove to be critical aspect in strengthening ASEAN-India partnership.

6.2. Institutional Factors

At the institutional level a few common factors have slowed down the implementation of existing connectivity projects. For instance, on the development of SEC provinces in Cambodia the major constraints include (a) lack of and poor state of physical infrastructure and facilities, including unreliable electricity supply and limited storage and warehousing facilities, (b) insufficient access to information technology, (c) low levels of skills (especially managerial) and knowledge among the workers, (d) lack of investment owing to low level of income, (e) insufficient access to major economic and population centres, and (f) low population density over widely dispersed residential areas (specially least developed ASEAN member nations) and so forth (Sisovanna 2012).

Institutional bottlenecks in case of India include (a) absence of harmonisation of railway networks, (b) lack in standardisation of all-weather paved roads, (c) inefficient and underdeveloped border (land) customs stations, and (d) absence of enabling software such as transit, inadequate security and trade documentations among others (RIS 2011).

Endnotes

- ¹ Liner Shipping Connectivity Index (LSCI) is generated from five components: (a) the number of ships; (b) the total container-carrying capacity of those ships; (c) the maximum vessel size; (d) the number of services; and (e) the number of companies that deploy container ships on services from and to a country's ports.
- ² Refer, *Bangkok Post*, 14 May 2012.
- ³ Refer Dikshit (2012).
- ⁴ Refer, <http://www.asean.org/25587.htm>

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Climate Change Negotiations: A View from India

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1. The Context

Climate change has emerged as one of the greatest challenges confronting the contemporary world. According to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) (hereinafter AR4), released in 2007, 'warming of the climate system is unequivocal, as is now evident from observations of increases in global average air and ocean temperatures, widespread melting of snow and ice and rising global average sea level' (IPCC 2007). An average warming trend of the globe of around 0.74°C over the previous century has been determined by AR4. The emissions of green house gases (GHGs) generated by human activities, particularly since the time of the industrial revolution, are regarded by the mainstream scientists as the prime cause underlying climate change.

The distribution of climate change impacts and vulnerabilities, however, is expected to be significantly uneven across regions (IPCC 2007). Developing countries, particularly the poorest among them, are the most vulnerable, though their capacity to undertake mitigation and adaptation actions is far below that of developed countries. For instance, various studies indicate that the key sectors in India, such as the agriculture, water, natural ecosystem, biodiversity, and health are vulnerable to climate change (Gol 2012a). There are projections indicating impacts, such as sea-level rise, increase in cyclonic intensity, increased flooding, reduced water availability, reduced crop yield (e.g. wheat, rice), stress on livestock, reduction in milk productivity, shift in forest type and spread of vector-borne diseases (e.g. malaria), among others. Climate change is likely to increase the pressure on Indian agriculture, thereby affecting the food systems and increasing the vulnerability of a large section of the resource-poor population, since around 58 per cent of the 1.21 billion strong population of India is still dependent on agriculture (Gol 2012a). Likewise, South East Asia is one of the world's most vulnerable regions to climate change. A large segment of the population in this region is concentrated along coastlines leaving them exposed to rising sea levels. Much like India, Southeast Asia's heavy reliance on agriculture makes it vulnerable to increased frequency of extreme weather events caused by climate change. Its high economic dependence on natural resources and forestry – as one of the world's biggest providers of forest products – also puts the region at a high risk.

While the scientific evidence on climate change underscores the urgent need for adequate and effective mitigation actions globally, undertaking such actions is a formidable task, particularly due to certain features of the problem. The foremost among these is that climate change is a classic example of a global 'public bad'. In fact, climate change is often touted as the greatest and widest-ranging market failure ever seen (Stern 2006). The problem of climate change mitigation is further aggravated by various temporal and spatial inequities involved. Not all countries have contributed equally to climate change; nor are they equally affected. All of them do not have an equal capacity to tackle the problem either. Developed countries are responsible for the bulk of the global atmospheric concentration of GHGs, while developing countries are more vulnerable to impacts of climate change. More problematic is the fact that the benefits of climate change mitigation accrue in the uncertain and distant future, while the costs weigh upon current generations. Taken together, these features create unrivalled

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challenges of unmatched complexity (World Bank 2009), addressing which calls for an unprecedented level of global cooperation and collective action. Geopolitical uncertainty further complicates this problem, which is rooted in scientific, economic and institutional uncertainties (Dubash and Rajamani 2010).

2. The Framework Convention

The first major breakthrough in global cooperation on climate change was achieved in 1992, when the international community managed to set in place the United Nations Framework Convention on Climate Change (UNFCCC 1992). The ultimate objective of this Convention is to achieve stabilisation of GHGs concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system. The key guiding principles of the Convention are 'equity' and 'common but differentiated responsibilities and respective capabilities' (CBDR). According to these principles, the developed country Parties are required to 'take the lead in combating climate change' and are also required to support developing countries, *inter alia*, through financing and technology transfer, for any action on climate change undertaken by the latter. The Convention also acknowledges that 'economic and social development and poverty eradication are the first and overriding priorities of the developing country Parties'. The main decision-making body of the Convention is the Conference of the Parties (COP), which is scheduled to meet every year.

3. The Kyoto Protocol

The Framework Convention itself stopped short of including legally binding commitments for the Parties towards emissions reduction. At COP 1 (1995), Parties launched a new round of negotiations, which eventually culminated in the adoption of the Kyoto Protocol in December 1997 at COP-3 held in Kyoto after highly complex and contentious negotiations over two and a half years. In accordance with the principles of 'equity' and 'CBDR' Parties agreed that no commitments would be set for developing countries in the First Commitment Period. The Kyoto Protocol sets forth a collective emissions reduction target for all Annex I Parties (i.e. developed countries) of at least 5.2 per cent below 1990 levels over the First Commitment Period (2008-12). Each of these countries has its own individual commitment listed in the Protocol's Annex B. Thus, there are binding targets for 37 developed countries and the European Community. Although the United States (US) signed the Protocol, it refrained from ratifying it primarily on grounds that it did not include binding emission reduction commitments for developing countries.

4. The Bali Action Plan

Even as the First Commitment Period of the Kyoto Protocol approached, the startling revelations of AR4 sent a strong signal to the policymakers across the world regarding the urgency of actions on climate change. Against this backdrop, the Bali Action Plan (BAP) adopted at COP 13 held in Bali in December 2007 launched a process to reach an 'agreed outcome' on long term cooperative action on climate change by COP15 in Copenhagen in December 2009 (UNFCCC 2007). The BAP comprises the following building blocks: a shared vision; mitigation; adaptation; finance; technology and capacity building.

In order to address the asymmetry in mitigation actions between the US, on the one hand and other developed countries, on the other, it was agreed at Bali that developed country Parties to the Kyoto Protocol, and non-Parties (such as the US) would both take on commitments or actions that ensure 'comparability of efforts' between them (Saran 2010). While the Kyoto Protocol enshrines binding emissions reduction commitments only for developed countries, the BAP envisages mitigation actions by all the Parties irrespective of their status in the development ladder. However, it does make a distinction between the nature and extent of responsibilities and commitments of developed countries and those of developing countries: while it envisages 'quantified emission limitation and reduction objectives' for developed countries, developing countries are to undertake 'nationally appropriate mitigation actions' in the context of sustainable development, which are to be 'supported and

enabled by technology, financing and capacity-building' by developed countries. Both the supported actions by developing countries and the support provided by developed countries are to be 'measurable, reportable and verifiable'. The subsequent negotiations leading up to the Durban COP (2011), however, have been testimony to a progressive blurring of the distinctions between developed countries and developing countries in terms of their respective commitments, rights and responsibilities foreseen in the emerging climate regime.

5. Two-track Negotiations Post-Bali

Since Bali, negotiations have progressed along two parallel tracks: the 'Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol' (AWG-KP) track that seeks to set commitments by the Annex I Parties for the Second Commitment Period of the Kyoto Protocol (i.e. beyond 2012); and the 'Ad Hoc Working Group on Long-term Cooperative Action' (AWG-LCA) track that aims at implementation of the BAP. All through the negotiations, developing countries have emphasised on the maintenance of this two-track approach with a view to ensuring legally binding and deep emissions cuts by Annex I parties for the second commitment period of the Kyoto Protocol under the first track, while creating room for a comparable mitigation effort by the US under the second track.

In line with the Kyoto regime, developing countries have been strongly advocating a 'top-down' approach of emissions commitments by developed countries, in which an aggregate goal of emissions reduction by all of these countries as a whole would be set in accordance with what science indicates as required to limit global temperature rise within safe limits, and then that aggregate target would be divided among these developed countries in a manner that would ensure comparability of action. Several proposals have been put forward by developing country groupings regarding the aggregate target under this top-down approach in light of the findings of AR4 that recommends emissions reduction by developed countries to the tune of 25-40 per cent by 2020 from 1990 levels. Developing countries have also stressed the need for adequate new and additional (i.e. over and above the Official Development Assistance) finance, primarily from public sources; and technology transfer as essential prerequisites for enhancing their own mitigation actions. Developed countries, however, have instead advocated a 'bottom-up' pledge-and-review approach in which each developed country would make a self-determined 'pledge' on its mitigation target and a review would be conducted on whether its actions met the pledged target. Moreover, as opposed to the two-track approach endorsed by developing countries, most of the developed countries have insisted on a single agreement containing commitments by all countries – developed as well as developing.

The US and Japan have been most aggressive in opposing a Second Commitment Period under the Kyoto Protocol all through the negotiations. They have refused to agree to any deal that would not include mitigation commitments by developing countries also. Particularly, the so-called emerging economies (e.g. China, India) have come under increasing pressure to take on binding emissions reduction commitments on grounds that they are now significant emitters of GHGs, and their emissions are also projected to increase rapidly in the future. It has been argued that, at the least, these emerging economies must sign on to a significant deviation from the business-as-usual emissions trajectory (G8 2008). In fact, the US, Japan, Australia and Canada all made their own willingness to take on emission reduction targets conditional upon the reciprocal readiness of the emerging economies to accept comparable commitments or actions. The US also proposed that its 'pledge and review' format should apply to the emerging economies as well (Saran 2010). Moreover, as noted by Saran (2010), 'since these countries were seen as posing a major competitive threat to US and European industry, it was made clear that these countries would not be eligible for any significant funding or technology transfer. Exemption from any mitigation obligations and access to concessional finance and technology, it was argued, would only sharpen their competitive edge in a manner unfair to mature economies.'

6. The Copenhagen Accord

The deep divides between the North and South on the key negotiating issues were visible even during the Copenhagen Conference (COP15) in December 2009, where the final deal was scheduled to be reached as per the deadline set by the Bali Action Plan (BAP). The Copenhagen Summit would have been dubbed a complete failure, but for a last-ditch effort at the highest political level spearheaded by the US, with support from the BASIC grouping and another 20 odd countries, which managed to deliver the 'Copenhagen Accord'. Although the Copenhagen Accord could not be officially adopted for want of consensus, and the Summit ended with the UNFCCC merely 'taking note of' the Accord, the post-Copenhagen negotiations as well as the Cancun Agreements adopted by the UNFCCC at COP16 in December 2010 have built upon the key elements contained in the Copenhagen Accord.

7. The Cancun Agreements

The Cancun Agreements envisage certain fundamental changes in the climate regime that are mostly in line with the stands taken by the developed countries. They move away from the top-down approach followed by the Kyoto Protocol on developed countries' mitigation commitments and adopts instead the bottom up pledge-and-review approach advocated by developed countries. They take note of the emissions reduction pledges made by countries under the Copenhagen Accord (UNFCCC 2010). But these are overall such poor targets, that their aggregate does not come anywhere close to what the current scientific assessments recommend. In fact, although the Copenhagen Accord envisages restricting the rise in global temperature below 2°C, SEI (2011) finds that the mitigation pledged under the Copenhagen Accord is consistent with a global temperature rise of greater than 2°C – and possibly as much as 5°C. Avoiding this much warming would require developed countries to raise their pledges to the levels required by science and equity, and fulfil those ambitions through actual mitigation. This study also reveals that developing country pledges under the Copenhagen Accord amount to more mitigation than developed country pledges.

The Cancun AWG-LCA Text (UNFCCC 2010) envisages many new obligations for developing countries, particularly on mitigation actions, their reporting and verification. The developing countries are now obliged to submit their plans and targets on nationally appropriate mitigation actions, which are to be compiled in a document and later in a registry – to be updated regularly. They are also obliged to report on their national emissions inventories, mitigation actions and their effects, in national communications reports once every four years and to submit biennial update reports on the same topics. These reports are to be subjected to international scrutiny by technical experts. It further proposes stringent 'measurement, reporting and verification' (MRV) and 'international consultation and analysis' (ICA) for all mitigation actions to be undertaken by developing countries.

On finance, the AWG-LCA Text proposes establishment of a Green Climate Fund with the World Bank as its 'interim' trustee. It also reiterates the developed country pledges made in the Copenhagen Accord on (a) the so-called 'fast-start finance' approaching US\$ 30 billion for the period 2010-12; and (b) 'long-term finance', i.e. a 'goal' of jointly mobilising of US\$ 100 billion per year by 2020. However, there is not much clarity in the AWG-LCA Text as to which country will provide how much and through which channel. While developing countries have insisted that most of the financing should be in the form of grants or payments and not loans, and should be sourced from the public sector rather than from the private sector or markets, the Cancun AWG-LCA Text mentions a wide variety of sources of funding – 'public and private, bilateral and multilateral, including alternative sources' (UNFCCC 2010). Moreover, even the 'goal' of jointly mobilising US\$ 100 billion per year by 2020 is conditional – 'in the context of meaningful mitigation actions and transparency on implementation' by developing countries.

On technology, the Cancun AWG-LCA Text elaborates upon the 'Technology Mechanism' mentioned in the Copenhagen Accord. The Technology Mechanism, which is established under the guidance of the COP and is also accountable to it, comprises two components: (a) a Technology Executive Committee (TEC), and (b) a Climate

Technology Centre and Network (CTCN). Notably, in view of the dismal performance of the UNFCCC initiatives on operationalisation of the technology transfer mandate, the Bali Action Plan called for an '(e)nhanced action on technology development and transfer to support action on mitigation and adaptation' (UNFCCC 2007). In the course of the ensuing negotiations, the G77 and China grouping, which includes India and all ASEAN countries, came up (in August 2008) with a comprehensive and innovative proposal for putting in place a new institutional arrangement called a 'Technology Mechanism'. Several other proposals were also put on the table by other Parties and groupings, thereby triggering intensive negotiations in this area. Subsequently, the Copenhagen Accord proposed the establishment of the 'Technology Mechanism', which was further elaborated upon in Cancun. It deserves to be mentioned that this new *avatar* of the Technology Mechanism is far from the way it was originally conceived in the G77 and China proposal. Not only is it much less comprehensive, it also leaves out several important elements that were among the core issues included in the original G77 and China proposal.

8. The Durban Decisions

The Durban conference (COP17) held in November-December 2011 arrived, 36 hours after the scheduled end of the conference, at a set of landmark decisions. These include decisions to operationalise some of the key Cancun decisions, such as the Green Climate Fund, Technology Mechanism; to extend the Kyoto Protocol for a second commitment period (beginning in January 2013); and most importantly, to launch a new process – the 'Durban Platform for Enhanced Action'.

Although the Green Climate Fund has been operationalised in Durban, actual funding is still eluding it, particularly in face of the economic crisis in the developed countries. It may be noted here that while the Cancun AWG-LCA Text sets the long term finance target at US\$ 100 billion per year by 2020, several proposals extended by developing countries during the course of the negotiations have instead demanded an assessed contribution of 1.5 per cent or 6 per cent of the GDP/GNP of the developed countries annually by 2020. According to some rough estimation, 1.5 per cent of GNP of developed countries currently adds up to US\$ 600 billion (Khor 2010). This clearly indicates the sheer inadequacy of the proposed financial support and immense need for a significant scaling-up.

As for the Technology Mechanism, despite being operationalised in Durban, it seems it will have to traverse a long way before it can really make any meaningful contribution to technology transfer to developing countries. Notably, the focus of the Technology Mechanism is not on technology transfer alone. Instead, its objective encompasses acceleration of actions at different stages of the technology cycle, including research and development (R&D), demonstration, deployment, diffusion and transfer of technology in support of action on mitigation and adaptation. Such a wide scope of the Technology Mechanism does indicate an intention to broaden the focus of the UNFCCC activities in this area, which has hitherto been restricted predominantly to providing support for capacity building and undertaking technology needs assessment only. The broadening of the agenda is also in tune with the 'objective' underpinning the G77 and China proposal. However, such a multi-pronged focus also makes it highly challenging for the Technology Mechanism to make a dent in each of the areas covered under its ambit. Notwithstanding the mammoth task at hand for the Technology Mechanism, there is no clarity as to how well resourced the Mechanism would be (ICTSD 2011). Notably, a study undertaken by the UNFCCC itself underscores the need for a significant scaling up of the current financing support to enhance R&D, demonstration, deployment, diffusion and transfer of climate-related technologies. It is estimated that an additional US\$ 262–670 billion per year is needed for mitigation technologies, while another US\$ 33–163 billion per year is needed for adaptation technologies (UNFCCC 2009). Importantly, the current sources of financing on which these estimates are based cover both the public and private sources, whether they are under or outside the Convention. Besides, these estimates are based on a host of other assumptions and approximations, and hence could at best be regarded as tentative. What is beyond doubt, however, is the need for a significant scaling up of the financial resources for development and transfer of climate-related technologies. Importantly,

the Bali Action Plan underscores the need for financial and other incentives in the context of enhanced action on technology development and transfer (UNFCCC 2007), as also several negotiating proposals post-Bali. The G77 and China proposal on the Technology Mechanism, for instance, was integrated with the proposal on a Financial Mechanism put forward by the same grouping. The grouping proposed creation of a 'Multilateral Climate Technology Fund' under the Conference of the Parties. Another important lacuna of the Technology Mechanism, as envisaged in the Cancun AWG-LCA Text, is that it does not contain any reference whatsoever to the intellectual property rights (IPR) issues. This is despite the fact that all through the negotiations the developing countries have made it a priority issue in the technology transfer negotiations. The G77 and China's submission on the Technology Mechanism, for instance, had several innovative proposals towards resolving the barriers posed by IPRs, so as to make the privately owned technologies available on an affordable basis to the developing countries. The negotiating text placed before the Cancun gathering also had two options on this issue, though both were placed within brackets indicating the lack of agreement among the Parties. One option was to leave out any mention of IPRs whatsoever while the second one provided for a range of proposals. The draft text prepared in the ministerial-led consultations on the penultimate day of the Cancun Conference also had a third option of continuing the dialogue on IPRs in the year 2011, or to hold workshops to be organised by other international organisations (Khor 2010). The Cancun AWG-LCA Text, however, opted for an outright removal of any reference to the IP issues. However, unless these important barriers are taken care of adequately and effectively, the Technology Mechanism may eventually prove to be a non-starter.

Much of the Durban Conference was caught up by the bargaining of the EU in the Kyoto Second Commitment Period with the condition of launching talks on new legally binding treaty involving all. India, until the final hours of the Conference, had resisted the attempts by the EU and its allies on a legally binding instrument, arguing that it could agree at best to launch a process towards a 'legal outcome' – which would leave the precise legal form of the instrument open. This formulation, however, lacked the clarity and ambition that the EU and its allies, such as the Alliance of Small Island States (AOSIS), the Least Developed Countries (LDCs), etc., were seeking. Critically, this was not sufficient for the EU to endorse a Second Commitment Period of the Kyoto Protocol. In the final hours of the Conference, India had to agree to substitute the term 'legal outcome' with the phrase 'agreed outcome with legal force' under the Durban Platform decision, which created ground for the acceptance of the Kyoto second commitment period by the EU and its allies.

The Durban Decisions on Kyoto state that the Second Commitment Period starts on 1 January 2013 and can last for five to eight years – to be decided in 2012. However, Japan, Canada and Russia refused to take part in the Second Commitment Period, leaving only the EU, Australia and New Zealand as possible participants. Even Australia and New Zealand are uncertain participants. Canada later pulled out of Kyoto Protocol altogether, as it was clearly missing its first Kyoto target. The Durban Decisions invited Annex I Parties to submit information on their QELROs (Quantified emission limitation or reduction objective) under the Second Commitment Period of by 1 May 2012. Not all Annex 1 Parties have submitted such information. Even those who have submitted have done so inadequately. The information submitted by some is only 'provisional', while some have even imposed conditionalities. Overall, the level of ambition remains far too low. Some Annex I Parties have still not decided on their participation in the Second Commitment Period. The Kyoto Protocol has thus barely been kept alive in Durban and beyond.

As for the launch of the Durban Platform, the Parties agreed to negotiate 'a Protocol, another legal instrument or agreed outcome with legal force under the Convention applicable to all Parties' for the post-2020 period (UNFCCC 2011b). A subsidiary body under the Convention called the Ad Hoc Working Group on the Durban Platform for Enhanced Action (ADP) was established for this purpose. It was also agreed that the AWG-LCA shall complete its work in 2012 and reach the agreed outcome pursuant to the Bali Action Plan (BAP) and subsequent COP decisions and shall be terminated at COP18 to be held in Doha in end-2012. The terms of reference of the Durban Platform would be decided upon in 2012, and this instrument is scheduled to be adopted in 2015, and implemented from 2020.

Importantly, the Durban Platform decision does not contain any reference to 'equity' and 'CBDR'. This is in line with the developed countries' position that any reference to CBDR principle must be interpreted in the light of contemporary economic realities (Rajamani 2011). Developed countries were also insistent that the future regime must be 'applicable to all'. India, among other developing countries, argued in response that this would tantamount to amending the Framework Convention. The only way out of this impasse was to draft the text such that it was rooted in the Convention — 'under the Convention' — thereby implicitly engaging its principles. The phrase 'applicable to all' was further added in line with the developed country position.

9. India's Current Position at UNFCCC

India in its submissions to the UNFCCC post-Durban has argued that 'an agreed outcome with legal force' need not have the legal form of a protocol or a legal instrument. It could be an outcome that derives legal force from municipal or international law (Gol 2012b). The country has also emphasised that the phrase 'under the Convention' implicitly recognises all the principles and provisions of the Convention, including, in particular the principles of 'equity' and 'CBDR'. According to India, a successful outcome on Durban Platform must be built on 'equity' and duly incorporate requirements of 'CBDR'. India further maintains that the phrase 'applicable to all Parties' does not signal 'a dilution of differentiation, or a move away from the balance of responsibilities as established in the Convention'. Universality of application does not translate into uniformity of application according to India (Gol 2012b). However, as rightly observed by Rajamani (2011), the political context for the inclusion of the phrase 'applicable to all Parties' coupled with the 'conspicuous absence of the usual markers for differentiation – equity and common but differentiated responsibilities – makes it crystal clear that the goal posts on differentiation will shift post-2020'. It must also be noted in this context that in Durban it was deemed necessary to launch a new process (the Durban Platform), while the BAP could well have served as the basis for a new climate regime post-2020. However, given that the BAP still maintained a firewall between developed country mitigation commitments and developing country mitigation actions, in a bid to move away from this firewall, the US, among others, insisted on a new process, and on terminating the Bali process in 2012 (Rajamani 2011). India and many other developing countries have expressed concerns over efforts to prematurely terminate the AWG-LCA in Doha, without ensuring a successful agreed outcome on all the elements of the BAP mandate and subsequent COP decisions. They are of the view that such an action would be contrary to the political agreements reached at Durban to have a balanced and comprehensive package. India has emphasised that no issue currently covered by the AWG-LCA and AWG-KP should fall between the cracks if and when these processes are brought to an end and that the ADP should be the logical home for most of the remaining substantive issues on their respective agendas (Gol 2012b).

India has further stressed that the post-2020 arrangements to be evolved under the Durban Platform must, *inter alia*, address the issues of equity, unilateral measures and technology related IPRs sufficiently and adequately. Notably, these three issues are high on India's agenda under AWG-LCA (UNFCCC 2011a). India has emphasised that irrespective of the legal form of the final arrangements post-2020, the developing country targets under such arrangements cannot be binding until the principle of differentiation based on equity is defined and the conditions implicit in such definition of equity are met. The post-2020 arrangements, in India's view, must include a mandate that there will be no unilateral measures taken by any country in the name of climate change. India further stresses that the work under the technology development and transfer pillar must operationalise technology transfer to developing countries, ensure developed country financing for technology development, remove obstacles to and provide financing and incentives for transfer of technology, and facilitate R&D cooperation in climate technology. India strongly supports a facilitative IPR regime that balances rewards for the innovators with the common good of humankind and thereby enables developing countries to take early and effective mitigation and adaptation actions at the national level. In the absence of such a facilitative IP regime, the objective of advancing nationally appropriate mitigation and adaptation actions at the scale and speed warranted by the Convention will not be achievable, according to India.

10. Domestic Climate Change Actions in India

Although India is not in favour of undertaking a legally binding commitment at this stage of its development, this is not to suggest that India will not take progressively ambitious mitigation actions domestically. It does mean, however, that the scale and effectiveness of these mitigation efforts will depend on the ability of the international community to enable India, among other developing countries, to take these mitigation actions (Gol 2012b). Notably, India has already submitted to the UNFCCC prior to the Copenhagen Summit its voluntary pledge to reduce the emissions intensity of its GDP by 20-25 per cent over the 2005 levels by the year 2020, which will be achieved through a multi-sector low carbon development strategy (Gol 2012a).

India's low-carbon endeavours, however, began several decades ago, though they were triggered primarily with energy security concerns in view. To ameliorate increasing oil import burden and to diffuse the deepening rural energy crisis, programmes for promoting renewable energy technologies were initiated in India way back in the late 1970s (Shukla 1997). The institutional response resulted in the establishment of the Commission for Additional Sources of Energy (CASE) in 1981, which was subsequently elevated in 1992 to a full-fledged ministry - now called the Ministry of New and Renewable Energy (MNRE). It is this ministry which is the implementing agency for India's efforts on renewables, including R&D. Since the late 1980s and early 1990s, the development strategies of the Government of India have also accorded high priority to energy efficiency and related environmental improvements. As a result, the government has undertaken several policy measures to induce energy efficiency improvements in the industrial sector, including enforcement of the Energy Conservation Act 2001 (Yang 2006), among other initiatives.

However, climate change-related policies and measures have received a renewed impetus in India over the recent past in tandem with the global trends. In June 2008, India released its National Action Plan on Climate Change (NAPCC), which included eight National Missions on climate change mitigation and adaptation (Gol 2008). The NAPCC is the first nation-wide overarching framework that maps the roadway to low-carbon and climate-resilient future (MOEF 2012). India's Twelfth Five Year Plan, to be launched in 2012, would have, as one of its key pillars, a low carbon inclusive growth. An Expert Group on 'Low Carbon Strategies for Inclusive Growth' has been set up to develop a strategy for the same - the interim report of which was released in May 2011 (Planning Commission 2011). Apart from the NAPCC, all the states have also been asked to prepare state-level action plans. These plans are envisioned as extensions of the NAPCC at various levels of governance, aligned with the eight National Missions (Gol 2008). India's expenditure on adaptation-oriented schemes has increased from 1.45 per cent of GDP in 2000-01 to 2.82 per cent during 2009-10 (Gol 2012a).

11. Concluding Remarks

Given that all the ASEAN countries and India are members of the G77 and China grouping, they are certainly cooperating at the UNFCCC negotiations as parts of this wider grouping. However, G77 and China have often been confronted with the mammoth challenge of putting forward a common position, which may largely be attributable to the diversity of its member countries with varied economic positions, capabilities and vulnerabilities. In that context, ASEAN and India may cooperate more closely in coming out with common positions at least on issues of shared interests, such as finance and technology transfer. They must also join forces to keep pressure up on the developed countries so as to arrive at a global deal that would be more development- and climate-friendly than what it appears to be at present.

At the regional level, there have been some initiatives involving ASEAN and India, *albeit* sparse. The 12th ASEAN Summit and the Second East Asia Summit held in January 2007 in Cebu, the Philippines marked a significant step forward on climate change issues. In the Cebu Declaration on East Asian Energy Security, the 16 countries of the ASEAN-Plus Six pledged to work closely together to mitigate GHGs through effective policies and measures. The parties emphasised voluntary measures that involve the private sector involvement and the

introduction of more efficient and innovative technologies. At the 13th ASEAN Summit held in Singapore in November 2007, the Agenda was 'Energy, Environment, Climate Change and Sustainable Development'. During that time, the Singapore Declaration was signed by ASEAN-Plus Six. Collectively, the statements show the Parties' recognition of the need to tackle the issues of climate change, energy security and other environmental and health issues. The Singapore Declaration aims, among other things, to deepen understanding of the South East Asian region's vulnerability to climate change and to implement appropriate mitigation and adaptation measures. The measures include intensifying ongoing operations to improve energy efficiency and the use of cleaner energy, promoting cooperation in afforestation and reforestation, and continuing support and initiatives under the UNFCCC. During the 6th India-ASEAN Summit held in Singapore in November 2007, the Indian PM Dr. Manmohan Singh proposed the setting up of an India-ASEAN Network on Climate Change that would pool and share expertise, exchange best practices and submit recommendations for common positions taking into account national priorities. To give a boost to this cooperation, the PM further proposed to set up an India-ASEAN Green Fund with an initial contribution of US\$ 5 million for pilot projects to promote adaptation and mitigation technologies, which was subsequently set up in 2010.

Besides, the ASEAN Regional Forum (ARF) has been deliberating on the security implications of climate change. Several seminars organised by the ARF on this issue have highlighted that climate change presents complex non-traditional threats to security, such as food, health, energy and water security and human rights. It has been pointed out that climate change poses trans-boundary threats including forced migration and water management challenges. Concerns have been expressed that the existing instruments of security may not be sufficient to address these threats.

Notwithstanding some such initiatives, it may safely be asserted that regional cooperation on climate change involving the ASEAN and India has yet to take off. However, it cannot be overemphasised that ASEAN-India collaboration on climate change can go a long way in making these countries better equipped to confront the challenges posed by this trans-boundary environmental problem effectively. The time for action is NOW!

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ASEAN-India Connectivity: A Proposal for ASEAN-India Transit Transport Agreement

Prabir De*

1. Introduction

Connectivity is the key building block of any regional integration initiative. Cooperation on connectivity would lead to a reduction in trade costs and result in welfare gains well in excess of gains from mere tariff liberalisation. This paper presents a broad overview of India's connectivity projects with ASEAN, and calls for a regional agreement to support the implementation and operation of land connectivity projects, which are presently being developed between ASEAN and India.

2. Achievements in Trade and Investments

Trade and investment flows between ASEAN and India are primarily driving their economic relations. The volume of bilateral trade has remained high and witnessed an exponential growth in the recent years. In the last decade, bilateral trade grew at an annual rate of 22 per cent, from US\$ 7 billion in 2000 to US\$ 75 billion in 2011, vastly outpacing the trade volume achieved in the 1990s. In 2011, India's exports to ASEAN stood at US\$ 33 billion and imports at US\$ 41 billion. These represented about 12 per cent of total Indian exports and nearly 9 per cent of total imports in 2011 (Figure 1). Interestingly, India's exports to ASEAN have been growing faster than its imports from ASEAN, thus narrowing its trade deficit with ASEAN. However, the growth in trade varies across ASEAN countries. For example, India's trade with ASEAN is heavily tilted towards Singapore: Almost half of India's exports to ASEAN head for that country, and one-fourth of India's imports from ASEAN flow from there (Figures 2a and 2b). Indonesia, Thailand and Malaysia follow next, in that order. Barring exports to Vietnam, India's trade with the other ASEAN member states has not yet picked up. This indicates scope for further trade expansion in the coming years with ASEAN, particularly with Cambodia, Lao PDR, Myanmar and Vietnam, which are also known as CLMV or Mekong countries. This is also not to deny that India's trade with ASEAN countries would be driven by the short-run trend. However, the structure of exports may change when the countries witness a favourable trading environment such as improved and enabling infrastructure. Current trends suggest that India could become an increasingly important market for ASEAN's exports and vice versa.

India's trade with ASEAN has also been witnessing a compositional shift. Traditionally, India's exports to and imports from ASEAN were driven by intermediate and capital goods, respectively, in absolute terms. However, over time, ASEAN countries have emerged as major suppliers of capital goods to India. Intermediate and capital goods have occupied a larger space in trade between India and ASEAN.¹ Barring minerals and gems and jewellery, commodities such as electrical machinery, transmission apparatus and cotton yarn have emerged as important Indian exports to ASEAN. By contrast, India's imports from ASEAN are primarily driven by electrical machinery, palm oil and mineral fuels.

ASEAN and India aim to achieve a bilateral trade target of US\$ 100 billion by 2015. Acknowledging this trend and the economic potential of closer linkages, Indian and ASEAN leaders recognised the opportunities for deepening trade and investment links, and agreed to include services trade and investments in the FTA, thus making it a comprehensive agreement which would ultimately pave the way for the establishment of an ASEAN-India Free Trade Area on or before the establishment of ASEAN Economic Community (AEC) in 2015.

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Figure 1: India's Trade with ASEAN

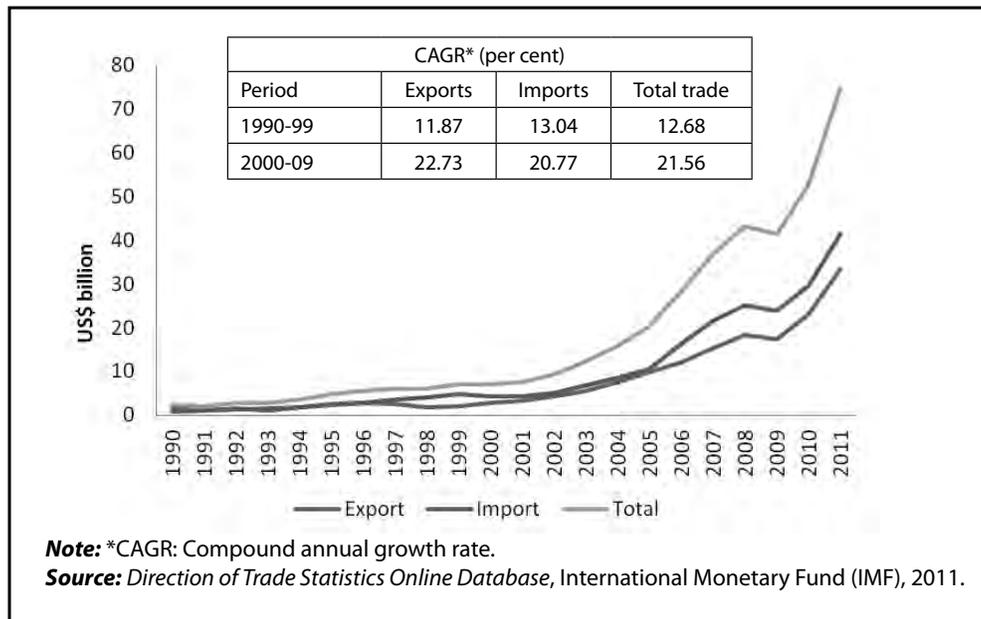
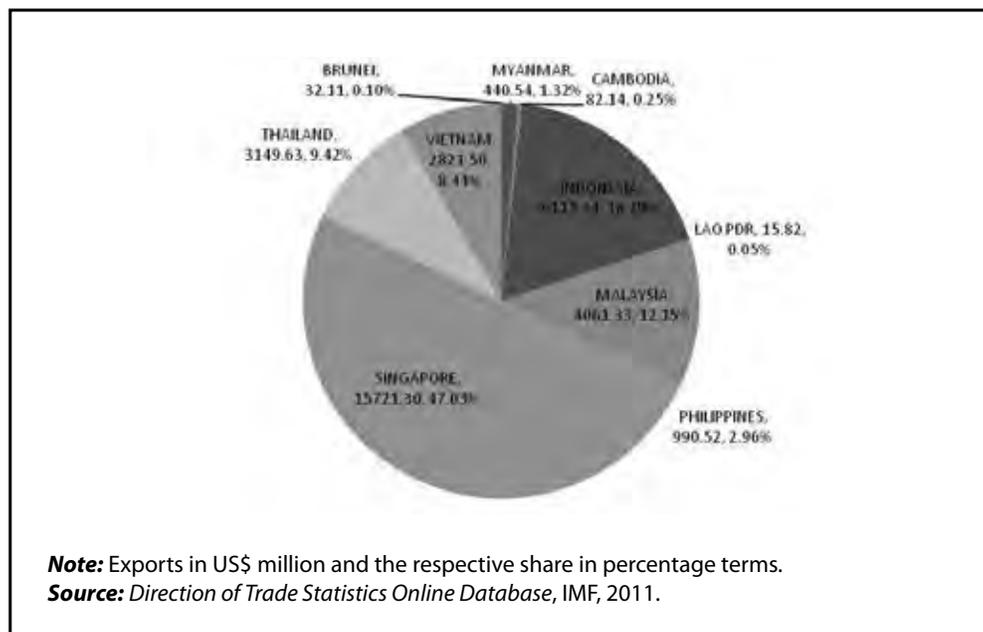
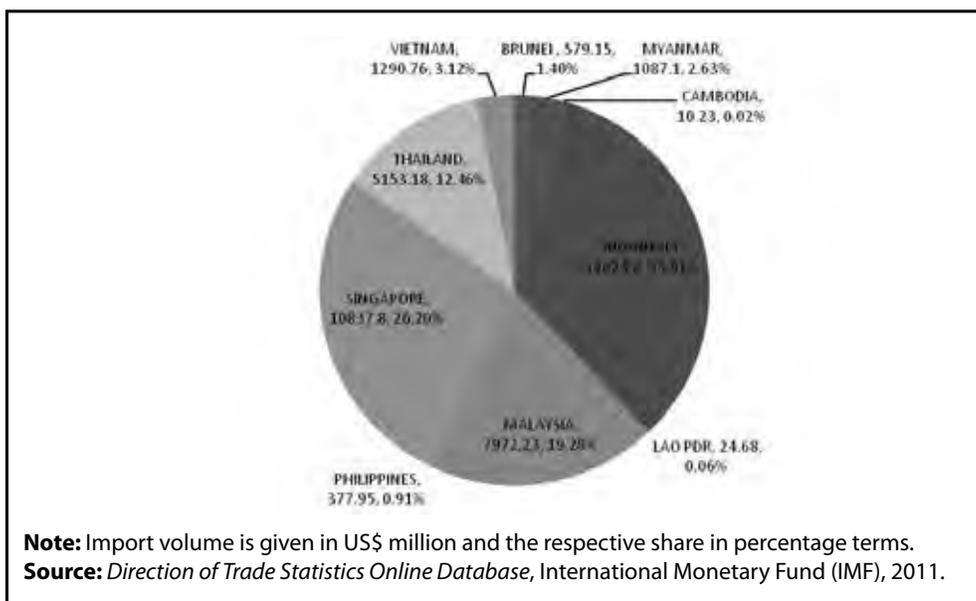


Figure 2a: Distribution of India's Exports to ASEAN, 2011



The current bilateral trade has the potential to grow further with full implementation of the ASEAN-India FTA. The signing of the ASEAN-India Trade in Goods Agreement on August 13, 2009, paved the way for the creation of one of the world's largest FTA markets of almost 1.8 billion people with a combined GDP of US\$ 3.8 trillion. The ASEAN-India FTA would see tariff liberalisation of more than 90 per cent of products traded between the two dynamic regions. Tariffs on more than 4,000 product lines would be eliminated by 2016, at the earliest. ASEAN and India should complete their trade negotiations so that the region gets the benefits of free flow of services.

Figure 2b: Distribution of India's Imports from ASEAN, 2011



As for foreign direct investment (FDI), the inflow from India to ASEAN was US\$ 1.8 billion in 2011, a decrease of 154 per cent from US\$ 3.4 billion in 2010.² This fall in FDI appears to be a seasonal phenomenon, mainly fallout of the recent global financial crisis. However, with more joint ventures between India and ASEAN companies in India and abroad, bilateral FDI flows are likely to increase in the coming years. India has already signed bilateral double taxation avoidance agreements (DTAAs) and bilateral investment protection agreements (BIPAs) with some ASEAN countries.

3. Updates on ASEAN-India Connectivity Projects

There is much activity going on for deepening the relationship under the ASEAN-India Cooperation project. To support projects and provide requisite policy direction, India's External Affairs Ministry has set up a new division exclusively to deal matters relating to ASEAN. Cooperation projects between ASEAN and India have been extended into many new areas, more importantly to enhance private sector engagement. Several events have been conducted round the year to stimulate trade and business-to-business interaction.³

Connectivity is an area where both ASEAN and India have opportunities of deeper engagement. Connectivity promotes trade, brings people closer, and integrates economies. ASEAN is connected with India through overland (via Myanmar) and sea (via Thailand and Indonesia) routes. India's trade, primarily because of the ASEAN-India FTA, is expected to increase in the coming years. Improved connectivity between India and ASEAN would, therefore, not only facilitate trade and support the growth of the region but would also enhance regional integration. Although started late and moving slowly in the initial years, the ASEAN-India connectivity plan has seen encouraging developments in recent years. For example, the 14th ASEAN Transport Ministers (ATM) Meeting in the Philippines in 2008 adopted the ASEAN-India Aviation Cooperation Framework, which would lay the foundation for closer aviation cooperation between ASEAN and India. ASEAN completed its Master Plan of ASEAN Connectivity (MPAC) in 2010, ASEAN ICT Master Plan, and the connectivity plan with India in 2011 as part of its Comprehensive Asia Development Plan (CADP). The ASEAN Connectivity Coordinating Committee (ACCC) has been set up to work closely with ASEAN Dialogue Partners to enhance air, sea and land connectivity within ASEAN and between ASEAN partner countries.

The key strategies to enhance the physical connectivity between ASEAN and India would be to complete the India-Myanmar-Thailand Trilateral Highway (IMTTH) between India, Myanmar and Thailand and extend it to Lao PDR and Cambodia, and implement the Delhi-Hanoi Rail Link (DHRL) project. India's North East Region (NER) would get a shorter access to Bay of Bengal through implementation of the Kaladan Multimodal Transit Transport Project (KMTTP). India's new highway project connecting India-Myanmar-Lao PDR-Vietnam-Cambodia as well as developing the Mekong-India Economic Corridor (MIEC) would strengthen economic linkages between Mekong subregion and India. Till the land transportation gets ready, ocean shipping should continue to be utilised as the main mode of transportation between ASEAN and India. Thus, by allowing short sea shipping services between India and Myanmar and strengthening air connectivity will enhance the trade and investment linkages between India and ASEAN. To a great extent, missing rail and road links in Myanmar are hindering the overland connectivity between India and ASEAN. Therefore, the average road conditions and railway system inside Myanmar need to be improved to a great extent. Roads leading from Myanmar to India (Monywa to Yargi) and Thailand (Hpaan to Myawaddy) require widening and better maintenance to allow efficient movement of larger vehicles.⁴

In the Joint Task Force Meeting on Trilateral Highway (TH), held on September 10-11, 2012 at New Delhi, India agreed to finance the Kalewa to Yargyi portion, whereas the redevelopment of Yargyi to Monywa portion would be managed by the Myanmar government. Another difficult portion of the IMTTH is the Hpaan to Mae Sot (Thailand), a part of which (Myawady to Kawkereik) is being constructed by the Thailand government. Myanmar government has sought a loan from ADB for the improvement of Thaton-Mawlamyine-Kawkereik section. Thus, the only missing link of the IMTTH is Kawkereik to Phaen, for development of which we need financial and technical assistance.

4. Proposal for ASEAN-India Transit Transport Agreement (AITTA)

To give a better shape to the ASEAN-India connectivity and to operationalise it by 2016, we need to complete the construction and improvement of two sections of IMTTH: (i) Kalewa to Monywa via Yargyi, and (ii) Hpaan to Mae Sot, along with replacement of all vintage bridges falling on the highway. At the same time, to complement its development, we should negotiate and finalise a regional transit transport agreement – first between India, Myanmar and Thailand, and then a back-to-back agreement with rest of the ASEAN countries and some dialogue partners. This agreement, which we may call ASEAN-India Transit Transport Agreement (AITTA), has to be ready well before the completion of the IMTTH. This proposed AITTA will allow vehicles to move seamlessly for regional and international trade transportation purposes. This is the “software” without which the “hardware” – IMTTH – wouldn't function properly. Through this agreement, we could identify modalities of transportation, introduce operating procedures (OP) for vehicles to ply on the highway, and set up the rule book for public services.

In parallel, we shall establish ASEAN-India Customs Transit System to facilitate movement of goods and means of transport. India may take the lead role in convening a workshop on the AITTA with help of ASEAN Secretariat and international/regional organisations such as ADB, UNESCAP and WCO.

Building a common template for running and maintaining the corridor and signing of mutual recognition agreement (MRA) on logistics and other transportation services between the member countries would be essential for not only removing the barriers to trade but also for sharing the benefits and risks. With projects being implemented in Myanmar in anticipating the IMTTH, time is ripe for a big push for ASEAN-India Development Corridor. Deeper regional cooperation between ASEAN and India would speed up this transformation.

We need to assess the trade facilitation conditions between ASEAN and India. Simple, harmonised and standardised trade and customs, processes, procedures and related information flows are expected to reduce transaction costs between ASEAN and India which will enhance trade competitiveness and facilitate the regional integration. India (and other dialogue partners) also needs to align its customs and trade services with that of ASEAN (e.g. Customs Single Window). It would be worth calling a meeting of Customs officials of ASEAN and India.

ASEAN and India have been implementing national level measures of trade facilitation to support and ensure effective implementation of regional and multilateral initiatives. We suggest that ASEAN and India (and also other dialogue partners or the EAS group) have to develop and implement a comprehensive trade facilitation work programme, which aims at simplifying, harmonising and standardising trade and customs, processes, procedures and related information flows. This would include to:

- Establish a regional trade facilitation cooperation mechanism with dialogue partners;
- Establish ASEAN+India and/or EAS Trade Facilitation Repository; and
- Develop comprehensive capacity building programmes to ensure smooth implementation of the work programme.

In light of the acceleration of AEC, the realisation of ASEAN Customs Vision 2020 is brought forward to 2015. ASEAN and India shall aim to: (a) integrate customs structures; (b) modernise tariff classification, customs valuation and origin determination and establish ASEAN e-Customs; (c) smoothen customs clearance; (d) strengthen human resources development; (e) promote partnership with relevant international organisations; (f) narrow the development gaps in customs; (g) adopt risk management techniques and audit-based control (PCA) for trade facilitation; (h) develop and implement sectoral Mutual Recognition Arrangements (MRAs) on Conformity Assessment for specific sectors identified in the ASEAN Framework Agreement on Mutual Recognition Arrangements; and (i) enhance technical infrastructure and competency in laboratory testing, calibration, inspection, certification and accreditation based on regionally/internationally accepted procedures and guides. Most of these activities have been already undertaken nationally. It is time that we undertake a comprehensive regional customs integration work plan between ASEAN and India.

5. Conclusions

Development of economic corridors between ASEAN and India would facilitate investments as well as spur economic growth in India's southern and northeastern regions and in Myanmar and other ASEAN countries as well.⁵ Time is ripe for India to establish a strong economic partnership with ASEAN. While this would reinforce India's security, it would also remove economic isolation of India's NER. To support this development process, a stronger connectivity between India and ASEAN is essential. We should also see connectivity through Myanmar as crucial for India's Look East Policy (LEP) and deepening economic integration with ASEAN, Mekong subregion and beyond. With ASEAN and India 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, which can help realise the objective of ASEAN-India strategic partnership.

With trade barriers between India and ASEAN disappearing at varied pace, it holds the promise of a bigger market. ASEAN is a major trading partner for India. The FTA between ASEAN and India being implemented since 2010 has opened up new vistas of cooperation between the two partners. ASEAN and India are negotiating Regional Comprehensive Economic Partnership (RCEP). Therefore, the market size can grow significantly, provided trade liberalisation is supported by timely and effective trade facilitation and connectivity projects. While land connectivity project, such as IMTTH, is going on full swing, we need to complement it by AITTA well before its completion.

Endnotes

- 1 Refer, for example, *ASEAN-India Connectivity: The Comprehensive Asia Development Plan, Phase II*, Economic Research Institute of ASEAN and East Asia (ERIA), Jakarta, 2011.
- 2 Refer to <http://www.asean.org/22122.htm>
- 3 A list of such events is available at <http://www.aseanindia.com>
- 4 For a detailed discussion on connectivity, please refer *India-Myanmar Connectivity: Current Status and Future Prospects*, Prabir De and Jayanta Kumar Ray, Institute of Foreign Policy Studies (IFPS), Calcutta University, 2013.
- 5 Refer, for example, to *ASEAN-India Connectivity Report: India Country Study*, Research and Information System for Developing Countries (RIS), 2012.

Foreign Direct Investment and ASEAN-India Joint Ventures in Third Countries

Nguyen Huy Hoang*

1. Introduction

India embarked on its reforms policy in 1991 to enhance economic growth and open up its trade and investment with other parts of the world. One of the main features of India's economic reforms was the implementation of the "Look East" Policy, which aimed to extend India's neighbourhood towards Southeast Asia for strengthening broader economic and political relations. From ASEAN side, ASEAN countries also realised the importance of India as the third largest economy in Asia and an emerging regional power, and recognised its significance for political and economic cooperation. For these reasons, both sides have a need to pursue mutually comprehensive relations in order to foster economic cooperation. One of the important aspects in the economic cooperation is the possibility of setting up joint ventures outside ASEAN and India territories. This paper explores some possibilities of setting up ASEAN-India joint ventures in third countries. Section 2 presents some milestones of ASEAN-India economic cooperation and achievements in bilateral merchandise trade. The elaboration of ASEAN-India Foreign Direct Investment (FDI) situation is given in Section 3, followed by a discussion of the current investment situation in ASEAN-India joint ventures in Section 4. Section 5 explores some possibilities for setting up ASEAN-India joint ventures (JVs) in third countries. Finally, some concluding remarks are given in Section 6.

2. Important Milestones and Achievements in Bilateral Merchandise Trade

Close geographical proximity, historic trade ties and the complementary nature of economic needs have created a strong bond between ASEAN and India. ASEAN and India share a multi-faceted relationship spanning political, economic, energy, defense, strategic, security, and cultural realms. Besides, India's economic rise and growing pragmatism in international affairs have created conducive atmosphere for regional cooperation. India today stands at a threshold that will provide dividends not only in the short-term, but also in the future long-term perspective. The growing strategic partnership between the two sides also has national security significance.

Back to history, ASEAN countries have had a close relationship with India since the countries gained their independence in the late 1940s and the 1950s. However, with different political and diplomatic views and perspectives during the 1960-1990, the relationship has been going through ups and downs with uncertainty. Facing domestic difficulties with economic stagnation and tense relations with its neighbours as well as the changing in the world order from bipolar to unipolar by the collapse of Soviet Union, in the beginning of the 1990s, India has adopted a policy towards opening its door and promoting its relations with neighbours of Southeast Asian nations. Therefore, the country embarked on re-orienting its foreign policy; initiated its "Look East" Policy in 1991; and began reviving its economic relations with Southeast Asia (Zhao 2006). Meanwhile, with the emergence of China, ASEAN countries also realised the importance of India as the third largest economy in Asia and an emerging regional power, and recognised its significance for political and economic cooperation. Therefore, both sides have emphasised on developing mutually comprehensive cooperation in order to promote closer political and economic ties.

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Regarding the economic cooperation, since India embarked on its “Look East” Policy, many activities and events that promoted closer economic cooperation have been implemented and the mutual economic cooperation has stepped up a notch. Followings are some crucial milestone that played an important role in promoting and enhancing economic cooperation between ASEAN and India since India started implementing its economic reforms.

In 1992, India was Sectoral Dialogue Partner, which became Full Dialogue Partner in 1996. The relations have been institutionalised with the first ASEAN-India Summit in Phnom Penh on 5 November 2002. At the 2nd ASEAN-India Summit in 2003, both sides signed a Framework Agreement on ASEAN-India Comprehensive Economic Cooperation (ACEC). The Agreement laid a proper basis for the establishment of an ASEAN-India Regional Trade and Investment (RTIA), which forms starting of the ASEAN-India Free Trade Area (AIFTA) negotiations (ASEAN Secretariat 2012).

On 13 August 2009, in Bangkok, the two sides signed ASEAN-India Trade in Goods (TIG) Agreement creating one of the world’s largest FTA with a market of about 1.8 billion people and total combined GDP of US\$ 2.9 trillion. Under the FTA, tariffs on over 4,000 product lines (more than 80 per cent traded products) will be eliminated between 2013 and 2016 at the earliest.

In recent years, various rounds of negotiation on the ASEAN-India Trade in Services and Investment Agreements are on process, and it is targeted for an early conclusion. At the 10th ASEAN-India Economic Ministers Consultations in Siem Reap, Cambodia, held on 31 August 2012, both sides agreed to intensify negotiations towards conclusion of the ASEAN-India Trade in Services and Investment Agreement and pledged to finalise the Services Agreement by December 2012.

ASEAN and India devote great efforts on working on enhancing private sector engagement, stimulation of trade and business-to-business interaction. Both sides have held the first ASEAN-India Business Summit (AIBS) and an ASEAN-India Business Fair (AIBF) in New Delhi on 2-6 March 2011 (ASEAN Secretariat 2012). ASEAN-India Aviation Cooperation Framework was adopted on 6 November 2008 at the 14th ASEAN Transport Ministers (ATM) Meeting. The framework would lay the foundation for closer aviation cooperation between ASEAN and India to enhance air connectivity in order to promote comprehensive cooperation between the two.

Cooperation in various fields such as tourism, and agriculture and forestry sector has also been enhanced recently. In the tourism sector, the 2nd Meeting of ASEAN and India Tourism Ministers (ATM+India) held on 25 January 2010 in Bandar Seri Begawan supported the establishment of the ASEAN Promotional Chapter for Tourism (APCT) in Mumbai, India as an important collaborative platform for ASEAN National Tourism Organisations (NTOs) to market Southeast Asia to the Indian consumers and, at the same time, create mutual awareness between ASEAN Member States and India. The registration of APCT and its activities commenced in 2011. To further enhance tourism collaboration between ASEAN and India through concrete activities, during the 3rd ATM+India held on 12 January 2012 in Manado, Indonesia, the ASEAN and India Tourism Ministers signed the Memorandum of Understanding (MoU) on Strengthening Tourism Cooperation, which would serve as the key instrument for more action-oriented cooperation, encouraging both parties to cooperate in facilitating travel and tourist visits and further strengthen the close tourism partnership (ASEAN Secretariat 2012).

The cooperation in the agriculture and forestry sector has also been emphasised as ASEAN and India have successfully held the first ASEAN-India Ministerial Meeting on Agriculture and Forestry on 8 October 2011 in Jakarta, Indonesia. The Ministers adopted the Medium Term Plan of Action for ASEAN-India Cooperation in Agriculture (2011-2015) with the view to promoting and intensifying cooperation in the agriculture and forestry sector in order to meet the challenges of food security, to exchange information and technology, to cooperate on

research and development projects, to encourage agriculture and forestry-related industries, and to strengthen human resources development (ASEAN Secretariat, 2012). In recent years, the trade relations between ASEAN and India have grown rapidly, especially after the TIG came into effect as bilateral two-way trade has increased significantly in recent years (Table 1).

Table 1: ASEAN-India Merchandise Trade (in US\$ million)

	2004	2005	2006	2007	2008	2009	2010
Total	16,102	20,918	28,670	34,855	46,122	43,465	57,895
Export from ASEAN	8,550	10,632	16,301	21,031	26,698	25,399	30,618
Export from India	7,552	10,286	12,369	13,824	19,434	18,066	27,277

Source: ASEAN Statistics, ASEAN Secretariat.

India exports less than what it imports from ASEAN (Table 1). Since India's imports from ASEAN have outpaced those of its exports, the balance of trade has been largely in favour of ASEAN during the last few years. But the important aspect is that the volume of trade continues to improve since 2004 except for 2009-10, which is a result of the global financial crisis. However, in 2010, the trade volume bounced back to cross the US\$ 50 billion mark.

3. Situation of ASEAN-India Foreign Direct Investment

ASEAN and India are also important investment partners. With the effects of TIG, the establishment of RTIA (under the Article 2 of CECA) in order to promote ASEAN-India investment, to establish liberal and competitive investment regime and to enhance cooperation in investment (under the Article 5 of CECA) becomes utmost important. The Article 5 of the CECA has also laid foundation for setting up Joint Ventures (JVs) between entrepreneurs and private sectors of ASEAN and India.

ASEAN members have invested significantly in India. The amount of ASEAN members excluding Brunei, Cambodia, and Lao PDR's investment in India during the last few years (period from April 2000 and April 2009) has been US\$ 8,253.23 million (ASEAN Secretariat 2012). Singapore topped the rankings, followed by Malaysia and Thailand. Meanwhile, the amount of Indian investment in ASEAN has reached US\$ 21.8 billion (2004-2010) (Barman and Singh, 2012), equivalent to 25 per cent of the country's total foreign investment. However, the level of investment flowing in both directions is not beyond the actual potential. There are huge targets for expanding the Indian investment in ASEAN and vice versa. This would require both sides to create the suitable climate, while opening more and more areas for investment. The decision making process also has to be improved.

3.1 Indian Investment in ASEAN

Indian companies have been investing in many ASEAN countries and play an important role in the process of economic development of some ASEAN countries. Drawing largely from Kumar (2012), followings are details about the Indian investment in ASEAN and ASEAN investment in India.

In Indonesia: Up to 1985, India was among the top five investors. Indian investors hold US\$ 1.5 billion assets in Indonesia. Recently, more projects on pipeline, steel, coal, etc., worth of more than 25 billion US\$ have been at various stages to be invested in Indonesia.

In Malaysia: During 1980-2007, Indian investment in Malaysia was US\$ 1.5 billion. However, from 2008 to 2011, many more projects worth of around US\$ 1.5 billion invested in Malaysia, making the country a top ten investor in Malaysia.

In Myanmar: Indian companies invested US\$ 189 million in Myanmar, making country the 13th investor in Myanmar (as of November 30, 2011). Potentials for Indian investment in Myanmar are areas of infrastructural and technological cooperation as agriculture and natural resources.

In Singapore: At present, Singapore is top destination for Indian companies. Only in May 2012, investment worth of US\$ 500 million came from Indian companies.

In Thailand: India is 13th largest investor with total invested capital of US\$ 1.5 billion as of 2011.

In Vietnam: Indian investment in Vietnam is of around US\$ 270 million. There are mega projects worth close to US\$ 4.5 billion by TATA. ONGC plans to invest in Vietnam.

3.2 ASEAN Investment in India

Companies from ASEAN countries are also big investors in India. Among ASEAN countries, Singapore is the ASEAN's largest investor and second largest among foreign countries investing in India with cumulative FDI from 2000 to 2010, of US\$ 10.2 billion. During 2009 to 2010, cumulative FDI from Singapore in India was US\$ 2.4 billion. Second place among ASEAN countries and 16th largest foreign investors in India is Indonesia with cumulative FDI of US\$ 604 million. Coming after Indonesia is Malaysia, the 25th largest among foreign investors in India with total invested capital of US\$ 253 million during 2000 to 2010. Investors from Thailand invested total capital of US\$ 78 million in India during the period 2000 to 2010, making it as the 4th largest investor from ASEAN countries in India. Other countries such as Brunei, Cambodia, Lao PDR, the Philippines and Vietnam had also several projects in India but some of them were terminated. For example, the investment project from FPT Vietnam worth of US\$ 150,000 terminated few years ago.

4. Situation of ASEAN-India Joint Ventures

As both sides share some complementary nature of economic needs, joint ventures between ASEAN countries and India in ASEAN and Indian subcontinent or elsewhere have been established. As we have observed, the joint ventures between the two sides have been established in sectors of capital intensive industries and services such as oil and gas exploration, mineral extraction, and metals processing, infrastructure and finance and banking, and other potential areas which are less capital intensive such as agro industries and manufacturing, etc.

At present, Indian companies have many manufacturing joint ventures with Indonesian companies in the fields of synthetic fibers, textiles, garments, steel and hand tools, infrastructure, oil exploration and mining. Major Indian companies with assets in Indonesia include the Aditya Birla Group (Indo-Bharat Rayon), S.P. Lohia Group (Indo-Rama Synthetics), Ispat Group (Ispat-Indo), and Jaykay Indonesia, Gokak Indonesia and ESSAR Dhananjaya. Bajaj Auto has a joint venture for the assembly/production of three and two wheelers.

Also, there are 25 Malaysia-India joint ventures operating in Malaysia. The joint ventures with Malaysia are rather small but are in more technology oriented industries with as much local equity as possible, mainly in textiles, steel files, spinning plant, furniture, sugar, diesel engines, paper and paper boards, cosmetic and pharmaceutical, etc.

In Myanmar, there are about five joint ventures operating in the country in manufacturing and infrastructure sectors, and technological cooperation has also been extended to areas such as agriculture and natural resource. Myanmar can take advantage of Indian space programmes. In this process, both the countries inaugurated Remote Sensing and Data Processing Programme, in which India has a majority of over 51 per cent.

In case of joint ventures with Singapore, many projects in the field of IT, infrastructure investment and critical technologies have been set up in India. In Singapore, joint ventures between the two countries are in the fields of shipping industry, automobile accessories, computer accessories, chemicals, etc.

With Thailand, joint ventures are in the fields of relatively high-tech and even capital intensive, and also in the sectors that cover a wide range of products and activities including pulp-chemicals, pharmaceuticals, textiles, nylon, tyre cord and real estate.

Joint ventures between India and Vietnam are in the field of oil and gas exploration and exploitation, plastics industries, pharmaceutical, steel production, etc. With other countries in ASEAN such as Lao PDR, the Philippines and Cambodia, joint ventures concentrate on capital intensive industries, IT infrastructures, processing and manufacturing that India poses advantages over these countries.

5. Possibilities of ASEAN-India Joint Ventures in Third Countries

As discussed in Section 4, ASEAN and India have various types of joint ventures, located in either ASEAN countries or India covering over many fields of investment in capital intensive and relatively high-tech industries or in the finance and banking industry. Thus, there is a great potential for both sides to set up JVs outside ASEAN and India. Here, we discover the potential for setting up JVs in third countries.

With the operation of agreements such as CECA, RTIA, FTA between ASEAN and India, and between India and individual ASEAN country as well as more liberated trade and investment policies from both sides, joint ventures could be possible in the fields of capital intensive industries, oil and gas exploitation in new markets in other regions (e.g. in South America, Africa, South Asia, etc.). Therefore, cooperation between the private sectors of both sides in JVs in third countries would be possible because of the excellent bilateral relations and “interlocking” economies between some ASEAN countries and India. There are areas in which both sides could cooperate. But the countries other than the “third countries” as identified and suggested above, may be identified by the private sectors from both side. The decision should be adhered to the advantages held by both sides in order to make these joint ventures beneficial.

To foster joint ventures abroad, both ASEAN and India need to enact suitable policies to eliminate trade barriers and deregulate foreign ownership restrictions and flows of capitals. This would pave the way for a strong cooperation in setting up joint ventures outside ASEAN and India. Setting up joint ventures in other territories rather than ASEAN and India will bring some benefits to both ASEAN countries and India such as:

- To help ASEAN-India Joint Ventures to access foreign markets;
- To present companies’ majority interest and maintain control over a projects;
- To help companies cutting down the cost of doing business and to save money, and to share the risk while doing business abroad;
- To help enhancing their chances of developing advanced technological methods that would reduce exploration and production costs and increase profit margins;
- To help acquiring technological information and management expertise from other companies;
- To enhance cooperation between ASEAN and India, to foster bilateral trade, investment and closer ties between ASEAN and India as well as between ASEAN countries and India;
- To help making the Indian “Look East” Policy successful; and
- To help enhancing the development of private sectors.

6. Concluding Remarks

ASEAN-India economic relations in the coming decades will be determined by the sustained growth of the economy in both sides, and the competitiveness of the ASEAN and Indian industries, commerce and services. The present time is ripe for the increased ASEAN and India engagement in trade and investment, as the close economic and trade partnership has the potential to provide inclusive growth to the economies of both the sides. India is a natural partner for ASEAN, given the extensive and increasingly complementary nature of our industries, expertise, and demand-supply profiles. It is also worth mentioning that both sides have agreed

to work together in resisting protectionism in all its forms, reducing barriers to trade and investment, and implementing the development action plans. In doing that, both sides must pursue a constructive dialogue on trade and investment and economic cooperation.

ASEAN and Indian companies can together set up joint ventures in the fields of capital intensive, relatively high-tech industries or in finance and banking sector, not only in ASEAN countries and India but also in a country or region outside ASEAN and India, given that both sides show great efforts and endeavours for cooperation in this kind of joint ventures in order to further promote economic cooperation between ASEAN and India.

On the basis of above discussion, it can be concluded that there are several possibilities of setting up joint ventures between ASEAN countries and India, not only in ASEAN territory or India, but also in other regions. India can offer technical assistance facilities and consultancy services in ASEAN countries as well as in mutual joint ventures in third countries. It is now the responsibility of the ASEAN countries' and Indian Government, businessmen and industrialists to see how they can derive maximum benefit from the favourable climate available at present. This is also considered as a way to help making the India's "Look East" Policy successful.

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Leveraging ASEAN-India FTA in Goods: Challenges and Opportunities

Poch Kongchheng*

1. Introduction

ASEAN region has been the focused priority of India's foreign and trade policy. *The Economic Times* (11 July 2012) quoted a speech of India's Foreign Minister in the ASEAN-India Ministerial Meeting in 2012 in Phnom Penh: "India's relationship with ASEAN is a key cornerstone of our foreign policy and the foundation of our Look East Policy. We have attempted to anchor this within the larger context of Asia as an engine for global growth and prosperity." Rapid growth in ASEAN has been strongly supportive to growth of the global economy and particularly the Asian economy.

Bilateral trade in goods between ASEAN and India has been fuelled by the ASEAN-India Free Trade Agreement (AIFTA), which was signed on 19 August 2009 in Bangkok. The AIFTA, which currently covers only trade in goods between ASEAN and India, was operationalised on 1 January 2010. The AIFTA is a major step in establishing one of the world's largest free trade areas, composing a market of about 1.8 billion people and a collective GDP of US\$ 2.8 trillion (ASEAN Secretariat 2012).

ASEAN has increasingly become one of the major trading partners of India. It roughly accounted for 9.2 per cent of India's global trade in 2010. Likewise, India is one of ASEAN's largest trading partners, occupying the 6th rank in 2010. Two-way trade between ASEAN and India in 2010 reached US\$ 52.6 billion, which was significantly higher than the pre-crisis level of US\$ 34.9 billion in 2007. As a result, ASEAN and India could achieve the joint target of accomplishing bilateral trade of US\$ 50 billion by 2010. India's trade with ASEAN is, however, highly concentrated with several ASEAN old members such as Indonesia, Malaysia, Singapore, and Thailand.

Hence, trade flow between India and ASEAN members is undoubtedly unbalanced. India's two-way trade with ASEAN members including Cambodia, Lao PDR, Myanmar, and Vietnam (CLMV countries), Brunei and the Philippines is still quite lower than the two-way trade between four ASEAN old members and India. Against this backdrop, this paper is aimed at exploring challenges and opportunities to further deepening bilateral trade in goods between ASEAN and India.

2. Recent Developments of ASEAN-India Trade

Beginning from the effective date of AIFTA, tariff liberalisation gradually covers over 90 per cent of products, including some sensitive products such as crude and refined palm oil, coffee, black tea, and pepper, in bilateral trade between the two regions (ASEAN Secretariat 2012). The AIFTA will lead to the elimination of tariffs over 4,000 products including electronics, chemicals, machinery and textiles. Out of the 4,000 products, tariffs on some 3,200 products will be reduced by 2013, while tariffs on the outstanding 800 products will be reduced to zero or almost zero at the earliest by 2016 (Sikdar and Nag 2011). Nonetheless, 489 products were excluded from the list of tariff concessions and 590 products were removed from the list of tariff eliminations retaining to farm products, automobiles, certain auto parts, machinery, chemicals, crude and textile products (Kuppuswamy 2009).

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Trade relations between ASEAN and India have significantly expanded over the past years. The bilateral trade between ASEAN and India in 2010 amounted to around US\$ 52.6 billion. Although two-way trade between individual ASEAN countries and India has increased over time, Singapore, followed by Indonesia, Malaysia and Thailand, remain the dominant trading partners of India. These four countries continue to be India's largest export markets and the largest sources for India's imports from the ASEAN region. Singapore, among the ASEAN members, is the biggest market for India's products as well as the biggest source of India's imports.

Presently, India's main products exported to the ASEAN region include meat, edible vegetables and fruits, cereals, cotton, tobacco, mineral fuels, salt, sulphur, organic chemicals, pharmaceutical products, iron and steel, copper, electrical and electronic equipment, and machinery. The major products imported by India from the ASEAN region include mineral fuels, animal and vegetable fats, chemicals, pharmaceutical products, rubber products, wood products, iron and steel, wearing apparel, electrical and electronic equipment, machinery, ships, boats and floating structures, optical and photographic equipment, and musical instruments.

3. Challenges in Furthering FTA in Goods

Given the fact that India is not a traditional trading partner of the ASEAN region, India's exports into the ASEAN market face a strong competition. ASEAN's imports from India are quite similar to the products of ASEAN's own production and imports from other countries, particularly China. Likewise, ASEAN's exports to India also encounter considerable competition with other exporters in the India's markets. In this regard, there are critical challenges in further deepening trade in goods between ASEAN and India, of which following two are most important.

First, ASEAN has established many FTAs with other countries such as ACFTA (ASEAN-China FTA), AKFTA (ASEAN-Korea FTA), AANFTA (ASEAN-Australia-New Zealand FTA), and AJCEP (ASEAN-Japan Comprehensive Economic Partnership) as well as its own regional FTA (ASEAN FTA). At the same time, India also holds various FTAs with other countries. Considering many FTAs need to be carried out by ASEAN and India, the AIFTA implementation would face more complications and difficulties in terms of coordination among ASEAN members and between ASEAN and India. As claimed by Sharma (2008), to comprehend how these FTAs are going to be implemented in reality is rather challenging.

Second, ASEAN's close relations with China pose more pressing constraints on India's trade with the ASEAN region. China has been a prominent trading partner of almost all ASEAN member countries, ranging from the least developed members (e.g. CLMV countries) to the developed members, particularly Singapore, Malaysia, and Thailand. China has been a hub of regional production networks in which ASEAN economies have engaged rigorously. China has played a crucial role in supporting the export-led growth of the ASEAN economies. Moreover, as pointed out by ACEGEC (2001), China-ASEAN FTA is "an important move forward in terms of economic integration in East Asia as well as a foundation for the more ambitious vision of an East Asia Free Trade Area, encompassing ASEAN, China, Japan and Korea."

4. Opportunities in Furthering FTA in Goods

Nonetheless, there are significant scopes for furthering ASEAN-India trade relations in goods. First, growing economic development in the ASEAN region and India appears as a key catalyst to boost trade between them. Even though the ASEAN economies were hit badly by the global financial crisis in 2008 and 2009, the economies still grew at a moderate rate of 5 per cent per annum over the past five years. Over the same period, the Indian economy grew on average 8.1 per cent per annum. Economies of ASEAN and India are likely to grow at a moderate pace in the short to medium term.

Second, the existing trading pattern is still quite narrow. Increasing volumes of the current trading products can be undertaken to fuelling the two-way trade between the two economies. Expansion of trading products would be one of the options. With the existing experience, further tariff liberalisation would be easier to be carried out. More importantly, trade facilitation measures can be enhanced through accumulated experience of the two economies in implementing FTAs.

5. Concluding Remarks

Since the creation of AFTA, bilateral trade between the ASEAN and India has expanded rapidly. However, the bilateral trade is significantly concentrated in selected ASEAN members. Hence, more integrated and inclusive trade relations should be promoted. Whereas challenges remain, there are opportunities in hand for the two economies to promote stronger trade relations not only between them but also with rest of the world.

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Leveraging FTAs for Enhancing Indian Exports to ASEAN

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1. Introduction

India has been aggressively pursuing the policy of expanding its export market base through FTAs (Free Trade Agreements). With WTO Doha Round of trade negotiations not making desired progress, and in view of increasing share of preferential trading globally, India too thought it appropriate to follow FTA route in its endeavour to integrate with the global economy. Barring USA and China, India has engaged in all major continents and trading blocs. So far, it has concluded 10 FTAs, five limited scope preferential trade agreements and is in the process of negotiating and/or expanding 17 more agreements.

Southeast and East Asia have acquired an important place in India's FTA landscape. From simply a dialogue partner of ASEAN in 1992, the India-ASEAN relations have come a long way. Today, India and ASEAN participate in a series of consultative meetings through Summit, ministerial meetings, senior officials meetings, and meetings at experts' level, as well as through dialogue and cooperation frameworks initiated by ASEAN. The signing of FTA with ASEAN in 2009 was a natural outcome of this intense dialogue process going on for over a decade.

Starting with a Comprehensive Economic Cooperation Agreement (CECA) with Singapore in 2005, India went on to sign agreement for trade in goods with ASEAN in 2009, Comprehensive Economic Partnership Agreement (CEPA) with Korea in 2009 and with Japan in 2011, and CECA with Malaysia in 2011. Besides, India has also launched negotiations for a similar comprehensive agreement with Indonesia and Thailand. The FTA with ASEAN is also being expanded to include services and investment.

Undoubtedly, the bilateral dialogue has intensified and the process of engagement is institutionalised but the bilateral trade has not grown in commensurate with our expectations. Since the exports have significantly slowed down as a result of deepening of economic crisis in India's traditional markets of Europe and US, India is desperately looking to gain a greater market share in ASEAN by utilising the preferential market access through FTAs and CECAs.

2. ASEAN: A Natural Choice for India to Diversify Its Exports

The 10-nations ASEAN regional block is the second closest neighbour of India, after South Asia. With relatively slow progress of economic integration in the South Asia region, India decided to strengthen its trade and economic ties with ASEAN countries. This was a part of India's broader "Look East Policy", launched in early 1990s. Though ASEAN is not a customs union, it is a fairly integrated market after the signing of ASEAN Free Trade Area (AFTA) in 1992.

ASEAN-India dialogue relations have grown rapidly from a sectoral dialogue partnership in 1992 to a full dialogue partnership in December 1995. The relationship was further elevated with the convening of the ASEAN-India Summit in 2002 in Phnom Penh, Cambodia. Since then the ASEAN-India Summit has been held annually. All these took place in a decade, which clearly signifies the seriousness of the two sides in developing a close relationship covering wide range of issues.

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Pursuant to this, ASEAN and India signed the ASEAN-India Trade in Goods Agreement in Bangkok on 13 August 2009 after six years of negotiations. 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 per cent 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 Trade in Goods Agreement entered into force on 1 January 2010.

3. India's Export to ASEAN in Comparison to Other Major Countries

Undoubtedly, the economic engagement between India and ASEAN has intensified. However, despite this growing engagement, the volume of trade and investment flows between ASEAN and India remained relatively low compared with other trading partners of ASEAN. India's exports to ASEAN were just US\$ 24.32 billion in 2011, much below the exports of China, Japan and Korea to ASEAN (Table 1).

China, for instance, has emerged as ASEAN's leading trade partner, accounting for more than 11 per cent of its trade. ASEAN too has become China's fourth largest trading partner. Similarly, Japan is ASEAN's third largest trading partner in 2010 with 10 per cent share of ASEAN's total trade, and the Republic of Korea is ASEAN's fifth largest trading partner. Contrary to this, India just accounts for less than 3 per cent of ASEAN's total trade.

All these three major countries have FTAs with ASEAN. The question arises if they have been able to capitalise on preferential market access, why is India struggling despite having an FTA in trade in goods with ASEAN. None of the studies forecast that FTA with ASEAN would result in significant increase in India's export to the region. However, the region does provide a huge opportunity to diversify exports. Countries like Vietnam, Cambodia and Myanmar offer a great potential for both trade and investment.

Table 1: ASEAN Imports from China, Japan, Korea and India

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	(US\$ billion)									
China	23.58	30.93	42.90	55.37	71.31	94.72	114.32	106.30	138.16	170.08
Japan	55.74	61.26	73.01	75.58	76.28	87.16	103.46	80.39	112.86	123.09
Korea	18.40	20.25	24.02	27.43	32.06	38.74	49.28	40.98	53.20	71.80
India	4.50	5.07	7.55	10.29	12.37	13.82	19.43	17.90	22.96	24.32

Source: International Trade Centre, Geneva.

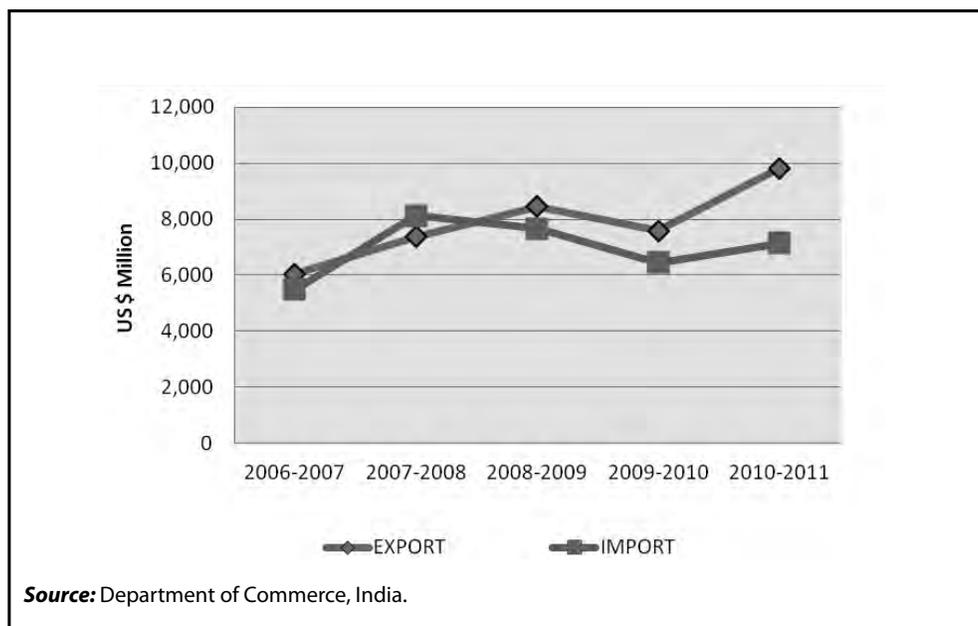
4. Post FTA/CECA Trends in India-ASEAN Trade

4.1 India-Singapore CECA

The CECA between India and Singapore was signed in June 2005 and implemented in August that year. Under the Singapore CECA, Singapore exempted paying of MFN duty on all import items from India, whereas India gave preferential access to about 5600 items at 8-digit level. After the CECA came into force, exports increased from US\$ 5.4 billion in 2005-06 to US\$ 9.8 billion in 2010-11. However, the major contribution in this increase comes from petroleum sector. India's export of petroleum products to Singapore increased from US\$ 2.2 billion in 2005-06 to US\$ 5.4 billion in 2010-11, almost 60 per cent of India's total exports to Singapore. This cannot be entirely attributed to signing of CECA with Singapore.

Imports in the same period increased from US\$ 3.3 billion to US\$ 6.5 billion. At present important exports to Singapore include petroleum oils, vessels and floating platforms, aluminum (not alloyed) and precious and semi-precious stones. Petroleum oils and electrical equipment are top imports in recent times. Figure 1 presents the trend in bilateral trade between India and Singapore in recent years.

Figure 1: India's Trade with Singapore



4.2 India-ASEAN FTA

A Framework Agreement on CECA between ASEAN and India was signed in October 2003. The Framework Agreement covered negotiations for FTA in goods, services, investment and other areas of economic cooperation. After six years of negotiations, India signed the Trade in Goods Agreement (TIG) with the ASEAN in August 2009. In 2010, the TIG came into force between India and the members of ASEAN.

The TIG provides for progressive tariff reduction and/or elimination of originating goods traded between the ten ASEAN member states and India. Under traded goods covered in the Normal Track (NT), tariffs imposed between Brunei Darussalam, Indonesia, Malaysia, Singapore, Thailand and India will be eliminated (will become zero-duty) by 2016. Tariffs imposed between the Philippines and India under the NT will be eliminated by 2019. A longer time frame is given for Cambodia, Lao PDR, Myanmar and Vietnam (CLMV) to eliminate their tariffs.

Under the Sensitive Track (ST), goods with applied MFN rates of above 5 per cent will be reduced to 5 per cent by 2016 for Brunei Darussalam, Indonesia, Malaysia, Singapore, Thailand and India; by 2019 for trade between the Philippines and India; and by 2021 for CLMV. For goods with applied MFN rates of 5 per cent and below, tariff reduction would be undertaken in accordance with the modality, except for a limited number of goods whose tariffs could be maintained.

Following the operationalisation of FTA with ASEAN in January 2010, there has not been any huge surge in imports as indicated in the research findings of some of the studies. Tables 2 and 3 present India's export to and import from ASEAN in recent years, whereas Figure 2 illustrates the trends in India's trade with ASEAN. Exports as expected did not make any massive jump. As a result the trade deficit was not very alarming. The pattern of trade also remains the same. Singapore is still the major trading partner, constituting almost 30 per cent of India's total trade with ASEAN, followed by Indonesia, Malaysia and Thailand. In other words, there is a high degree of concentration of India's exports to ASEAN destination-wise.

Table 2: Trends in India's Exports to ASEAN

Country	2009-2010	2010-2011	2011-2012
	(US\$ million)		
Brunei	24.44	23.07	895.49
Cambodia	45.54	66.94	99.45
Indonesia	3,063.36	5,700.78	6,677.99
Lao PDR	16.93	13.11	14.97
Malaysia	2,835.41	3,871.17	3,980.36
Myanmar	207.97	320.62	545.38
Philippines	748.77	881.1	992.91
Singapore	7,592.17	9,825.44	16,857.71
Thailand	1,740.16	2,274.21	2,961.01
Vietnam	1,838.95	2,651.44	3,719.09
Total	18,113.71	25,627.89	36,744.35

Source: Ministry of Commerce, India.

Table 3: Trends in India's Imports from ASEAN

Country	2009-2010	2010-2011	2011-2012
	(US\$ million)		
Brunei	428.65	234.17	605.02
Cambodia	5.05	8.01	7.27
Indonesia	8,656.66	9,918.63	14,765.93
Lao PDR	20.05	0.22	89.26
Malaysia	5,176.78	6,523.58	9,473.64
Myanmar	1,289.80	1,017.67	1,381.15
Philippines	313.07	429.39	441.38
Singapore	6,454.57	7,139.31	8,388.49
Thailand	2,931.52	4,272.09	5,283.84
Vietnam	521.81	1,064.90	1,722.87
Total	25,797.96	30,607.96	42,158.84

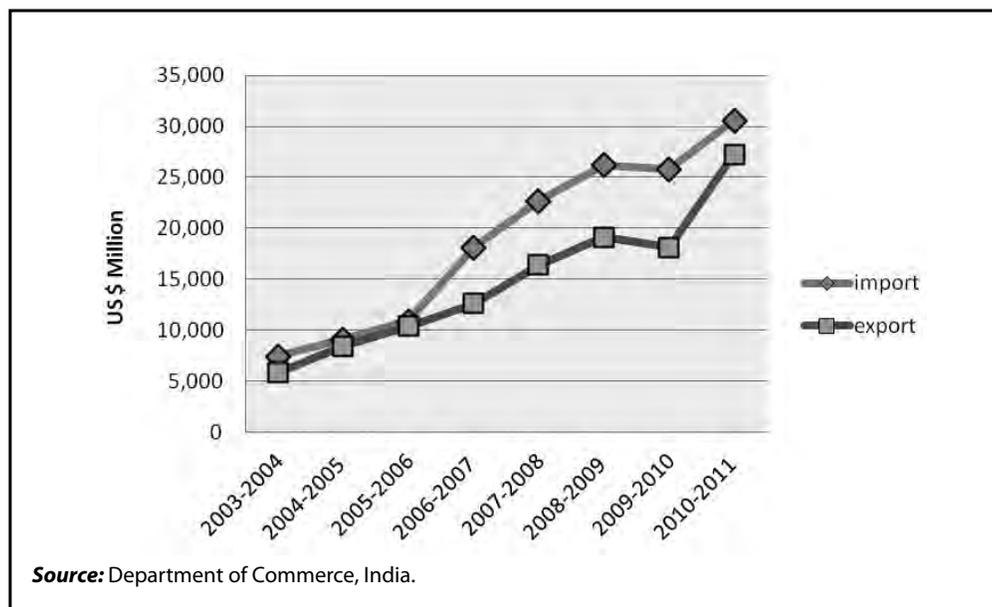
Source: Ministry of Commerce, India.

The countries are now negotiating agreements on trade in services and investment. These are targeted to be concluded by 2012. The services negotiations are taking place on a request-offer basis. India has made requests in a number of areas including teaching, nursing, architecture, chartered accountancy and medicine as it has a large number of English speaking professionals in these areas who can gain from job opportunities in the ASEAN region. India is also keen on expanding its telecom, IT, tourism and banking network in ASEAN countries. The services and investment agreement will complement the TIG and will further augment the economic integration of India with the ASEAN countries.

4.3 India-Malaysia CECA

India signed the CECA with Malaysia in February 2011. The Agreement came into effect from July 2011. Under the CECA, India and Malaysia have offered more commitments than what were offered under ASEAN-India Trade in Goods Agreement.

Figure 2: India's Trade with ASEAN



Key items on which Malaysia has offered market access to India are basmati rice, mangoes, eggs, trucks, motorcycles and cotton garments which are all items of considerable export interest to India. Key items of Malaysia's interest on which India has offered market access are fruits, cocoa, palm oil products and synthetic textiles.

In 2011-12, India exported approximately US\$ 4 billion worth of goods to Malaysia, and imported US\$ 9.5 billion worth of goods from the country. Figure 3 presents the trend in trade between India and Malaysia in recent years. In the last one year, India's exports to and imports from Malaysia witnessed an impressive growth of about 40 per cent and 26 per cent, respectively.

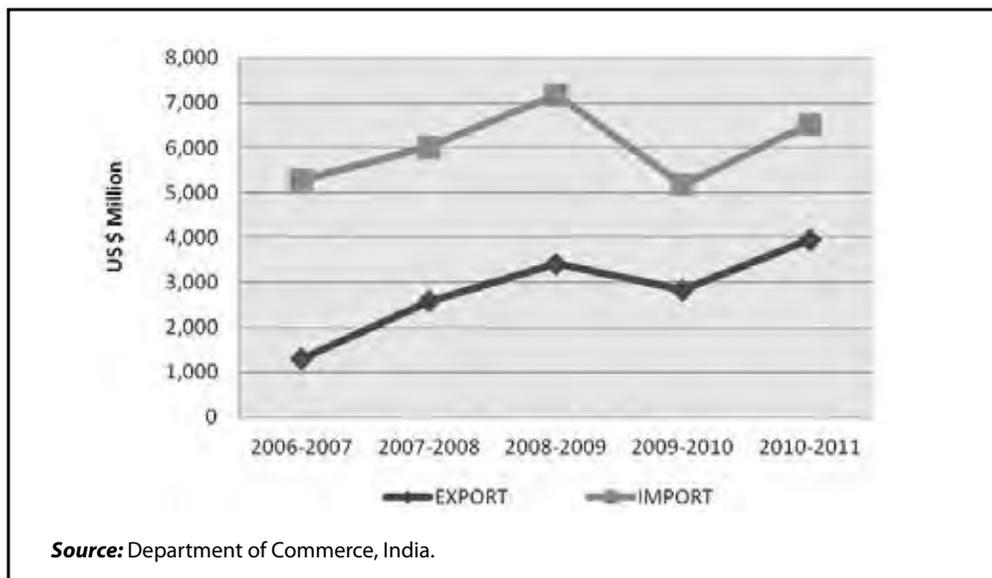
India's main exports to Malaysia are floating vehicles (ships, boats), copper, mineral fuels, edible meat, organic chemicals, cereals, etc., whereas India's main imports from Malaysia are mineral fuels, machinery and electrical equipment, edible oils, wood, organic chemicals, iron and steel and articles, etc.

India's benefit from the CEPA is in services – temporary movement of business people, including contractual service suppliers, independent professionals in commercially meaningful sectors like accounting, medical, consultancy, architecture, urban planning and engineering.

4.4 India-Thailand EHS

In 2003, India and Thailand signed a Framework Agreement for establishing a free trade area. With a view to accelerating the realisation of benefits from this agreement, the two countries implemented an Early Harvest Scheme (EHS) in 2004 comprising 82 items of mutual interest, which have become zero duty since 2006. Most of these items are machinery, electrical equipment, metals, gems and jewellery and plastic products. Figure 4 presents the trends in trade between India and Thailand in recent years. The negotiations for the India-Thailand FTA are underway and both sides have agreed to conclude a Comprehensive Trade Agreement including trade in goods, services, investment and economic cooperation as a single undertaking.

Figure 3: India's Trade with Malaysia



5. Export Opportunities for India in ASEAN

In product category, though India faces tough competition from China, Korea and Japan in manufacturing exports in this region, it still can hope to gain a greater market share in health and pharmaceuticals; manufacturing, especially machinery: cold rolling steel mills, textile machinery, agricultural machinery, vending machines, plastic processing machines and cold chain refrigeration; and heavy commercial vehicles. In pharmaceuticals, for instance, India's current export to ASEAN, US\$ 392 million in 2010-11, is miniscule as compared to India's total pharmaceutical exports to the world (US\$ 6.6 billion). Similarly, in heavy commercial vehicles, India can enhance its current exports to ASEAN, which is close to US\$ 1 billion.

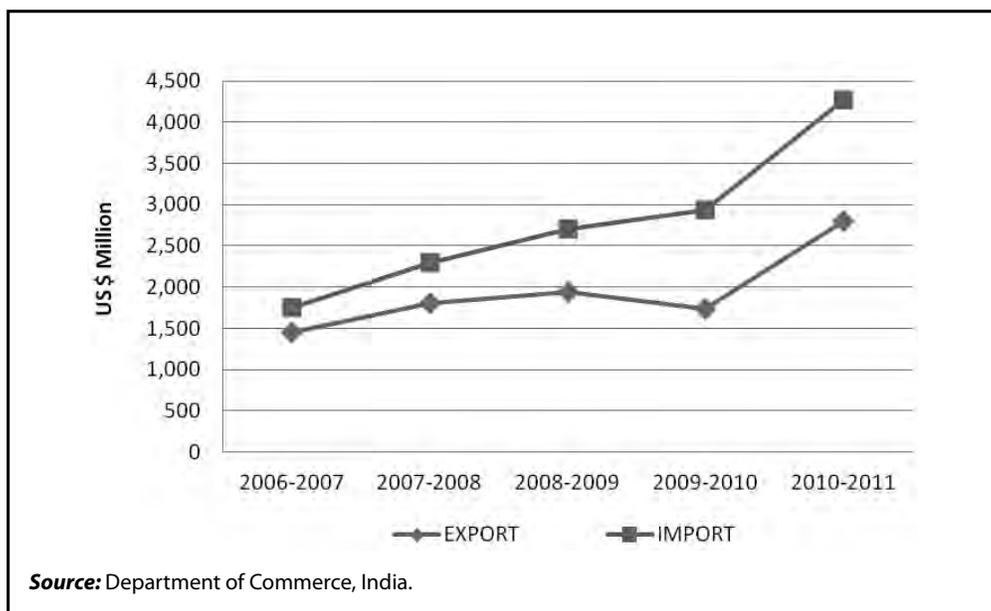
India's trade basket with ASEAN is not very diversified. Major items that India exports to ASEAN are in the sectors of mineral fuels and oil, which account for almost 35 per cent of India's export to the region. In order to raise India's exports to the region, there is an urgent need for diversification of the export basket and to move up the value chain. The India-ASEAN FTA could help in boosting India's exports in sectors like food processing, auto-components, electrical machinery and appliances, plastics, chemicals, textiles and apparels, and mineral products.

India has good potential to diversify its exports in ASEAN region. As mentioned earlier, India's exports in the region are still confined to four major countries, namely, Singapore, Indonesia, Malaysia and Thailand. These four countries together account for almost 90 per cent of India's exports to ASEAN. This provides a good opportunity for India to diversify its exports to other markets such as Vietnam, Cambodia and the Philippines.

In Vietnam, the most important challenge is to promote brand India. At present, China dominates the Vietnamese market. There is low level of awareness that Indian companies have state-of-the-art products and technologies in consumer goods, FMCGs and food and beverages.

With the Philippines, there is a great potential to increase exports. India's export to the Philippines in 2011-12 was only US\$ 992.91 million. The Philippines' most important imports are raw materials, machinery and equipment, vehicles and vehicle parts, plastic, chemicals and grains. Of these categories, India can very well fulfil the demand of raw materials for the construction sector and the steel and metal industry, as well as demand of raw material for textiles. Auto components are another sector where Indian industry is globally competitive.

Figure 4: India's Trade with Thailand



Cambodia is one of the fastest growing LDCs. Cambodia's global imports primarily include petroleum products, cigarettes, gold, construction material, machinery, motor vehicles and pharmaceuticals. India is well equipped to export world-class products in each of these categories at a competitive price.

Myanmar shares border with India. Myanmar provides the shortest link to ASEAN region. It offers opportunity for a wide range of Indian products. Besides iron and steel products and drug and pharmaceuticals, potential exists for promoting branded consumer goods, agro-chemicals, automobiles (in particular two-wheelers), cotton garments and cotton yarn, auto components, construction materials, machinery and spare parts, especially for sugar and textile industry.

6. Major Challenges

Opportunities for exports are definitely there in ASEAN markets but there are challenges as well. First and foremost is that India faces tough competition from China, Japan and Korea besides ASEAN countries themselves. These countries are very strong in manufacturing sector. On the contrary, Indian manufacturing sector has not been doing well in the recent past. The Indian government is trying to address the problems of manufacturing sector through its new Manufacturing Policy, which envisages creation of dedicated national manufacturing zones with all the necessary infrastructure and incentives. Once this is in place, manufacturing exports from India may get a big boost.

In India's policy shift towards FTAs, another worrying factor is the overlap of such agreements. India's FTA trade partners are part of more than one FTA in some cases. For example, India had EHS with Thailand and also tied through Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) besides India-ASEAN FTA. Similarly, with Malaysia and Singapore, India has separate CECA. The "spaghetti bowl" of Regional Trade Agreements (RTAs) is causing much confusion and difficulty among the trading community as the rules governing each FTA are different.

Another major challenge in using the FTAs is in creating awareness for them among the business community. Studies have shown that use of FTAs is low in many countries. The reasons are low awareness, non-inclusion of products in tariff preferences and restrictive Rules of Origin (RoO). The Government of India is also negotiating

deep integration agreements like CECA in its future initiatives in trade integration. Such CECAs cover almost all traded goods and have very few items in the negative list that is outside the purview of trade liberalisation. Regarding RoO, the Government of India is negotiating more PSRO (Product Specific Rules of Origin) to avoid confusion and also incorporating many supplementary rules to relax the main methods of origin determination. However, the RoO are still quite complicated given that more than 50 pages of technical details are now devoted for explaining RoO of the agreement.

Food Security in South Asia and ASEAN: Meeting the Common Challenges

I. N. Mukherji*

1. Global Food Scenario

The downward long-term trend in food prices came to an end in 2006 and food prices escalated into a surge in 2007-08. Prices of staple food such as rice and vegetable oil doubled between January and May 2008.¹ Combined with record petroleum and fertiliser prices, highly import-dependent low income countries were particularly vulnerable. Several trade, consumer and production oriented policies were used by all developing countries to meet the challenge. In India, a record purchase of cereals by Food Corporation of India (FCI) enabled the Indian Government to release sufficient stocks to stabilise prices. Some Southeast Asian countries such as the Philippines, the then world's largest food importer, increased its imports to ensure a 30-day stockpile. India, Indonesia and the Philippines reduced or eliminated tariffs or taxes.² Some countries such as India, the Philippines and Thailand also enacted harsh penalties for hoarding grains. Countries like India and Vietnam restricted wheat exports or steeply hiked minimum export price to shore up domestic supplies and control domestic prices. Social safety measures were also used by India and Indonesia to dampen the social impact of the crisis.³

A second food crisis now seems to be brewing. The World Food Price Index, having remained subdued since 1990s, showed an upward trend from 2003, peaking in 2008. A sharp decline since then was short-lived, as the index marked a steep increase in 2010 and 2011. Between 2011 and 2012 decline has set in, but the index remains twice as high as the average from 2002-2004 (FAO 2012).

FAO's latest forecast for world cereal production in 2012 has been revised downward slightly (0.4 per cent) since the previous update in September, to 2286 million tonnes. The latest adjustment mostly reflects a smaller maize crop in central and south-eastern parts of Europe, where yields are turning out lower than earlier expectations following prolonged dry conditions. At the current forecast level, world cereal production in 2012 would be 2.6 per cent down from the previous year's record crop but close to the second largest in 2008. The overall decrease comprises a 5.2 per cent reduction in wheat production, and a 2.3 per cent reduction for coarse grains, while the global rice crop is seen to remain virtually unchanged. Severe droughts in 2012 in the United States and across a large part of Europe and into Central Asia have been the main cause of the reduced wheat and coarse grains crops. However, the very early indications for wheat crops in 2013 are encouraging, with winter wheat planting in the northern hemisphere already well advanced under generally favourable weather conditions (FAO 2012).⁴

According to World Bank Group's *Food Price Watch Report*, released on 30 August 2012, food prices soared by 10 per cent in July 2012 from a month ago, with maize and soyabean reaching all-time peaks because of an unprecedented summer of droughts and high temperatures in both the United States and Eastern Europe.

A severe drought in the United States has sharply cut corn and soyabean yields, while a dry summer in Russia, Ukraine and Kazakhstan has hurt wheat output. The World Bank, while not foreseeing the repeat of 2008 food price spike, that triggered riots in 34 countries, is nevertheless concerned with a number of negative factors that could lead to tipping point of 2008 situation (World Bank 2012).

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2. Recent Food Security Initiatives

2.1 India's Food Policy

India removed export restrictions on wheat which was put under Open General Licensing (OGL) on 12 March 2012. In respect of rice, the minimum export price was reduced and finally removed on 12 February 2012, and the official permission for non-basmati rice exports to continue was granted.

Further, India was permitted to export rice through India-Bangladesh and India-Nepal borders on non-electronic data interchange Land Customs Stations (LCSs). State enterprises were allowed to export non-basmati rice under the Food Aid and to Maldives on government to government basis. India imposes no restrictions on food grains trade with Nepal and Bhutan under its bilateral free trade agreements (FTAs) with them. Budgetary allocation raised allocation to the "Bridging the Green Revolution in Eastern India" (BGREI) programme by US\$ 115 million to US\$ 192 million on 12 March 2012. Part of the budgetary allocation also includes plans to raise irrigation and storage capacity as well as greater agricultural disbursements (FAO 2012).

Based on the Rangarajan Committee's recommendations, India has further removed quantitative export restrictions on sugar for the year 2012-13. As a consequence of easing export restrictions, India has exported 3.5 million tonnes of sugar, 10 million tonnes of rice, and 2.5 million tonnes of wheat in 2011-12.⁵

The growth in India's oilseeds production was far below those of other food crops, principally wheat and rice following the onset of green revolution since 1976-77. Consequently, the gap between domestic supply and demand for vegetable oil has been increasing and growing imports are filling the gap. Faced with chronic shortage of foreign exchange, India decided in favour of import substitution strategy in respect of edible oils in 1986. With the launching of Technology Mission in Oilseeds, it set the goal of achieving complete self-sufficiency by 1990.

A series of measures were taken to boost production of oilseeds with the introduction of National Oilseeds Development Programme (NODP) in 1984-85. Since then and till 1993-94 edible oils were in the negative list for imports. During the period 1988-89 to 1993-94, considerable area under coarse grains and some under pulses was shifted to oilseeds production. However, the growth in edible oils production failed to keep pace with consumption, while severely affecting cereal crop production requiring massive imports of 6.7 million metric tonnes in 2006.⁶ Such a strategy could not be sustained due to implicit allocative inefficiency.⁷

Given the spike in world food prices, particularly in 2007-08, the Indian Government decided to reduce import duty to nil and to 7.5 per cent on crude and refined palm oil, respectively with effect from 1 April 2008 as a countercyclical measure to protect consumers from price hike.⁸

In the meanwhile, the Indonesian Government in September 2011 introduced a new tax regime that lowered export tax on refined palm oil products from 25 to 10 per cent, while at the same time introduced progressive tax on crude palm oil, which starts at 22.5 per cent whenever international prices reached US\$ 750 per metric tonne.⁹ The objective is for the country to shift its export composition of palm oil products in favour of more refined products thereby adding value to its palm oil produce.

Responding to the Indonesian move, with effect from 31 July 2012, Indian Government defreezed and revised its tariff value of imported refined palm oil to US\$ 1053 from US\$ 484, (the latter value was freezed since 2006), to align it with the current international prices in order to augment the domestic availability of edible oils and better capacity utilisation of the refining industry.¹⁰

2.2 Indonesia's Food Policy

Recent surges in international food prices and its uncertain availability have generated mistrust among many food importing countries. Concern for food security thus gets transformed for food self-reliance.

Indonesia is a major importer of all food commodities, including rice. Until 2000s, Indonesia was world's largest food importer. However, since 2004, largely as a result of lobbying by pro-farmer political groups, rice imports were largely banned. This raised the domestic price of rice in relation to international price by a large margin, as brought out in a recent study.¹¹ The major beneficiaries were not poor producers, but the largest ones. Most Indonesians residing in rural areas were net buyers of rice. It was estimated that an import restriction that raised the real domestic price of milled rice also raised incidence of poverty both in rural and in urban areas.¹²

2.3 Philippines Food Policy

Since 1990s, the Philippines has increasingly relied on world food markets moving away from a net food exporter to a net food importer. Since the crisis in world food prices of 2008, the Philippines has set an ambitious target for food staples self-sufficiency by 2013, centered on rice. However, the government-owned think-tank, namely, Philippine Institute for Development Studies (PIDS), dismissed the country's rice self-sufficiency policy as "obsolete" and costly for taxpayers. The agriculture department envisioned the country to be rice self-sufficient by 2013, but this plan has failed and also caused the government's debts to balloon.¹³ The authors at PIDS said this obsolete policy has cost taxpayers debts worth Peso 156 billion as of 2009, courtesy of the National Food Authority (NFA), whose "buy high, sell low" policy is draining government coffers.¹⁴ This PIDS study recommended against negotiating a further extension of the special treatment for rice under WTO. It calls for liberalisation of imports subject to make payment of import duties. The high cost of self-sufficiency is essentially due to the country's lack of comparative advantage in rice production.

2.4 Malaysia's Food Security Policy

The objective of Malaysia's National Food Security Policy is to attain a reasonable self-sufficiency level in rice. The self-sufficiency level was initially targeted at 65 per cent, but was required to be 86 per cent by the Mid-Term Review of Malaysia's Ninth Plan (2006-10) in order to fit its production-centric version of self-sufficiency level in most commodities for reducing its deficit trade balance.¹⁵ However, in spite of comprehensive market interventions in terms of input and output subsidies, etc., Malaysia's self-sufficiency level in rice declined marginally from 74 per cent in 1984 to 72 per cent in 2007. There was just a marginal increase in paddy planted area during this period due to land competing with more profitable crops such as palm oil.¹⁶ Malaysia introduced several short-term and long-term policy measures for boosting paddy and rice production, particularly in Sabah and Sarawak. However, as Tey states, "much of unhappiness and disequilibrium in the local paddy and rice market were due to irrational extensive intervention of the Miller subsidy and *Beras Nasional* programmes in the nation."

2.5 Thailand's Food Security Policy

Thailand's new rice policy announced in 2011, guarantees the purchases of rice from farmers at Bhat 15,000 per tonne for white unmilled rice and Bhat 20,000 for jasmine rice. The rate is 50 to 60 per cent above the prevailing market price. The purchase price could be US\$ 200 over Indian or Vietnamese purchase price. There are no limits on government purchases. This would make the government the largest player in Thai rice trade. This has also led to accumulation of rice in government stocks. The accumulation of stocks has kept the rice price above than what it would have been otherwise. This is a boon to Indian and Vietnamese rice exporters who are now looking for a greater share in the world rice market.¹⁷

3. Identifying Complementarities in Food Products Trade

From our analysis of foodgrain trade in India and Southeast Asian countries, a remarkable synergy and complementarity is obvious between India's supply and demand of select ASEAN countries for food products and vice versa.

In order to work out the complementarities of the supplying country, the supplying countries world food products exports are matched with world imports of the same by a partner country in Southeast Asia.¹⁸ Taking the minimum of the two values, we deduct its existing exports of the supplier to the partner, if any. This gives the trade potential or market access frontier of the supplier. We next reverse the situation, making the market country the supplier and the supplying country the market, and examine the export potential of the supplier.

We next turn to examine India's complementarities in food products trade with (i) Indonesia, (ii) Malaysia, and (iii) the Philippines. The top five products in terms of potential trade (market access) for each pair of countries with India are presented in Tables 1-8.

3.1 India and Indonesia

Table 1 presents India as a supplier of food products to Indonesia. As a supplier, India has a vast and untapped market for rice in Indonesia. The market for oilcake, maize (corn), raw sugar is also considerable.

Table 1: India as Supplier of Food Products to Indonesia

(2011: US\$ Million)

HS Code	Product Description	Indonesia's World Imports (Demand)	India's World Exports (Supply)	India's Exports to Indonesia (ET)	Potential Trade (Market Access) (min (3,4)-5)
1	2	3	4	5	6
100630	Semi-milled or wholly milled rice	1,340	3,983	9	1,331
230400	Oil-cake and other solid residues	1,321	2,219	123	1,198
100590	Maize, corn, other	1,022	1,067	324	699
170111	Raw sugar not containing added flavour	1,583	601	29	573
240120	Tobacco, partly or wholly stemmed/s	360	480	12	348

Source: Author's calculations based on *UN Comtrade* accessed from World Bank's WITS Database.

Similarly, as a supplier of crude and refined palm oil, India provides a large market for Indonesia, even though in 2011 the latter was already supplying over 80 per cent and 67 per cent of India's crude and refined palm oil market respectively as may be seen in Table 2.

Table 2: Indonesia as Supplier of Food Products to India

(2011: US\$ Million)

HS Code	Product Description	India's Imports from World (Demand)	Indonesia's Exports to World (Supply)	Indonesia's Exports to India	Potential Trade (Market Access) (min (3,4)-5)
1	2	3	4	5	6
151110	Palm crude oil	5,558	8,777	4,465	1,092
151190	Refined palm oil	1,182	8,484	791	391
090111	Coffee, not roasted :- Not decaffe	95	1,035	21	73
210690	Other: soft drink concentrates	72	154	1	71
030269	Other fish, excluding livers and ro	87	68	0	68

Source: Author's calculations based on *UN Comtrade* accessed from World Bank's WITS Database.

3.2 India and Malaysia

As a supplier of rice to Malaysia, there seems to be considerable scope for India to increase its market share in the Malaysian market as will be seen in Table 3. The same can be said for products like raw sugar, oilcake, maize, and frozen shrimps and prawns.

Table 3: India as Supplier of Food Products to Malaysia

(2011: US\$ Million)

HS Code	Product Description	Malaysia's World Imports (Demand)	India's World Exports (Supply)	India's Exports' to Malaysia	Potential Trade (Market Access) (min (3,4)-5)
1	2	3	4	5	6
100630	Semi-milled or wholly milled rice	602	3,983	8	594
170111	Raw sugar not containing added flavour	954	601	92	510
230400	Oil-cake and other solid residues	455	2,219	8	447
100590	Maize, other	520	1,067	215	305
030613	Frozen Shrimps and prawns	206	1,586	6	199

Source: Author's calculations based on *UN Comtrade* accessed from World Bank's WITS Database.

As a supplier of crude and refined palm oil, there seems to be considerable room for Malaysia to increase its market share in India, particularly as Indonesia has recently raised its crude palm oil export duty (see Table 4).

Table 4: Malaysia as Supplier of Food Products to India

(2011: US\$ Million)

HS Code	Product Description	India's Imports from World (Demand)	Malaysia's Exports to World (Supply)	Malaysia's Exports to India	Potential Trade (Market Access) (min (3,4)-5)
1	2	3	4	5	6
151110	Palm crude oil	5558	3797	1,154	2,643
151190	Refined palm oil	1,182	13,650	484	698
151321	Palm kernel or babassu oil and fraction	221	346	5	217
230990	Preparations for animal feed, other	169	100	2	97
220830	Whiskies	75	75	0	75

Source: Author's calculations based on *UN Comtrade* accessed from World Bank's WITS Database.

3.3 India and Thailand

As a supplier of food products to India, there seems considerable scope for India to expand its share of oilcake in the Thai market. There seems to be some scope to expand market share in fish frozen (Table 5).

Table 5: India as Supplier of Food Products to Thailand

(2011: US\$ Million)

HS Code	Product Description	Thailand's World Imports (Demand)	India's World Exports (Supply)	India's Exports to Thailand	Potential Trade (Market Access) (min (3,4)-5)
1	2	3	4	5	6
230400	Oil-cake and other solid residues	1,096	2,219	123	973
030379	Fish frozen, other	217	559	3	214
030749	Cuttle fish (<i>Sepia officinalis</i> , Ros)	148	329	31	118
210690	Other	377	116	0	116
220830	Whiskies	177	95	0	94

Source: Author's calculations based on *UN Comtrade* accessed from World Bank's WITS Database.

As a supplier for food products, Thailand has only modest scope for exporting crude palm oil and preparations for animal feed (Table 6).

Table 6: Thailand as Supplier of Food Products to India

(2011: US\$ Million)

HS Code	Product Description	India's Imports from World (Demand)	Thailand's Export to World (Supply)	Thailand's Exports to India	Potential Trade (Market Access) (min (3,4)-5)
1	2	3	4	5	6
151110	Crude oil	5,558	329	35	294
230990	Preparations used for animal feeding, other	169	222	19	150
151190	Other	1,182	69	0	69
210690	Other	72	895	8	63
220830	Whiskies	75	54	0	54

Source: Author's calculations based on *UN Comtrade* accessed from World Bank's WITS Database.

3.4 India and the Philippines

It will be observed in Table 7 that as a supplier, India has some scope to expand its market share in oilcake and rice. However, the Philippines has little scope in exporting food products to India (Table 8).

Table 7: India as Supplier of Food Products to the Philippines

(2011: US\$ Million)

HS Code	Product Description	Philippines's Imports from World (Demand)	India's Exports to World (Supply)	India's Exports to the Philippines	Potential Trade (Market Access) (min (3,4)-5)
1	2	3	4	5	6
230400	Oil-cake and other solid residues,	544	2,219	25	519
100630	Semi-milled or wholly milled rice,	366	3,983	4	362
210690	Other	385	116	0	116
020230	Boneless	233	2,566	122	111
100190	Other	955	77	0	77

Source: Author's calculations based on *UN Comtrade* accessed from World Bank's WITS Database.

Table 8: Philippines as Supplier of Food Products to India

(2011: US\$ Million)

HS Code	Product Description	India's World Imports (Demand)	Philippines' World Exports (Supply)	Philippines' Exports to India	Potential Trade (Market Access) (min (3,4)-5)
1	2	3	4	5	6
210690	Other	72	47	0	47
170111	Raw sugar not containing added flav	44	355	-	44
040229	In powder, granules or other solid	20	166	-	20
170490	Other	18	17	0	17
220290	Other	44	16	0	16

Source: Author's calculations based on *UN Comtrade* accessed from World Bank's WITS Database.

4. Conclusions

There exists remarkable synergy in production, demand and supply of food products in India and select countries in the ASEAN region. While India is suffering from deficiency of protein (edible oil) supply, Indonesia, Malaysia and the Philippines suffer deficiency of carbohydrates (rice). In 2012, India became world's largest exporter of rice and also the world's largest consumer of edible oils. Similarly, Indonesia and the Philippines are among the world's largest importers of rice. These countries are again among the world's largest manufacturers of edible (palm) oil. Thus, while India is eminently placed to meet the staple rice deficiency of Indonesia, Malaysia and the Philippines, the latter countries are similarly placed to meet India's deficiency in edible oils.

It may further be noted that efforts to attain self-sufficiency in edible oils by India and in rice by Indonesia, Malaysia and the Philippines has been found to be unattainable. The opportunity cost of attaining such self-sufficiency has been found to be too prohibitive. Consequently the emphasis is again shifting to self-reliance, with self-sufficiency shifting to a more distant goal.

In the above context, there is rationale for India and the three ASEAN countries, Indonesia, Malaysia and the Philippines entering into bilateral trade agreements among them linking their supply and demand for two major food products, namely, rice and palm oil. Such arrangements could remove unpredictability of unexpected variations in external tariff rates and provide for long-term availability of essential food supplies at more predictable quantities and prices.

It is true that at their regional level the ASEAN members have several food security arrangements,¹⁹ containing surplus rice producing countries such as Thailand and Vietnam. Yet, even at the height of the food crisis, very little solidarity was seen among them and vulnerable food importing countries were left to fend for themselves. In the above context, the presence of India in any bilateral agreement could have a stabilising effect. In addition, India's presence in East Asia Emergency Rice Reserve (presently, containing ASEAN-10 members plus China, Republic of Korea and Japan) could have a similar stabilising effect. The recent decision of Thailand to substantially hike its minimum support price for farmers is likely to make India a more competitive source for rice imports for rice import dependent countries in the ASEAN region. Apart from rice and palm oil, this study identifies other food products with trade potential between India on the one hand and Indonesia, Malaysia, and the Philippines on the other. Mutual trade liberalisation on these products through the recently signed India-ASEAN Free Trade Agreement (goods) could be initiated.

Endnotes

¹ Refer, for example, Demeke *et al.* (2009), p. 5.

² *ibid*, p. 8.

³ *ibid*. p.10.

⁴ Accessed from <http://www.fao.org/worldfoodsituation/wfs-home/csdb/en> on 20 November 2012.

⁵ Refer, *The Economic Times*, New Delhi, 10 October 2012.

⁶ See <http://www.indexmundi.com/agriculture/country=in&commodity=wheat> accessed on 20 November 2012.

⁷ Refer, for example, Gulati and Vishandass (2011).

⁸ See customs notification no. 82/2008, issued by Ministry of Finance, Department of Revenue, Government of India.

⁹ See reporting in *Jakarta Post* (2012), titled "Sizable investment in palm oil facilities." Available at www.thejakartapost.com/news/2012/11/09, accessed on 21 November.

¹⁰ Vide tariff notification no. 66/2012-customs as presented in <http://dfpd.nic.in/q=node/197>.

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¹³ According to a policy note written by Roehlano M. Briones and Danileen Kristel C. Parel, available at <http://www.abs-cbnnews.com/business/06/08/11/rice-self-sufficiency-policy-obsolete-costly>, accessed on 22 November 2012.

¹⁴ *ibid*.

¹⁵ Refer, Tey (2010).

¹⁶ *ibid.*

¹⁷ See, Nehru (2012).

¹⁸ We take the WTO definition of food products as mentioned in Chapters 01-23 under the Harmonised System. HS section is excluded as this relates to tobacco and its products.

¹⁹ ASEAN regional food security arrangements include ASEAN Food Security Reserve, ASEAN Emergency Rice Reserve, and East Asia Emergency Rice Reserve.

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Enhancing Connectivity for Promoting ASEAN-India Economic Integration

Siwage Dharma Negara*

1. Introduction

ASEAN is set to launch a single market and production base by 2015. If things run according to the schedule, by 2015 there will be free movement of goods, services, investment, capital and labour within the ASEAN Economic Community (AEC). With the establishment of the AEC, ASEAN will benefit from the diversity in natural and human resources. The success of AEC will in turn make ASEAN a more dynamic and competitive segment of the global supply chain.

In order to build the AEC, promoting connectivity among the ASEAN member countries and with the ASEAN partners is imperative. Improved regional connectivity will be the key for future Asian economic growth (WEF, 2012). Better connectivity will enhance regional economic growth, driven by the emerging middle class in the ASEAN member countries and ASEAN partners. This growth dynamic will in turn benefit smaller and poorer countries in the region through spillover effects and/or fragmentation of production process in the regional supply chain, thus reducing development gaps in the region (Banomyong and Ishida 2010).

Promoting connectivity is important to increase trade flow, bring people closer, and integrate regional economies. Improved connectivity will lower trade costs and increase economic efficiency. Efficiency is the key factor for participating in the global production network. Consequently, a more efficient production network within the region would enhance regional trade and investment and deepen ASEAN's economic integration with other countries, especially with the most rapidly growing economies in the region like China and India. In this sense, better connectivity will unleash opportunities generated by the dynamic growth centers in Asia.

ASEAN has realised the importance of promoting connectivity, which is stipulated in its Master Plan on ASEAN Connectivity (MPAC). According to MPAC, in order to expedite the establishment of AEC, ASEAN needs to build connectivity in three dimensions: physical connectivity, institutional connectivity and people-to-people connectivity. Physical connectivity includes transport, information and communication technology (ICT) and energy. Institutional connectivity includes trade liberalisation and facilitation; investment and services liberalisation and facilitation; mutual recognition agreements; regional transport agreements; cross-border procedures; and capacity building (ASEAN 2011).

The physical and institutional connectivity are two sides of the same coin, in which it becomes the backbone for deepening economic integration and narrowing development gaps within the region. This paper focuses on physical connectivity issues with regard to the economic cooperation between ASEAN and India. In particular, it discusses the transport infrastructure to enhance physical connectivity between ASEAN and India. Section 2 discusses why it is important to enhance connectivity between ASEAN and India. Section 3 discusses the challenges to physical connectivity. The strategy to promote connectivity is then discussed in Section 4. Section 5 presents the way forward.

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2. Why Promoting Connectivity between ASEAN and India is Important

The idea of ASEAN connectivity goes beyond the ASEAN economic region. The MPAC includes proposals to link ASEAN with its neighbouring countries, including China and India, the two most rapidly growing economies in the world. The rise of China and India as new global economic powerhouses has reinvigorated the relations with ASEAN and provided new opportunities for future economic cooperation. Over the past few years, China grew at 9-10 per cent annually, although its growth has slowed down as its exports to the struggling Euro zone has declined, while India grew at 7.2 per cent annually till 2011 (Thee 2012). Together, China and India capture almost 40 per cent of the total world population.¹ Especially for India, there is immense potential to be the future economic superpower due to its demographic dividend.²

The reform and liberalisation process in India started in 1991 after India experienced a serious balance of payments crisis (Thee 2012). India's "Look East" Policy and economic liberalisation has made its economy more competitive and outward looking, opening up great potential from closer economic relations with its ASEAN countries. Unlike China, India is a democratic country and private sector driven economy.

China and India have become ASEAN's major trade and investment partners (ASEAN, 2010). ASEAN has seen India as one of the major potential partners due to its economic size. Trade between India and ASEAN has increased at an average annual rate of 18 per cent between 1993 and 2010 (ASEAN, 2010). ASEAN is India's fourth largest trade partner, with a total trade value of more than US\$ 50 billion in 2011. India is also the seventh largest trade partner for ASEAN. Trade between the two economies is targeted to reach US\$ 100 billion in 2013.³

According to an UNCTAD survey (2010), among the top 20 most promising investor countries, China occupies the second position in the global ranking, while India is ranked 6th and the Russian Federation 9th (Figure 1). The survey results show the increasing importance of China and India as the sources of foreign direct investment (FDI). There are an increasing number of Transnation Corporations (TNCs) from China and India⁴, which are carrying out large-scale investment programmes. According to Thee (2012), in view of its technological and firm specific capabilities, Indian TNCs have great potential for expansion in several sectors, including food processing, textile fibers, plastics, wood products, agriculture and bio-tech products, pharmaceuticals, telecommunications, and information technology.

UNCTAD's survey (2010) shows that China and India are at the top three of the priority list of the emerging host economies for FDI. The four major emerging markets, also known as BRIC – Brazil, the Russian Federation, India and China – are among the top five investment destinations. The relative importance of China and India seems to be further on the rise, given the declining attractiveness of developed countries after the 2008 global financial crisis (Figure 2).

Figure 1: Most Promising Investor Countries

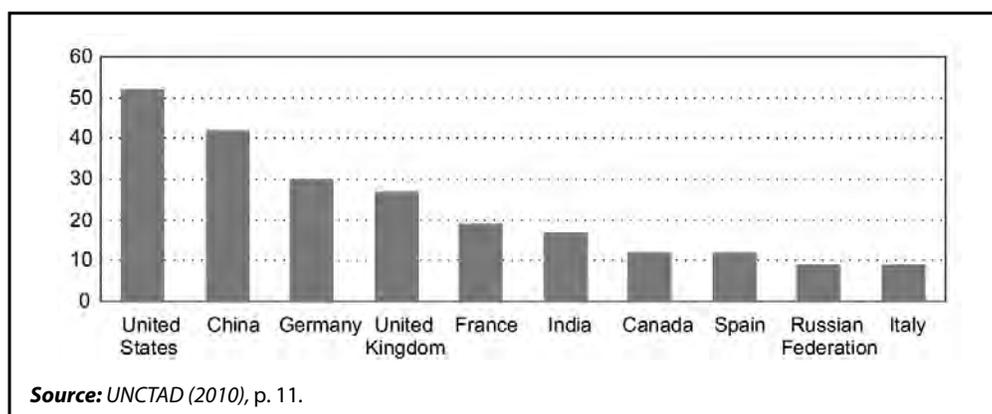
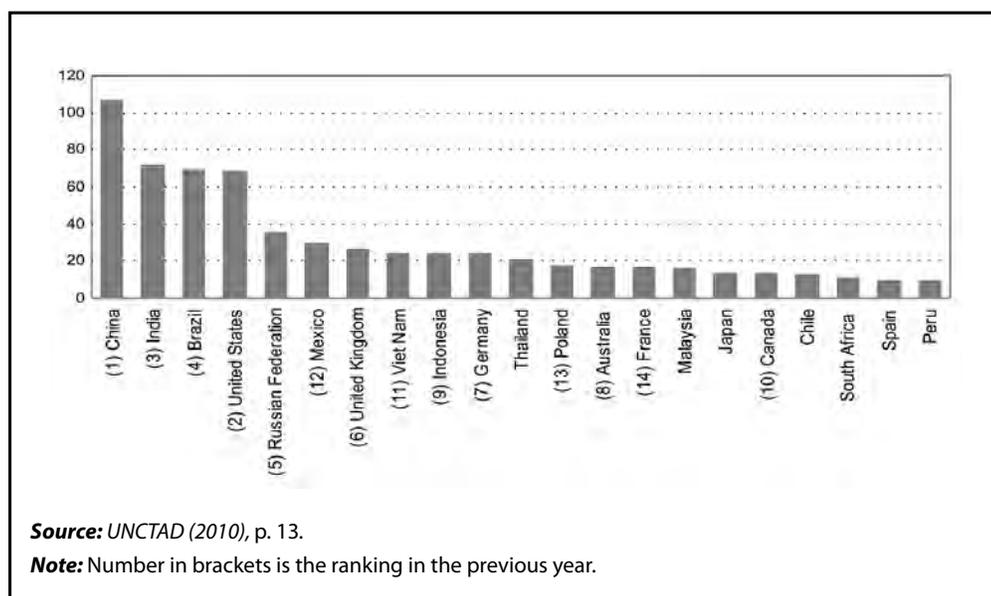


Figure 2: The Top Priority Host Countries for FDI



The ASEAN-India FTA, which came into force starting in January 2010, will pave the way for the creation of one of the world’s largest free trade areas with a market of almost 1.8 billion people⁵ and a combined GDP of US\$ 2.8 trillion.⁶ Therefore, enhancing ASEAN-India connectivity will be the key to reap the benefits arising from an enhanced trade and investment partnership.

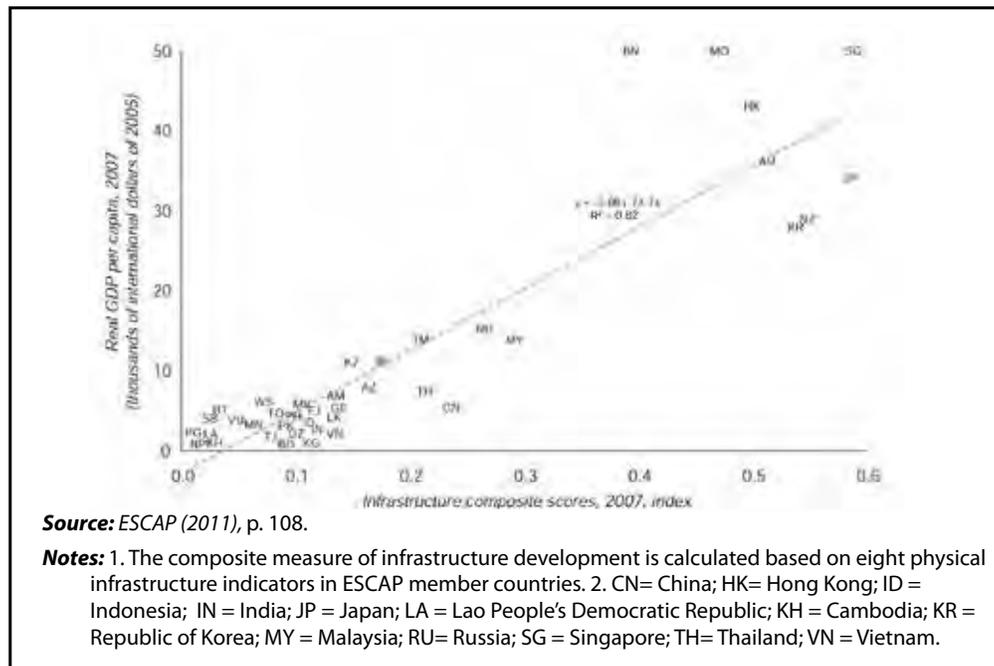
Promoting connectivity is important to strengthen economic cooperation and deepen economic integration in the region. In addition, better connectivity is also critical for narrowing development gaps within the country and within the region. Within ASEAN, there are wide income divides and disparities among the 10 ASEAN economies. Similarly, within India, the income disparities among its states are quite large. Unless real action is taken to connect the underdeveloped regions with the more advanced regions, this could prevent ASEAN and India from realising the full benefits of a single economic community.

India’s strong economic growth in the recent and possibly in the coming decades plus ASEAN robust growth rates will bring potential economic benefits to the global and regional economies. The bilateral trade volume between ASEAN and India is estimated to increase significantly in the ongoing decade as its middle income population grows. Therefore, promoting connectivity between ASEAN-India is necessary to boost the growth and competitiveness of the region.

3. Challenges to Physical Connectivity

Inadequate physical connectivity has been impeding ASEAN-India trade and investment relations. In order to improve physical connectivity, ASEAN and India need to increase investments on physical infrastructure support, such as roads, railways, ports, air and maritime transport. Better physical connectivity is highly correlated with both the quantity and quality of physical infrastructure. And as economies grow, there will be increased demand for more and better quality of infrastructure. Several studies find a positive relationship between the physical infrastructure and country’s economic development. Figure 3 depicts the relationship between the composite infrastructure index with countries’ real GDP per capita. The regression line shows that there is a strong positive association between a country’s economic development with its infrastructure stock.

Figure 3: Physical Infrastructure is Positively Correlated with GDP per capita



Within ASEAN, there are wide infrastructure variations among its member countries. Singapore has a very high level of physical infrastructure, whereas Malaysia and Thailand belong to the upper middle level. Indonesia and Vietnam are in the lower middle level, while Cambodia, Lao PDR and Myanmar are in the lowest level. This wide infrastructure disparity is considered as one of the main factors constraining promotion of the ASEAN connectivity.

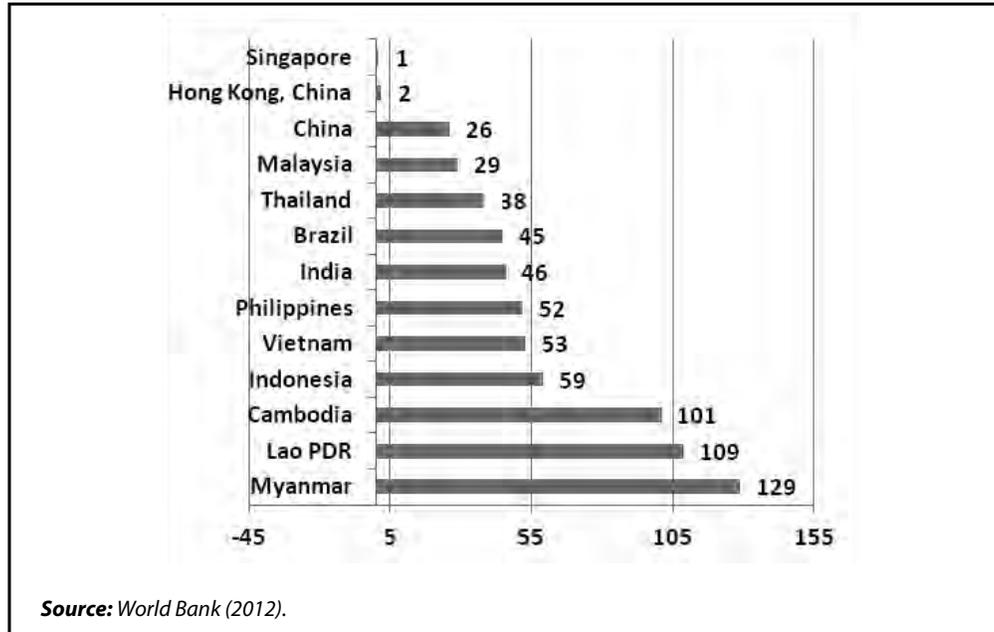
Similarly, physical infrastructure in India has been perceived as one of the key bottlenecks to accelerate trade and investment in the country and with its trade partners. India's infrastructure composite score is significantly below the other BRIC members. India ranks 46th among the 155 countries surveyed in the World Bank's Logistic Performance Index (LPI) in 2011 (Figure 4).

The LPI survey captures six dimensions of logistic performance measures: (i) efficiency of the clearance process by border control agencies; (ii) quality of trade and transport related infrastructure; (iii) ease of arranging competitively priced shipments; (iv) competence and quality of logistics services; (v) ability to track and trace consignments; and (vi) timeliness of shipments in reaching destination within the scheduled or expected delivery time.

The LPI also shows that there are very wide logistic performance variations among ASEAN member countries. Singapore with its superior infrastructure ranks number one in term of logistic performance. On the contrary, Cambodia, Lao PDR and Myanmar with their inferior infrastructure rank almost at the bottom of the logistic performance index. This implies that there is strong positive association between country's infrastructure quality with its logistic capability.

Using LPI results, one can compare countries' relative performance or capacity in logistic sector. For instance, one can compare logistic performances among India, China and Indonesia in the six dimensions measured in

Figure 4: Logistic Performance Index for Selected Countries



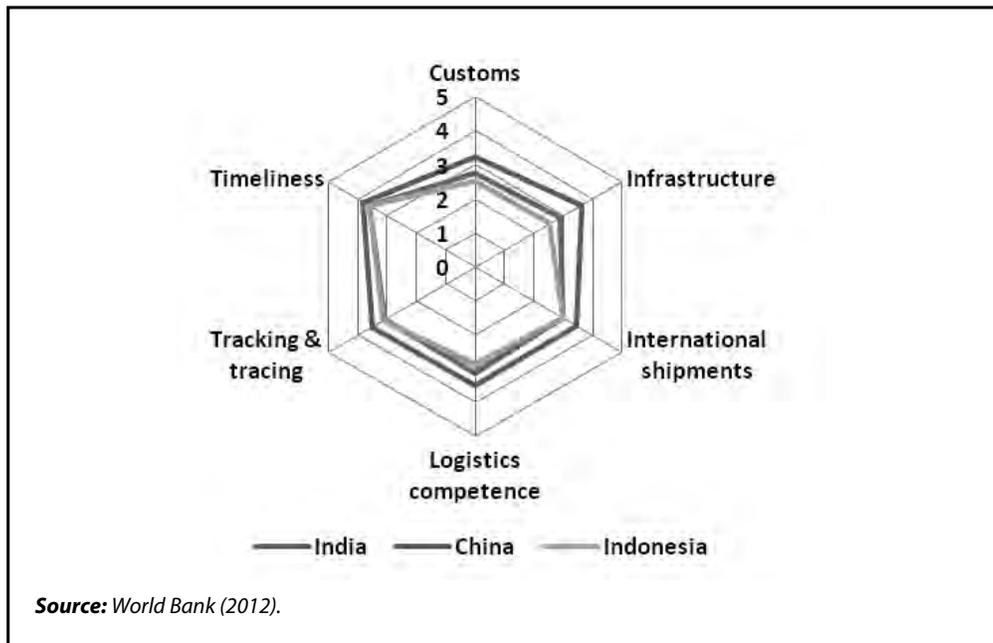
the survey (Figure 5). The dimensions show on a scale from 1 to 5 (lowest score to highest score). Based on LPI survey, India's logistic performance is relatively better than Indonesia, but it is relatively poorer than China. In terms of customs efficiency, infrastructure quality and logistic competence, India outperforms Indonesia. China is more superior in all six dimensions of logistic performance measures compared to India and Indonesia.

China's improved logistical performance is arguably supported by its strong liner shipping performance. Figure 6 shows that China is at the top of the ranking of global liner shipping connectivity index.⁷ Meanwhile, India ranks 23rd in liner shipping connectivity index, which is slightly lower than Thailand (rank 21). Most ASEAN member countries (with the exception of Singapore, Malaysia and Thailand) are not in the list. Again, this ranking shows that there is wide infrastructure and capacity disparities within ASEAN. Given all these indicators, clearly there is significant investment need to improve transport infrastructure in several ASEAN member countries.

Another challenge in developing transport infrastructure in the region is the choice of transportation system. Land transportation is still the main mode of transport in the region. In fact, most countries in South and East Asia put more emphasis on road infrastructure, compared to maritime or rail networks. Data from ESCAP show that the growth of road networks in India reached 4 per cent on average between the period of 1993-97 until 2003-07. This rise also reflects the significant increase in the use of automobiles in the region (ADB 2010). While the latter grows much faster than the growth of road networks, hence it creates heavy traffic problems in several major cities in ASEAN member countries and India. The use of railway transportation, which is more efficient for mass transportation, has somehow been neglected partly due to difficulty with infrastructure financing.

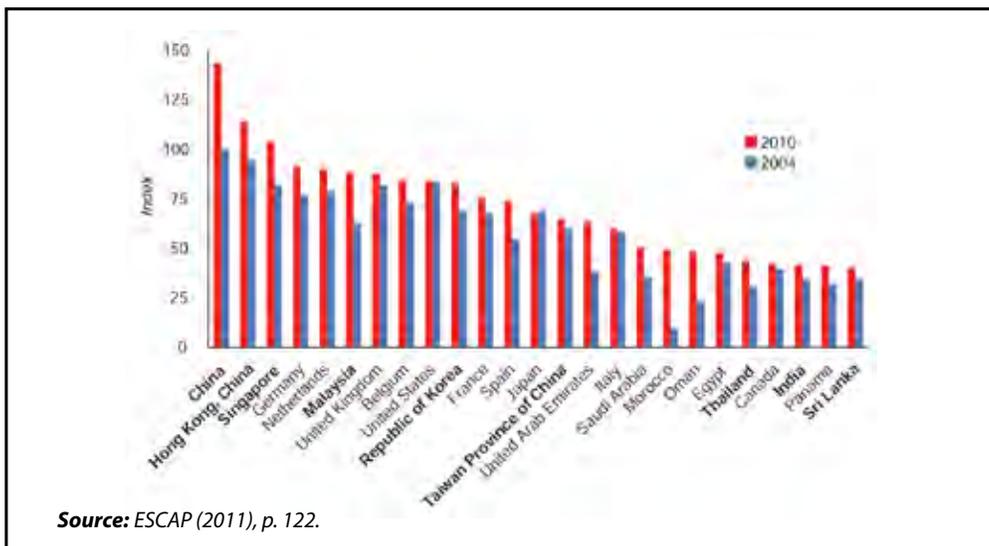
From Figure 7, one can notice that there is disconnect between the Master Plan of ASEAN Connectivity with the reality. The master plan emphasises on the importance of developing multimodal transport system whereas the reality shows that road networks have increased much more than the railroad networks. In order to enhance connectivity in ASEAN and India, there is a need to develop and expand railways network, since it is a cheaper and a more efficient mode to transport goods and people.

Figure 5. India, China, and Indonesia LPI



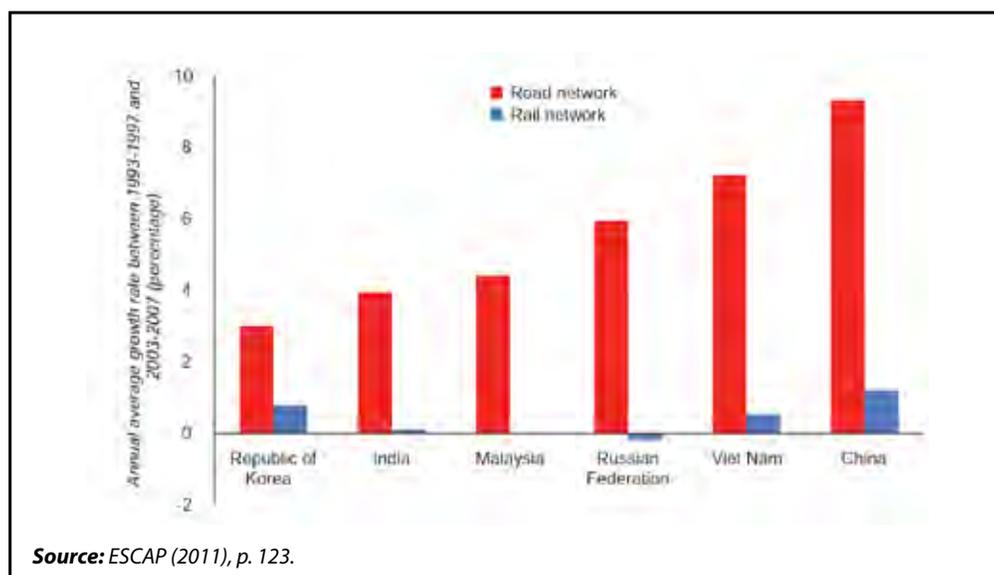
Another mode of transportation that may be considered for overcoming the geographical constraint is air transport. Between 1993-97 and 2003-07, there was a significant increase in both the number of air passengers and the volume of air freight in Asia (Figure 8). It is interesting to note that the more export oriented a country is, the more significant the use of air transport for freight is in that particular country. Countries like Japan, Korea and China have been using air freight significantly for their exports. However, the annual rate of growth of the number of air passengers in India was relatively low compared with China, Russia or Indonesia (other populous countries). Similarly, the growth of the volume of air freight was also not as high as in other countries, such as China or Russia.

Figure 6: Liner Shipping Connectivity Index



The challenge in physical infrastructure in the region is immense. Figure 9 shows the infrastructure composite score for selected countries in ESCAP region. This composite score measures the weighted average of eight physical infrastructure indicators among the 40 ESCAP member countries. It can be seen that most developing countries have a relatively low score in terms of this indicator. In this indicator, India's score is relatively better than Indonesia. This score reflects India's relatively better infrastructure compared with that of Indonesia. However, India's infrastructure is not better than that of Vietnam. It lags way behind China and Russia. Some ASEAN member countries like Cambodia, Lao PDR and Myanmar need particular attention due to their very large infrastructure gaps.

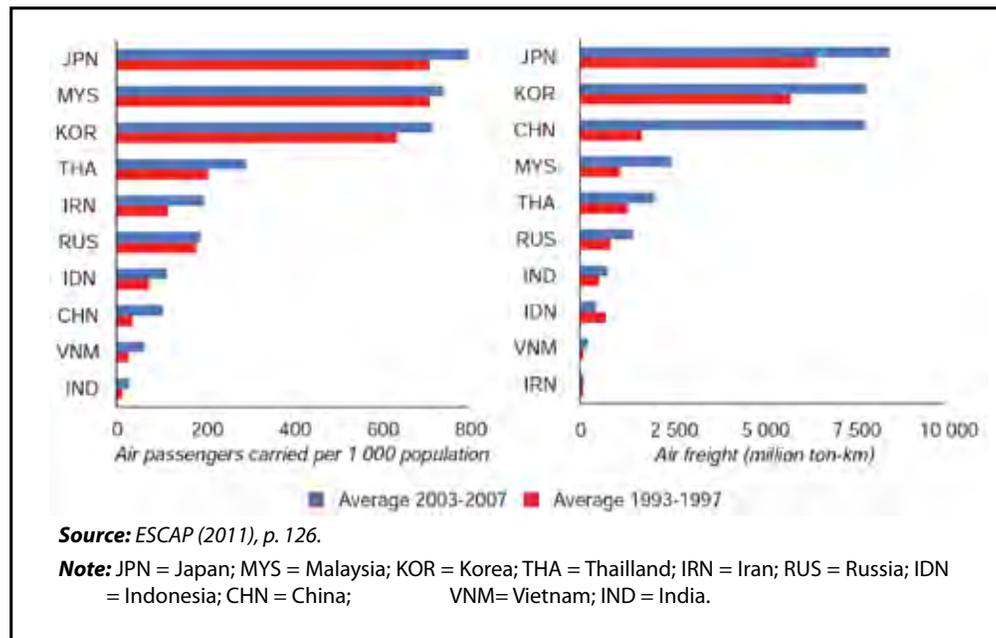
Figure 7: Growth of Road and Railroads, 1993-97 to 2003-07



Given the huge infrastructure gaps in Asia, the ESCAP study (2011) highlights the need for the region to develop its regional financial architecture that could provide the much needed development finance. The region's wide infrastructure gaps clearly need huge investments. ADB (2009) estimated that about US\$ 8 trillion is needed for infrastructure investment in the next 10 years. Out of the US\$ 8 trillion, about US\$ 4.1 trillion will be allocated for energy infrastructure and US\$ 2.5 will be allocated for transport infrastructure. Tahilyani, Tamhane and Tan (2011) estimated that about US\$ 1 trillion, out of US\$ 8 trillion, will be open to private investors under public private partnerships (PPPs) arrangements.

In order to finance its infrastructure development, ASEAN member countries and India need to allocate more public resources, improve efficiency of public funding and increase private participation in this sector. Selectivity is important for optimum use of limited public resources. ASEAN and India need to build appropriate mechanisms to mobilise their huge savings and to channel it into priority infrastructure investment. Several options can be considered, including enhancing institutional intermediation or through PPPs. The role of governments in the region will be critical to provide direction and incentives for private sector participation. It is important to note that even though the use of PPPs seems promising, but in reality this mechanism is very complex and costly. Risk allocations are challenging due to the public nature of infrastructure services provision and the inherent uncertainties over the long term. The government is often unable to gain a better bargaining position without good performance and a good track record. In addition, many governments have vague PPP policies, which inhibit private participation (Nishizawa 2012). Foreign investors also worry about investing in infrastructure due to the fact that some countries frequently impose capital controls or have a weak regulatory or legal system.

Figure 8: Air Transport Indicators, 1993-97 to 2003-07



4. Strategy to Promote ASEAN-India Connectivity

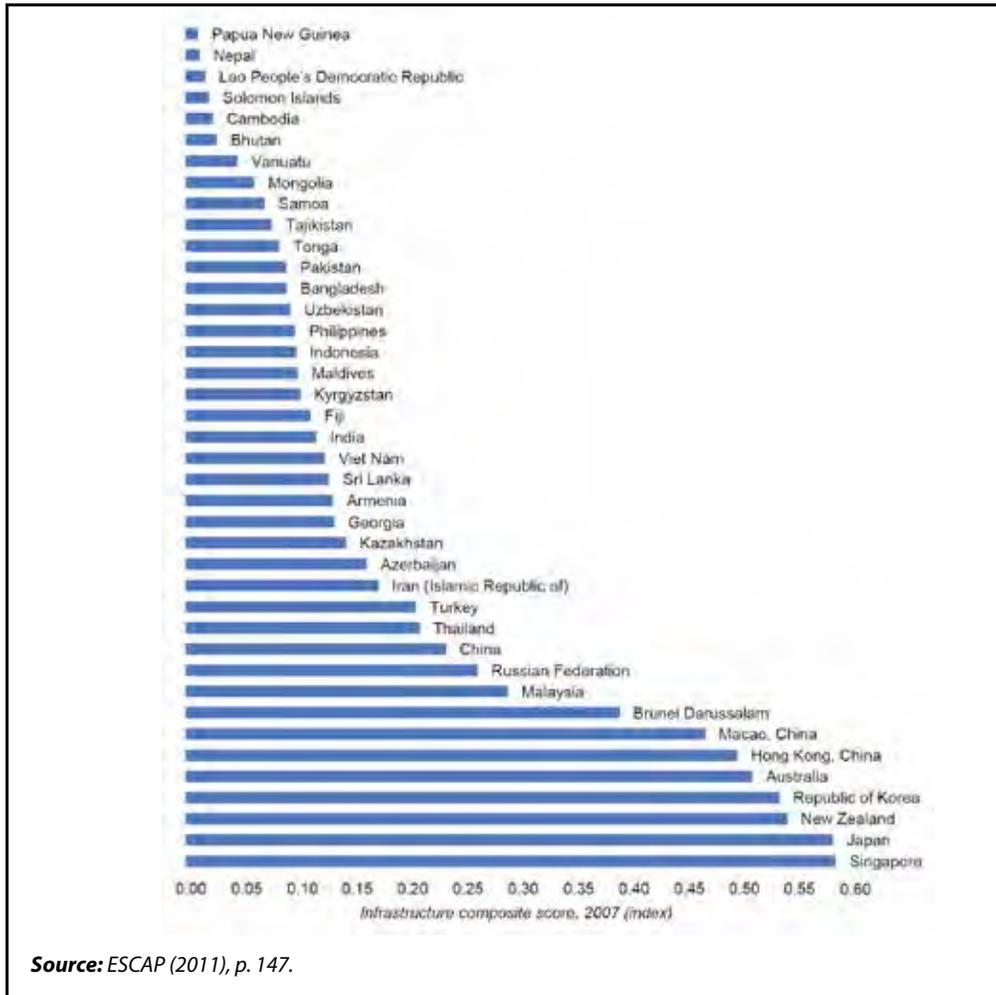
In order to promote connectivity between ASEAN and India, the leaders in the region should focus on addressing the infrastructure bottlenecks. They need to choose priorities across regions and transport modes to be developed considering the diversity of geographical conditions in their respective areas. Kimura and Umezaki (2010) pointed out that ASEAN-India connectivity should be designed based on a multi-modal, multi-functional and multi-tier approach in which all modes of transportation, such as land, maritime, and air, need to be considered to promote connectivity. This approach can mitigate the burden of dependence on one mode of transportation system and can cope with the diversity of geographical conditions in the region.

According to the MPAC (2010), there is a priority agenda for improving a multi-modal transportation system. These includes: (i) developing the India-Myanmar-Thailand trilateral highway and extension to Lao PDR and Cambodia; (ii) promoting private sector participation in highway projects and port and coastal shipping projects in India and in the development of roads and railways in the member countries of ASEAN; (iii) strengthening cooperation in the field of shipping through, among others, the formation of an ASEAN-India maritime association to provide an institutional basis to coordinate and enhance ASEAN-India cooperation in maritime transport; and (iv) strengthening ASEAN-India air connectivity by working towards progressively greater liberalisation of air services between ASEAN and India.

ASEAN and India can further promote the connectivity through establishing closer linkages among industrial corridors with the regional connectivity master plan. In this sense, the development of ASEAN-India connectivity should be linked with the production base. By doing this, the region can transform its transport corridor into economic corridor. For instance, one can see the importance of establishing a strong linkage between Indian national connectivity master plan with the development of the Delhi-Mumbai Industrial Corridor (DMIC). The two should be planned holistically. In addition to this, the Indian national connectivity should be synergised with the MPAC, such as Mekong India Economic Corridor (MIEC) and the trilateral highway among India, Myanmar and Thailand.

Despite the region's emphasis on road connectivity, Kimura and Umezaki (2010) argued that ASEAN should develop maritime connectivity since it will yield larger positive impacts on economic growth and narrowing development gaps in the region. Better maritime connectivity will enhance the connectivity among various economic corridors. This in turn will promote deeper economic integration within ASEAN and also between ASEAN and India.

Figure 9: Gaps in Infrastructure Development



In order to build maritime connectivity between ASEAN and India, there is a need to speed up the establishment of Mekong India Economic Corridor (MIEC). This MIEC will expand trade link between ASEAN and India through direct sea link. In this corridor, Chennai and Dawei are foreseen to become the connecting nodes between ASEAN and India. In this framework, Chennai and Dawei will function as core nodes that link various economic corridors in India and in ASEAN and promote regional economic growth.

Chennai is one of major commercial cities in India. It is also one of the major ports in India. Chennai is the second largest exporter of information technology (IT) and business process outsourcing (BPO) services. Chennai hosts a major part of India's automobile manufacturing industry. Dawei is a small relatively underdeveloped port city. It needs a deep sea port in order to accommodate the operation of container shipping. Considering critical role of maritime connectivity between ASEAN and India, there is a need to focus on the development of port infrastructure in Dawei, so that it can keep up with the development of Chennai port.

Rapid growth of Chennai and surrounding areas should be complemented with significant development in Dawei to become the gateway connecting ASEAN and India. The development of a deep sea port in Dawei will be the key element for establishing the 'missing' sea link between ASEAN and India. Subsequently, in order to speed up the development of a deep sea port in Dawei, there is a need for coordinated policies on investments and industrial development in this area. The government of Myanmar should offer incentives to improve manufacturing activities in Dawei by inviting foreign investment into this area. ASEAN and India could help mobilising resources in order to attract more investment opportunity in Dawei. ASEAN and India could also encourage more TNCs to boost trade and investment and develop ASEAN-India international production network. In short, connectivity should be linked with the production base.

Kimura and Umezaki (2010) also emphasised the strategic role of Dawei and Guwahati as the core of the regional strategy to enhance ASEAN-India connectivity. The two cities are perceived to be the key links for enhancing ASEAN and India connectivity. Dawei will be the key maritime link to India through Chennai. Meanwhile, Guwahati, considered as the most important trading hub in Northeast India, will be the key to connect between rest of India and Southeast Asia. The city is a major wholesale distribution center, a marketing hub, and also a retail hub of the Northeastern region. Guwahati is also anticipated to join the production network as new connecting nodes of regional production networks.

The challenge is that there are large infrastructure gaps in Dawei and Guwahati. The physical infrastructures in these two cities need to be improved so that they can expand their economies and enhance their participation in the regional production networks. In order to join the regional production network as a new connecting node, Guwahati should improve its transport and logistics efficiency and enhance connectivity to other regions in India and also to ASEAN.

Finally, the full impact of regional economic integration can only be achieved by improving both physical connectivity and institutional connectivity. As Kimura and Umezaki (2010) noted, road and port infrastructure are often not sufficient to enhance regional connectivity without a conducive institutional arrangement. In this case, ASEAN and India should improve the institutional arrangements to facilitate cross-border movement of goods and services. India would need to lower its protectionist trade regime, which, in general, is higher than ASEAN. Thee (2012, p. 73) provided an example that India's domestic regulations relating to foreign trade and foreign investment are not quite transparent. Several sectors, including agriculture, textile, garments, and automotive, are still protected by high tariffs. If restrictions on the tradable goods are still imposed, there will be no significant impact on ASEAN-India connectivity.

5. The Way Forward

Despite its great potential, the current economic relationship between India and ASEAN is still limited. There are several bottlenecks constraining further economic cooperation between the two economies. One factor may be due to the fact that Indian investors are still largely focused on their rapidly growing, large domestic market. In this sense, the Indian economy is relatively more inward looking than ASEAN. By lowering its tariffs and non-tariffs barriers, India would be able to open access to ASEAN markets. Another factor is the inadequate infrastructure, both at the national and regional level, which hinder connectivity between ASEAN and India, especially physical connectivity.

ESCAP (2011) suggested that enhancing regional connectivity requires strong regional institutions for planning, managing and funding major cross countries initiatives (including physical infrastructure, trade, transport and harmonisation of rules and regulations). In addition to that, there is a need to provide specific support to the least developed member countries and states in order for them to take full advantage of better regional connectivity.

There are considerable physical and institutional challenges to build a competitive ASEAN-India production network. Investing more in hard infrastructure, such as roads and ports, is not sufficient without complementary institutional improvements. The latter should take the form of improved policies and regulations to facilitate effective cross border movement of goods, services and people.

In addition, there is also a significant challenge to build more efficient shipping network services in the region, given the varying levels of port infrastructure development. In this area, India and some ASEAN member countries need to improve shipping connectivity to be as competitive as China's, Hong Kong's and Singapore's shipping lines.

There is also a need to improve capacity expansion for all the gateway ports. As competition among ports to attract shipping lines and handle more cargoes increases, regional ports in ASEAN member countries and India must strive to leverage on their strengths and continuously improve their productivity and efficiency. Several ASEAN member countries and India need to improve port services and their institutional efficiency, including operational efficiency of their ports, in such a way to be on par with the globally competitive ports, such as Singapore, China and Hong Kong.

It is critical that ASEAN and India form stronger regional cooperation programmes to address infrastructure needs in the region, including enabling institutions and policies. Both India and ASEAN have significant diversity in terms of socio-economic aspects and have significant geographical contrasts. In view of this, there is a need to build an integrated regional transportation network between India and ASEAN. The plan to develop Asia-wide connectivity should be complemented with the development of cross-border transportation projects and institutional frameworks to facilitate cross-border movements of goods, services, capital flows, and people.

There is a need to synergise various type of cross-border infrastructure development in order to maximise the benefit from regional connectivity measures. ASEAN and India need to deal with the missing links and fulfil investment needs from a region-wide perspective. Myanmar and Northeastern region of India should receive significant investment in order to address their significant infrastructures needs (railways, roads, ports). Infrastructure investment in these strategic locations should be quickly addressed as it is constraining the connectivity between ASEAN and India.

Funding is always a challenging issue. Clearly, there is a need for allocating more public resources in each ASEAN member countries and India. Allocation of public resources needs to be very selective so that it will improve efficiency of the use of public spending for the priority infrastructures. Considering that public resources are not even enough, to fill the funding gap there must be a clear strategy on how to encourage more private sector participation. Public private partnership has been increasingly used in order to finance infrastructure development (Nishizawa 2011). Despite its promising potential, however, PPPs are very complex and most likely expensive. Risk allocations are always the key challenge. A fair allocation of risks remains a big constraint in this PPP in order to create strong incentives to the private sector. There is a negative perception that PPP is supporting private sector to yield profit at the expense of public money. This mechanism often has a very commercial contractual arrangement and operational modalities. PPPs are also often very political oriented. To implement them successfully, government must set clear direction and incentives for the private sector to participate. Government and private sectors need to negotiate between the uncertainties and risk involved due to the long-term nature of the infrastructure project and the public nature of infrastructure services provision. Despite these challenges, the use of PPP for infrastructure investment should be enhanced. But, one needs to be aware that it is not a panacea. Public private partnership will only work if the inherent conflict between public and private sector interests, most notably in price setting, could be effectively negotiated.

Going forward, ASEAN and India need to develop a mechanism for financing their large investment needs for infrastructure development. There is a need to create a regional infrastructure development fund to use its large saving and foreign exchange reserves for infrastructure investments. Given stiffening global competition and the increased requirement for regional cooperation, ASEAN and India need to develop more effective tools to enhance connectivity between each other. The key for success will be dependent on the successful creation of stronger mechanisms of cooperation. In addition, there is a need to improve India's trade and transport facilitation measures (institutional connectivity) in order to complement the physical connectivity. There is a need for building regional initiatives based on shared strategic vision, so that the regional infrastructure development can be synergised with the development plans of India and ASEAN member countries (De 2010). However, the question is whether this idea is commonly shared among ASEAN member and India? Do both ASEAN and India have strong political commitments to enhance trade and transport facilitation between each other? In this area, the leaders of ASEAN and India need to give political commitment to this strategic development. This prescription is easy to suggest but very difficult to implement. In order to develop and execute coherent policies, the leaders of India and ASEAN countries would often receive strong criticism from opposition leaders and the public.

Endnotes

- ¹ China has a 1.34 billion population while India has a 1.2 billion population. (http://www.time.com/time/specials/packages/article/0,28804,2099180_2099179_2099178,00.html).
- ² Demographic dividend is defined as the demographic situation in which the number of productive working age population is increasingly greater than the number of non-productive age population, thus the dependency ratio is declining.
- ³ <http://www.thejakartaglobe.com/tradeandindustry/india-asean-trade-set-to-grow-40-by-2012/426337>
- ⁴ Indian companies have already invested in Southeast Asian countries, including Indonesia, since the 1970s.
- ⁵ India has a 1.2 billion population and ASEAN has a 600 million population (2011).
- ⁶ India's GDP is about US\$ 1 trillion and ASEAN's GDP is about US\$ 1.8 trillion (2012).
- ⁷ The index measures the number of ships, number of containers, number of companies, number of services and the maximum ship size.

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Food Security in Thailand: Some Challenges

Somchai Ratanakomut*

1. Introduction

Over the span of a century, specifically over the last 50 years, the pattern of land use changed drastically for far less forest areas and increase in the share for cultivated land.

The trends that the reserved public forest lands are encroached and converted into wealthy recreation resorts are prevalent. Land does become more valuable. However, the grave concern was about land utilisation, which had taken away strictly reserved forest area to other usages. Based on the incidences of fast flood, it is clear that land use pattern creates significant negative externality. For example, there were incidences of flood in the areas – Nakorn Ratchasima, close to Khao Yai National Forest and Ubon Ratchathani in the Northeastern Region as well as Phrae and Uttaradit, Phitsanulok and Sukhothai, up-streams of Chao Phraya River in the Northern Thailand. Some claim that unusually high amount of rainfalls are the result of “climate change”.

Interestingly for over several decades, the exports of agricultural products from Thailand have been diversified from concentrated export of rice into a wide range of crops such as rubber, tapioca, and fruits. With rising demand of automobile products, cultivation of rubber and energy crops has gone up heavily. Therefore, risk of food security is a challenging issue in Thailand.

2. Production and Trade in Rice

In the case of rice, major producers like China, India and Indonesia, use their production mainly for domestic consumption. For example, in the crop year 2009/10, production in China, India and Indonesia were 136.57, 89.09 and 36.37 million tonnes, respectively. Almost all of these productions were consumed domestically. Domestic consumptions in China, India and Indonesia were 134.32, 85.67 and 38.00 million tonnes, respectively. This makes Indonesia, the most populated ASEAN neighbour, a net importer of rice.¹ In the same year, Thailand was the highest net exporter. Table 1 presents production of rice in Thailand. With about 20.26 million tonnes production of milled rice, domestic use was 10.20 million tonnes, while the export was about 9.05 million tonnes. Thailand managed to export almost half of what it had produced. But there is a critical doubt whether, or for how long, Thailand can still remain the net exporter of rice.

In fact, Thailand has been constantly exporting rice for a long time. The statistics for the crop year show that rice, the crop that consumes high amount of water, is actually planted in every region of Thailand. Farm mechanisation, use of tractors, large and small, as well as large harvesters, helped improve agricultural productivity immensely. The harvesters are considered as a breakthrough that change the traditional way of ‘labour intensive’ method of rice farming into much more ‘capital intensive’. In some areas where irrigation water is not a constraint, the farmers can do many crops per year. It is also interesting to note that the general feature of agriculture in Thailand could be described as ‘extensive farming’ or based on increasing the land area under cultivation. Even productions in many countries are advancing with ‘land reform’ and ‘green revolution’. Thailand seems to only start emphasising on and showing more concern about productivity per unit of land

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area. In general, Thailand's rice farming has been extensive rather than intensive farming. Thus, considering three pillars in food security, namely food availability, food accessibility and food utilisation, the most important element for Thailand seems to be its availability.

Table 1: Paddy Production in Thailand

Year	First crop	Second crop	Total
	(million tonne)		
2001-02	22.4	5.6	28.0
2002-03	21.6	6.4	28.0
2003-04	23.1	6.3	29.5
2004-05	22.7	5.9	28.5
2005-06	23.5	6.8	30.3
2006-07	22.8	6.8	29.6
2007-08	23.3	8.8	32.1
2008-09	23.2	8.4	31.7
2009-10	23.8	8.9	32.6
2010-11	24.3	9.4	33.8

Source: Thailand's Office of Agricultural Economics.

3. Food Availability

While prices of rice and paddy in Thailand vary according to the changes in market condition, the Royal Thai government, for a political purpose, invariably intervenes in the rice market by stipulating the guaranteed price and manipulates the amount of rice export. Are we in the trap of cob-web type phenomenon? Is buffer stock an answer?

Without much scientific proof, some believe that climate change, causing variation of water supply (from rainfall, draught, flood, etc.) does cause problems for rice production.

D J Clark of *China Daily* commented on the question of whether there is enough food to feed us. Citing Bas Bouman that there are still great potentials in increasing productivity in rice farming, Clark came to a conclusion that a combination of better water management and engineered crops seemed to be the answers. However, the recent increase in the demand for energy is expected to create some concern over the choice between food and energy and 'bias in favour of energy'. The choice, therefore, would be the position of production point on the production possibility frontier.

Other main issues could be the capability to deal with the pattern and trend of 'land use', government farm support and policies for agricultural productivity improvement, particularly on farm mechanisation, small-land-holders as well as fertilisers and insecticides utilisation.

4. Accessibility and Utilisation

Accessibility is also one of the very important issues in the places of hunger. For example, in the LDCs or in Africa, these countries or region tend to lack the capability of access to the market. But this is not the case of Thailand. These hunger spots could be either due to the lack of effective demand from the consumers or users side or lack of market supply. The problem could arise from that the users are too poor or the official government and the government supply channels are not in place. According to the issue of accessibility, there are still issues that we need to attack in the future. These issues are, for example, logistics, urban poor, etc. Some noted that 'famines are not caused by a lack of food but bad governance'.

For utilisation, there might be the issues of trends in increasing demand and consumption substitution between staple food and other well balanced nutrition. In sum, these are mainly the problems of 'market structure and income distribution'.

5. 'Tragedy of the Common Resource' and Negative Externality in Thailand

This needs to be noted that the lack of enforcement with respect to land use has created serious environmental problems as far as water and forest resources are concerned. Land encroachment at higher elevation does create loss to a down-stream rice land along the river basins. In early August 2011, in Thailand, it was reported that over a million rai (one rai = 0.4 acre, or = 0.16 hectare) of rice farm land were destroyed as a result of a storm. How much have we lost in supply of paddy and rice? This question remains to be answered.

6. Conclusion

Thailand is the largest rice exporting country. In the near future, as Thailand is still the net exporter of rice, the risk of performing so poor with respect to food security should be relatively small. However, the scenarios in the 'long run' are uncertain. Questions remained are those concerning with the seriousness of externality problem in management of forest and water resources. Another important issue is how the government would deal with the issue of land use and farm support. Some questions that remain are: In what way should we deal with farm support? How much of the fiscal burden would it then be? How long can the government continue doing this? How do we improve the market structure and effectively control the price in the short-run for the political purpose?

Endnote

- ¹ Based on the report by the World Agricultural Outlook Board in August 2011.

Myanmar Endeavours for Food Security

Myint Thaug*

1. Introduction

The Government of Union of Myanmar is committed to the contribution of national as well as regional food security. Agricultural sector plays vital role towards the development of national economy. In 2008-09, agriculture sector contributed 36 per cent to country's GDP and 13.13 per cent to country's total export earnings. It also provides an employment of about 61.3 per cent of country's labour force.

Myanmar has a total land area of 676,577 sq. km. with a total population of 59.13 million in 2010. The country is richly endowed with vast resources. As land resources, the country possesses over 17.7 million hectares of cultivable land, of which about 60 per cent is currently under cultivation with the cropping intensity of 171 per cent and the remaining has potential for the future development. Myanmar has extended net sown area of crops to 11.98 million hectares and about 5.61 million hectares is still available for arable area extension (Table 1).

Table 1: Land Utilisation in Myanmar (2009-2010)

Categories	Utilisation (million hectare)
Net Sown Area	11.98
Fallow land	0.24
Cultivable waste land	5.61
Reserved forests	16.90
Other forests	16.25
Other	16.68
Total	67.66

Source: Author based on Agriculture Statistics, Ministry of Agriculture, Myanmar.

As the availability of adequate water for agriculture is critical factor and remains crucial in enhancing crop productivity, the Myanmar government made great efforts to construct large scale irrigation systems requiring large capital investment. The government coordinated and cooperated in the construction of medium and small scale irrigation networks through mass participation and government support. Apart from such established programmes, sinking tube-wells for irrigation, developing artesian wells, using pumps on rivers, streams and lakes, and blockage of streams and creeks, provide sufficient irrigation water for increased yields and cropping intensity.

The overall irrigated area increased to 19.2 per cent of the net sown area in 2008-09 from 12 per cent in 1990. The irrigation projects completed during 1988-89 to 2009 (end of February 2010) numbered 231, further increasing the irrigable area of 1.17 million hectares (Table 2).

Agriculture sector receives all round support for increased production, and as a result the value of net output of agriculture at 2005-06 constant producers' prices was recorded as 5541.0 billion kyats in 2007-08, contributing 35.63 per cent of country's GDP (Table 3).

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Table 2: Progress of Irrigated Area in Myanmar

Year	Net Sown Area	Irrigated Area	Share of Irrigated Area*
	(million hectare)		(per cent)
2001-02	10.66	1.99	18.6
2002-03	10.08	1.87	17.3
2003-04	11.04	1.96	17.7
2004-05	10.52	1.93	16.9
2005-06	11.94	2.14	17.9
2006-07	12.61	2.25	17.8
2007-08	13.22	2.43	18.4
2008-09	11.87	2.28	19.2

Note: * Share of irrigated area in net sown area.

Source: Author based on Agriculture Statistics, Ministry of Agriculture, Myanmar.

Table 3: Myanmar's GDP in 2007-08
(at 2005-06 Constant Producers' Prices)

Sr. No.	Particulars	Value (kyats billion)
1	Goods	9881.7
	-Agriculture	5541.0
	-Livestock and Fishery	1170.6
	-Forestry	83.4
	-other	3086.7
2	Services	2308.6
3	Trade	3361.2
4	Gross Domestic Product(1+2+3)	15551.5

Source: CSO, Myanmar Government.

2. Food Crop Production in Myanmar

Over 60 different crops can be grown successfully in Myanmar. The important crops are rice, wheat, sorghum, maize, groundnut, sesame, chick pea, black gram, green gram, cotton, sugarcane, rubber, vegetables and fruits.

Growing of cereal crops covers the largest portion of the cultivated area. Pulses and oil seeds successively occupy the next largest area planted. Among cereal crops, rice is the major crop and designated as a national crop. Efforts are being centered on production of rice not only to fulfil domestic consumption but also for export purposes. For many years, rice had been grown as a seasonal mono crop. Summer rice cultivation was initiated in 1992. At present, the utilisation of improved varieties, appropriate technologies, and effective irrigation systems have resulted in increased rice production. In 2008-2009, rice harvested area increased up to 8.1 million hectares and its production increased up to 32.5 million tonnes, which produced 19.46 million tonnes of milled rice.

Maize is the second important crop among cereals, which grows well in many parts of the country. It is also important for export and feed stuff for domestic livestock industry. It can also be used as a carbohydrate source for our daily food substitution to rice. In 2008-09, harvested area of maize was 0.355 million hectares, producing 1.20 million tonnes of which 0.156 million tonnes were exported.

Wheat cultivation in Myanmar has a number of limitations due to geographical, cultural and climatic conditions. Its main production purpose is for use in various snacks and processed food. In 2008-2009, it was grown on 0.1 million hectares and produced 0.17 million tonnes with self sufficiency ratio of 39 per cent.

Production of pulses and beans has been dramatically increasing due to high market demand for export and domestic consumption. Myanmar is standing as a lead country producing pulses and beans among ASEAN countries. About 17 species of pulses and beans are broadly cultivated in the country. Major exportable species are green gram, black gram, pigeon pea, chickpea and soyabean. Cultivation of pulses and beans has been increased substantially from 0.73 million hectares in 1988-89 to 4.28 million hectares in 2008-09, producing 5.27 million tonnes and export increased from 0.19 million tonnes in 1990-91 to 1.14 million tonnes in 2007-2008.

The important crops next to cereals, in terms of production and consumption are oil seeds which include groundnut, sesame, sunflower, and oil palm. Total sown area under oil seeds in 2008-09 was 3.76 million hectares and total production was 3.33 million tonnes with self sufficiency ratio of 157 per cent. Table 4 presents major food crops and production situation in Myanmar. But, edible oil was not actually sufficient for domestic consumption because of the export of oil seeds such as groundnut and sesame. And also it is widely used in Myanmar traditional snack and processed foods. Myanmar has a high consumption ratio for cooking oil. As the inadequate amount of edible oil has been produced for domestic consumption, about 200,000 tonnes of palm oil is imported annually to fulfil the domestic demand.

Table 4: Major Food Crops and Production Situation in Myanmar, 2008-09

Sr. No.	Categories	Sown areas ('000 hectare)	Production ('000 tonne)	Sown areas (per cent)
1	Cereals	8,908	33,950	38.80
2	Oil seeds	3,549	3,118	15.46
3	Pulses	4,277	3,269	18.63
4	Culinary crops	262	1,904	1.14
5	Vegetables	508		2.21
6	Others	5,457		23.76
	Total	22,961		100

Source: Author based on Agriculture Statistics, Ministry of Agriculture, Myanmar.

3. Agricultural Marketing

Major commodities generally flow from the surplus areas to the deficit areas. Thus, rice trade generally moves from south to north of the country, while trade in edible oil, pulses, vegetables and fruits moves from north to south of the country. Agricultural products are transported by trucks, trains, and, in some inaccessible areas, also by river-boats. The country has good road and river networks, but in rainy seasons, road conditions in some areas become rather poor. The government has been giving high priority in improving the road conditions in cooperation with the private sector.

Due to relaxation of trade barriers previously imposed by the government both in domestic and international markets, the traders are enjoying exporting and importing of agricultural products as well as trading in domestic markets. Several private associations for the specific agricultural products like rice, pulses, oil seeds, vegetables and fruits have been formed under the Union of Myanmar Federation of Chamber and Commerce Industry (UMFCCI). So far, a total of 13 agricultural crops related associations at the central level are formed under UMFCCI. As a consequence, normal trade as well as border trade is being carried smoothly through higher private sector involvement in agricultural products marketing. The export and import of principal agricultural commodities are mentioned in Tables 5 and 6.

Table 5: Export of Principal Commodities

(in '000 MT*)

Sr. No.	Commodity	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
1.	Rice and rice products	168	182	180	15	358
2.	Pulses	1211	873	865	1156	1141
3.	Maize	151	255	90	183	156
4.	Raw rubber	20	14	29	9	19

Note: *MT stands for million tonnes.**Source:** Author based on Agriculture Statistics, Ministry of Agriculture, Myanmar.**Table 6: Import of Principal Commodities**

(in '000 MT*)

Sr. No.	Commodity	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
1.	Wheat flour	6	1	-	-	-
2.	Edible vegetable oils and other hydrogenated oils	145	165	206	181	302
3.	Fertiliser manufactured	113	19	28	60	38

Note: *MT stands for million tonnes.**Source:** Author based on Agriculture Statistics, Ministry of Agriculture, Myanmar.

4. Food Security Situation in Myanmar

At national level Myanmar accomplishes surplus of food production. However, due to the geographical differences, there are pockets of food deficit areas. According to a FAO Study, out of the national total number of 324 townships, 52 townships are classified as being very highly vulnerable, 49 highly vulnerable, 62 moderately vulnerable, and the remaining 122 having only a relatively low level vulnerability.¹ Among the 52 townships, 29 very highly vulnerable are located in Shan State alone. All townships in Chin State and two-third of townships in Kachin State were also reported to be highly vulnerable. All townships of Bago, Mon, and Yangon Division were reported to be least vulnerable. Townships which were well served in terms of infrastructures are less likely to be vulnerable compared with remote townships. The value of net output and contribution of agricultural sector based on 2005-06 constant producers' prices was mentioned in Table 7.

Table 7: Net Output of Agriculture Sector

Year	Value of Total Net Output (million kyat)	Contribution of Agriculture Sector (million kyat)	Contribution of Agriculture Sector (per cent)
2005-06	4675	1878	40.17
2006-07	13893	5151	37.08
2007-08	15551	5541	35.63

Source: *Statistical Year Book, 2010*, Central Statistical Organization, Yangon.

Myanmar's agriculture is basically rain-fed. In order to secure food production for domestic use and surpluses for export, the suitable cropping systems and cropping patterns, high yielding crop varieties, improved production technologies are being facilitated by the government through research institutions and extension services. Additionally, the government pays greater attention on improving existing irrigation networks, constructing new dual purpose dams and reservoirs, establishing water pumping irrigation schemes from major rivers and exploring groundwater for the increased irrigation water use on crops. In consequence, the areas under double and triple cropping have been increased tremendously and the cropping intensity of the country has now reached to the level of 171 per cent. At present, the area under irrigation has reached 19 per cent of the net sown area.

Among the major food crops, rice is the staple food in Myanmar and has been designated as a national crop. Rice is grown in all parts of the country in monsoon season, and in dry season summer rice is grown where irrigation water is feasible. Administratively, Myanmar is formed with 17 States and Divisions. Out of which, 14 States and Divisions are self-sufficient in rice but the rest lag behind, particularly the hilly region and central dry zone areas. The country as a whole is in surplus of rice and self-sufficiency rate is estimated to be about 169 per cent. Myanmar is known to be one of the highest rice consuming countries at the average of 190 kg/head/annum. According to the production statistics of 2008-2009 crop year, the total production of rice is estimated as 32573 thousand metric tonnes having a surplus of 13336 thousand tonnes (7.98 million tonnes equivalent milled rice) after deducting seeds, waste and consumption. Due to the relaxation on rice trading by the government, the private sector is now exporting the surplus rice.

Edible oil is the second most important food item in the traditional diet of Myanmar. Present annual production of edible oil from groundnut, sesame, sunflower, oil palm and other oil bearing crops is found to be sufficient for domestic consumption with the self-sufficiency rate being 156 per cent.

After rice and edible oil, pulses stand as the third important item of diet for Myanmar people. The crops also enjoy favourable export market. Pulses have been grown extensively in all parts of the country as second crop after rice. Because of the favourable export market and huge potential for area expansion, Myanmar ranks as the second largest exporter of pulses in the world.

Several kinds of vegetables and fruits are also grown in different favourable agro-climatic conditions. Commercial production of vegetables and fruits are also being practised by private farms and individual farmers for domestic consumption and for export. Apart from that home yard gardening produce sufficient quantity of fruits and vegetables, particularly for home consumption and earning through surpluses.

The production and utilisation of major food items in Myanmar based on the crop production of 2008-09 is mentioned in the following Table 8.

Table 8: Production, Utilisation and Self-sufficiency Status of Major Food Items in Myanmar

Sr.	Crop	Sown area ('000 hectare)	Production ('000 tonne)	Utilisation ('000 tonne)	Surplus ('000 tonne)	Self-Sufficiency (per cent)
1.	Rice	8094	32573	19237	13336*	169
2.	Oil crops	3757	3330	2121	1209	157
3.	Pulses	4277	5269	1026	4243	513.4
4.	Culinary crops	335.3	1904	905	999	210

Note: *7.98 million tonnes equivalent milled rice.

Source: Author based on Agriculture Statistics, Ministry of Agriculture, Myanmar.

5. Role of the Government

The role of the Government of Myanmar (GoM), through the Ministries of Agriculture and Irrigation, Livestock and Fisheries, and Forestry, is to develop and implement policies and programmes that ensure Myanmar's agricultural, fisheries, food and forestry industries remain competitive, profitable and sustainable. The GoM sets a range of initiatives aiming at increasing the sector's productivity and long-term investment, preparedness for climate change and providing support and incentives to manage current and future challenges, investment in research and innovation to unlock potential productivity gains and efficiencies, providing access to risk

management and planning tools, and disseminating knowledge and information to assist building the skills of Myanmar farmers, fishers and foresters. The GoM designed short-term and long-term strategies for food security through agriculture development. For short-term strategies, the GoM set the following programmes:

Guaranteed floor pricing and marketing: The guaranteed floor price should be well above the cost of production. Both public and private sectors should use this price in marketing. The system will protect the farmers from low income level. The government has already practised this system in cotton production and marketing.

Establishment of agricultural marketing board: The purpose of this board is to develop a competitive marketing structure for getting the right price signal for the producers, giving a fair price for the producers, and encouragement of production of market-driven high value products.

Credit availability: Credit markets are an important mechanism to assist the poor to have a balance for unstable economic environment. Limited access to financial services may exacerbate vulnerability to shocks. According to this programme, the farmers will receive increased amount of credit per unit of land, quality seeds, and fertiliser loan from Myanmar Agricultural Development Bank. Formation of Leading Companies in different localities growing different crops are encouraged to boost crop production. These leading companies help the farmers to get more loans in cash or kind when credit is urgently needed at the beginning of a growing season.

For the long-term strategies, the GoM may undertake the following programmes:

Infrastructure development: Well-developed infrastructure can facilitate the marketing of output, purchase of inputs and movement of labour from one location to another. Inadequate transport infrastructure is a barrier for agricultural marketing both for local and international trade. Thus, the GoM laid down five year short-term plan as well as 30-year long-term plan for construction of roads and bridges to facilitate marketing and trade. The GoM also constructed dams, reservoirs, and weirs across the country to provide irrigation water to farmers. The government also provided river-pumped stations to supply water especially in the Dry zone area of Mandalay and Magway, and Bago in lower Myanmar to prevent flooding and to give water to the farmers in those areas.

Flexible agricultural trade policy: The GoM may use flexible trade policy in which it reduces the tariff and non-tariff barriers both for export and import. It may also reduce the unnecessary office works that might hinder the trade.

Improved market information and marketing system: The transparency of market information will help the farmers to increase their revenue via efficient price system. Improved marketing system will reduce the difference between farm-gate price and export market price. The GoM facilitates to implement wholesale markets to reduce the transaction cost of crops in a particular value chain and thus increase farm income.

Increased foreign direct investment (FDI) in agriculture sector: FDI will help to increase the agro-based industries in the country. The country will receive technology, capital, employment opportunity, human resource development, and will get export market access. The development of agro-based industries will absorb surplus labour from the agricultural sector and provide high income for both landless and marginal farmers who constitute 35 to 53 per cent of total rural households.

Adjusting the structure of government institutions: The government institutions such as Department of Agricultural Research should change from policy-drive research to market-oriented research related to agricultural trading. As an example, the Irrigation Department should consider the economic internal rate of return when taking the decision on investment for irrigation works in future. Other institutions like Myanmar Agriculture Development Bank should consider changing from crop-based lending to poor-based lending for rural areas.

Adjusting the policies of other sectors related to agriculture: The country's fiscal and monetary policies need to be adjusted to improve the effectiveness of investments and efficient money transactions for both regional and international trade.

In addition to the aforementioned programmes, the government may also assist the agricultural sector to increase its productivity by supporting innovation through research with primary industries and by directly funding programmes. The objective of this programme is to expand Myanmar's agricultural R&D effort, improve industry efficiency and effectiveness by investing in high priority R&D areas, and enhance industry's international competitiveness through more effective uptake of research results. Through these research outcomes, the government might search to address the potential for significant under-investment in R&D through market failure and recognise the substantial spillover benefits to other industries.

6. Conclusion

Myanmar is a food surplus country, producing sufficient quantities of rice, pulses and variety of other food commodities for domestic, regional and global use. Myanmar still has greater potential to improve the current level of food productivity ensuring national, regional and global food security. The government is making continuous efforts to promote food crop production and to alleviate poverty while enhancing rural incomes and ensuring adequate low-cost supplies of consumers. Medium term priority framework for food security in Myanmar is being formulated with the assistance of FAO. Myanmar will actively participate and cooperate with member countries in implementing the action programmes for regional food security. Myanmar would like to call for accelerating cooperation on agricultural sector development not only with ASEAN member countries but also with neighbouring countries and dialogue partners as well. Strengthening of food security related information system among Asian countries shall be carried out.

Myanmar as an ASEAN member country, welcomes the Strategic Plan of Action focusing on food security, endorsed by the 30th AMAF Meeting held in October 2008 in Hanoi, Vietnam. It becomes obvious that for further development of crop production and food security for national and regional concerns, it will need to accelerate cooperation on agriculture sector development among the ASEAN member countries and dialogue partners, like Japan, China and Korea. In conclusion, Myanmar would like to make a point that investing in agriculture in terms of technology and capacity building into most potential countries, which are endowed with unexploited resources, would greatly contribute not only to these countries themselves but also to the regional food security.

Endnote

¹ Refer, FAO/WFP "Food Insecurity and Vulnerability Information and Mapping System (FIVIMS-program-2003)", Rome.

ASEAN SMEs: Business and Investment Opportunities for ASEAN+ 4

Aida Licaros Velasco*

1. Introduction

The strategic role of small and medium enterprises (SMEs) in the economic growth and development of nations has been fully recognised by most countries. The Bologna Charter on SME Policies (OECD 2000), adopted in June 2000 and signed by a host of countries formally recognised the critical role of SMEs in economic growth, job generation, social integration, and participation of women and youth in economic activities.¹ SMEs were also recognised as effective partners in poverty alleviation. SMEs also play a critical role in globalisation as they become channels in promoting public private partnership through the development of knowledge-based SMEs.

Given the role of SMEs in the economy, ASEAN has developed the ASEAN Policy Blueprint for SME Development (APBSD) 2004-2014, which outlines the framework for the development of SMEs in the ASEAN region (ASEAN 2011). Strategic programmes and policy measures and output have been developed to support the roadmap. The roadmap seeks to fast track the development of ASEAN SMEs; enhance the entrepreneurial capability through access to information, market, human resource development, financing and technology; and increase the contribution of SMEs in the economic growth of the region.

On the other hand, the Asia-Pacific Economic Cooperation (APEC) included in the Honolulu Declaration – Towards a Seamless Regional Economy, gives priority to enhancing small and medium-sized enterprises participation in global production chains. Specific strategies to support the SMEs priority focused on SME development to be active players in the production supply chain, enhanced use of information and communication technologies or ICT, and acquisition and protection of SMEs intellectual property rights.

ASEAN is comprised of ten economies that are considered strategic partners in the global economic development. The partnership that developed countries forged with ASEAN (ASEAN +3; ASEAN+6; ASEAN + 8) indicates the important economic role it will play in globalisation. Given the focus on SMEs and the critical role ASEAN plays in the global economic development, this paper aims to develop a partnership paradigm on ASEAN SMEs as new business investment opportunities. The partnership paradigm is depicted in the Adapt-Innovate-Transfer-Grow Model or AITG Model. The model aims to outline business partnership and investment opportunities with ASEAN SMEs.

2. SMEs and their Role in Economic Development

Small and medium enterprises are business establishments classified according to their size as measured by their total assets and/or the number of workers they employ. Each country has different ways of classifying SMEs. In ASEAN, the most common basis of classifying SMEs is based on the number of employment they generate. Cambodia, Indonesia, Lao PDR, Malaysia, the Philippines, Thailand, and Vietnam classified SMEs according to the number of employees from 19 in Lao PDR to 300 in Indonesia (UNESCAP 2009).

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Current interest on SMEs and their role in wealth creation and economic development have been triggered by the success of knowledge-based SMEs, particularly those that are engaged in electronics, information and communication technology (ICT), and other high technology-high growth firms. Most of these enterprises started in garage, and in a short span of time have enabled their founders (usually called entrepreneurs) to built and grow enterprises putting them in the list of wealthiest men in the world. To add, most of these successful entrepreneurs started when they were very young. Some of them made it to the list of wealthiest men during their late 20s and early 30s. Although most of these notable entrepreneurs came from the USA like Bill Gates of Microsoft and Steve Jobs of Apple Computers, a number of them also come from Asia and the Pacific (Table 1).

Table 1: Top 10 Asian Visionary Companies

Name	Country	Founder	Year Founded	Technology Innovation
Antig Technology	Taiwan	Bill Chen	June 13, 2003	The world's first System-on-Cell, Direct Methanol Fuel Cell (SoC DMFC) module that speeds up portable IT product makers' time to market and cuts production costs.
ARE Technologies	India	Sanjiv Rai	January 2001	UniRF technology—a system on a chip (SOC) solution that enables mobile devices to communicate over any wireless network.
Bbmao.com	China	Kiam Choo	August 2005	Patented technology for dynamically generated search results clustering, and social networking features in a metasearch engine.
Bluebird Soft	Korea	Jang-Won Lee	1995	Mobile point-of-sale devices that enable department store staff to process customers' payments and field questions on merchandise.
Drishtee Dot Com	India	Satyan Mishra	August 10, 2000	Drishtee's Information Kiosk delivers services and information to villagers to access information without travelling to the cities.
Exist Software Engineering	Philippines	Winston Damarillo	2001	e-Den (Exist Development and Engineering Network) hosted engineering platform lets clients get up to speed on software development.
Jataayu Software	India	Mahesh Kumar Jain	2000	The jB5 Web browser that allows users of low-end to mid-range mobile devices to view Web pages smoothly.
NetInfinium Corporation	Malaysia	Edwin Tay	2002	Solutions and services in Internet-based marketing and communications.
Peering Portal	Korea	Vaughn Hahn	August 9, 2001	The Pcube Stream streaming software enables the bandwidth-efficient distribution of multimedia-rich content over the Internet to move large amount of data more efficiently.
SingularID	Singapore	Adrian Burdnen	2004	Metal tags that can be embedded in plastic, leather and paper products to prevent counterfeiting of goods.

Source: Chan (2006).

In ASEAN, SMEs account to more than 96 per cent of all business establishments (ASEAN 2012). They contribute 50-85 per cent of domestic employment, 30-53 per cent to GDP, and 19-31 per cent to exports. Aside from contribution to national economic growth indicators, SMEs provide employment and business involvement for women and youth, creating opportunities for inclusive growth and development. Most SMEs are present in rural areas, generating economic activities that contribute to the growth of the economy.

Aside from their direct contribution to economic activities, SMEs are also strategic partners of large organisation, especially in their supply chain activities. Large organisations depend on domestic supply of raw materials that are usually provided for by SMEs. They also engage SMEs in outsourcing some of their business activities like data management, workforce recruitment, marketing events and promotions and security services to name a few. Large organisations also employ SMEs to distribute their products to the end users.

Although SMEs are present in different industries, both manufacturing and services, technology-based-high growth enterprises (TB-HG Ent) have been the focus of many government initiatives in promoting SME growth and development. High growth firms or TB-HG Ent use innovation as the prime determinant of opportunity and strategic competitive advantage for growth. The concept of innovation as a prime mover in economic development has been studied by different scholars (Freeman 1995; Lundvall 1992; Feinson 2003; Furman *et al.* 2001) and translated into a term called national innovation system. The national innovation system promotes and support innovation that will eventually lead to commercialisation of products through the formation of enterprises leading to business activities and wealth creation. Studies conducted by OECD (2010) relate the effect of innovation on three factors: employment, sales turnover, and productivity. The study inferred that there is no conclusive evidence to show that innovative firms or high-technology high growth firms positively affect employment, revenue generation, and productivity. The public opinion that innovative SMEs significantly contribute to economic growth has been based on exceptional cases and should not be the basis of policy recommendations. Innovation is not only a function of knowledge and the ability of the entrepreneur to innovate. For innovation to be a strategic competitive advantage for an enterprise, the SMEs should be able to respond to customer demand and be able to create a differentiating factor that will make the products or service contribute to the growth of the enterprise. Knowledge created by innovative SMEs should be maintained and transferred within the firm and eventually to the knowledge base of the economy through a formal process that will benefit the economy and not just the firm. This knowledge transfer mechanism can create new industries, products, and services that can lead to more job generation activities. This can be facilitated through networking activities with the industry, suppliers, and business partners.

Priority programmes addressing the development and growth of SMEs are based on the premise that SMEs contribute to employment generation, increase in production value of economies and productivity of workers, equitable distribution of wealth and inclusive growth and development in the economy. Development and growth of SMEs are seen as an effective tool to address poverty alleviation, inclusive growth, social integration, and overall economic welfare of nations.

The ASEAN Strategic Action Plan for SME Development (2010-2015) saw SMEs as the medium to fast track economic development and integration in the region based on the following rationale:

- SMEs account for more than 96 per cent of business establishment in the region.
- Efficient SMEs will ensure sustainable, inclusive and broad-based economic and social development.
- SMEs are critical in supporting regional integration through the creation of ASEAN Economic Community.
- SMEs are more agile in responding to environmental changes and exploring and exploiting innovation.
- Presence and use of ICT in the region facilitates SME investments and integration.
- SMEs' limited access to finance, technologies, and markets creates investment opportunities for SME partnership.
- SME-based clusters, inter-firm network and linkages established among ASEAN+ 4 in foreign trade will help leverage, collaboration, and collective efficiency in creating economies of scale in the global value chain

Given the critical role of SMEs in regional and national development, five business factors must be addressed to ensure the efficient and effective integration of SMEs in the regional development (Hall 2003), namely,

(i) information access; (ii) finance; (iii) technology and technology transfer; (iv) human resource development and training; and (v) access to market. Added to these factors is the consideration of the participation of women, youth and ethnic groups in the SME process, the administrative burden governments imposed on SMEs, and the SME general policy and business environment.

3. ASEAN+ 4 Relations and Investment Partnerships

ASEAN is a network of ten countries aiming for economic cooperation and integration. It was established on 8 August 1967 in Bangkok, Thailand with the signing of the ASEAN Declaration (also called Bangkok Declaration). The founding countries called ASEAN 5 were Indonesia, Malaysia, the Philippines, Singapore, and Thailand. Brunei joined on 7 January 1984, Vietnam on 28 July 1995, Lao PDR and Myanmar on 23 July 1997, and Cambodia on 30 April 1999. These ten countries adhere to the aims and purposes as set in the ASEAN Declaration.²

ASEAN occupies a total land area of 4,435,830 sq. km. which is populated by 591 million people with an average annual population growth of 1.4 per cent (based on 2009 data). Table 2 presents selected basic economic indicators of ASEAN countries. Total GDP (at current prices) in 2009 amounted to US\$ 1,496 trillion, with Indonesia contributing the highest value in the region followed by Thailand and Malaysia. Singapore on the other hand registered the highest GDP per capita and the highest population growth rate. Total trade in ASEAN is highest in Singapore, Thailand, Malaysia, and Indonesia. GDP of ASEAN countries based on 2000 constant prices grew by 5.21 per cent for the period 2005-2011, higher than that of Korea and Japan (Table 3).

Partnership of ASEAN with its neighbouring countries specifically with Japan, Korea, China, and India, referred to as ASEAN+4 has been very active over the last 10 years. The growth potential of ASEAN in terms of GDP, population, the strategic geographic location, and similarities in values and culture are just some of the points that make ASEAN a good business partner. Japan has been very active in the promotion of entrepreneurship education that aims to develop managerial competencies among ASEAN SMEs. This programme, called Consultancy-based Learning for ASEAN SMEs, is part of the activities being supported by the ASEAN SMEs Working Group (ASMEWG). India, on the other, has included SMEs development programmes in the ASEAN-India Vision 2020 specifically for the CLMV (Cambodia, Lao PDR, Myanmar and Vietnam) economies. Cooperation between India and CLMV includes setting up industrial estates, common facility centers or prototype development and training centers, tool rooms and in training of personnel for operation and maintenance of small-scale industries (RIS 2004).

Table 2: Selected Basic ASEAN Indicators, 2009

Country	Land Area ('000 Sq. km.)	Population ('000 people)	Population Growth Rate (per cent)	GDP (US\$ million, current price)	GDP per Capita (US\$)	Exports (US\$ billion)	Imports (US\$ billion)	Total Trade (US\$ billion)
Brunei	5.77	406	2.1	10,759	26,486	7.17	2.4	9.57
Cambodia	181	14,958	2.1	10,359	693	4.99	3.9	8.89
Indonesia	1,860	231,370	1.2	546,864	2364	116.51	96.83	213.34
Lao PDR	237	5922	2.8	5,579	911	1.23	1.73	2.96
Malaysia	330	28,306	2.1	193,108	6,822	156.89	123.33	280.22
Myanmar	677	59,534	1.8	24,973	1,138	6.34	3.85	10.19
Philippines	300	92,226.6	2.0	161,357	3,592	38.33	45.54	83.87
Singapore	0.71	4,987	3.1	182,701	52,872	269.83	245.78	515.61
Thailand	513	66,903	0.6	264,323	7,944	152.50	133.77	286.27
Vietnam	331	87,228	1.2	96,317	3,124	56.69	69.23	125.92
ASEAN	4,435	591,841	1.4	1,496,341	2,533	810.50	726.35	1,536.84

Source: www.asean.org

Table 3: ASEAN+4 GDP Trends, 2005-2011 (at 2000 prices, US\$ Billion)

Country	2005	2006	2007	2008	2009	2010	2011	Annual Average Growth (per cent)*
Philippines	101.40	106.72	113.78	118.51	119.9	129.02	133.81	4.75
Brunei	6.65	6.94	6.95	6.82	6.7	6.87		0.68
Cambodia	5.71	6.33	6.97	7.44	7.44	7.89	8.44	6.78
Indonesia	207.89	219.33	233.24	247.27	258.72	274.74	292.48	5.86
Lao PDR	2.34	2.55	2.74	2.95	3.17	3.44	3.72	8.02
Malaysia	118.22	125.14	133.25	139.65	137.37	147.25	154.82	4.64
Singapore	121.10	131.71	143.38	145.82	144.39	165.71	173.81	6.33
Thailand	157.38	165.40	173.74	178.06	173.91	187.49	187.59	3.03
Vietnam	44.77	48.45	52.55	55.87	58.84	62.83	66.53	6.83
China	1,908.8	2,151.20	2,456.7	2,692.5	2,940.2	3246	3,541.39	10.87
India	658.55	719.56	790.09	820.83	888.45	973.33	1,040.1	7.93
Japan	5,020.9	5,105.9	5,217.8	5,163.5	4878.1	5,094.4	5,058.7	0.18
Korea	698	664	-	-	754	801	830	1.67
Average GDP Growth of ASEAN + 4								5.2 per cent

Note: *Values computed by author.

Source: World Bank.

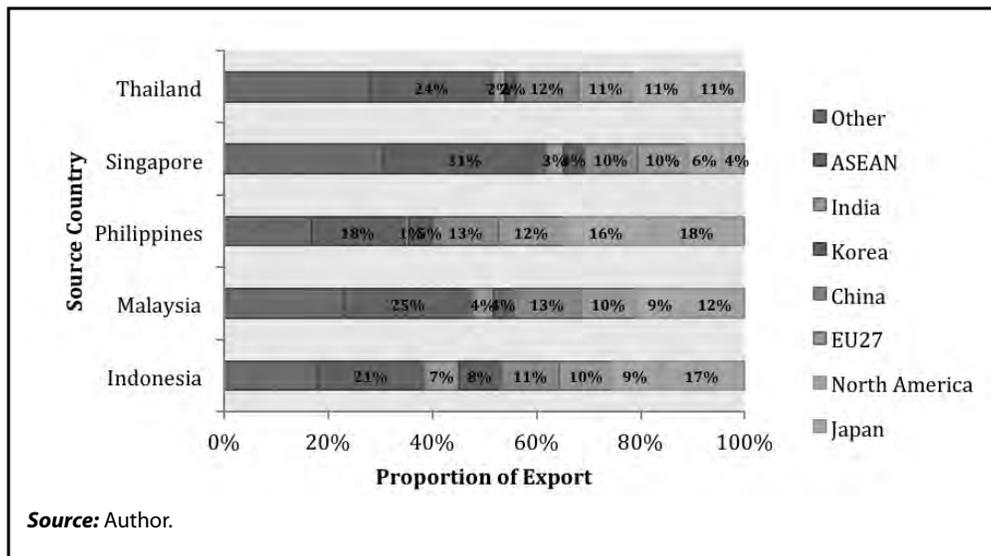
Exports in ASEAN have registered increasing trend despite the global crisis being experienced in Europe and the USA as shown in Table 4. Exports to other ASEAN countries make up the largest export of ASEAN 5. Outside ASEAN, large amount of export is sent to China, Japan, North America and Europe (Figure 1). Lowest export trade of ASEAN is with India while the Philippines has the lowest trade with India, 1 per cent of total country export. In a study of UNESCAP (2011), active participation of SMEs in global value chain has been noted as second, third and fourth tiered suppliers. Large organisations, usually multinationals, are first tiered supplier employing SMEs in their downstream requirements. ASEAN SMEs contribute 19 per cent to 31 per cent of total export values. Active partnership between SMEs and large organisation is present in ASEAN.

Table 4: ASEAN+4 Export of Goods and Services (per cent of GDP)

Country	2005	2006	2007	2008	2009	2010	2011
Philippines	46.14	46.58	43.26	36.91	32.23	34.80	28.99
Brunei	70.17	71.72	67.85	78.30	72.78	81.44	-
Cambodia	64.08	68.59	65.33	65.54	49.22	54.08	-
Indonesia	34.07	31.03	29.44	29.81	24.16	24.56	31.00
Lao PDR	34.16	40.40	34.50	32.02	30.88	35.54	37.68
Malaysia	117.47	116.55	110.02	103.18	96.38	97.30	-
Singapore	229.68	233.40	217.70	241.40	224.79	207.17	208.95
Thailand	73.57	73.65	73.42	76.44	68.35	71.25	77.63
Vietnam	69.36	73.61	76.90	77.92	68.30	77.53	80.69
China	37.08	39.13	38.41	34.98	26.71	29.55	29.34
India	19.28	21.07	20.43	23.60	20.13	22.77	24.64
Japan	14.31	16.17	17.75	17.71	12.70	15.19	-
Korea	39.3	-	-	-	49.7	52.4	-

Source: World Bank Data Bank.

Figure 1: ASEAN Total Export by Destination, 2011



The cost and ease of doing business in ASEAN+4 economies are summarised in Tables 5, 6, and 7. Study conducted by Japan (JETRO, 2012) indicated the cost of doing business in ASEAN and in other countries like India, China, and Korea. Cambodia, Myanmar, and China have the lowest cost of factory worker but costliest in Singapore. High skilled workers like engineers are paid higher salaries in Singapore, Malaysia, Thailand and the Philippines. Cost of electricity is competitive except for the Philippines and Singapore. The Philippines and Myanmar collect the highest corporate tax in the region.

Table 5: Cost of Doing Business* (US\$), 2011

Countries	Wage Factory Worker	Engineers	Managers	Min. Wage	Electricity per KWH (Gen. Use)	Water per cu. Meter Gen. Use	Corp. Tax Rate (per cent)
Philippines	325	403	1,069	153	0.25	0.82	30
Cambodia	82	204	663	55	0.16	0.23	20
Indonesia	209	414	995	167	0.08	1.06	25
Malaysia	344	973	1,926		0.11	0.41	23
Myanmar	68	176	577			0.44	30
Singapore	1,285	2,378	4,300		0.25	1.60	17
Thailand	286	641	1,565	136	0.11	0.36	23
Vietnam	111	297	713	95	0.08	0.32	25
China	58	815	1,460	199	0.08	0.63	25
India	264	607	1,510	98	0.08	0.26	30
S. Korea	1,696	2,156	3,075	640	0.07	0.28	15

Source: JETRO (2012) Survey of Cost of Doing Business.

Note: * Based on cost in capital city.

Table 6: Ease of Doing Business in 2011: ASEAN+ 4

Economy	Ease of Doing Business Rank*	Starting a Business	Dealing with Construction Permits	Getting Electricity	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Resolving Insolvency
Singapore	1	4	3	5	14	8	2	4	1	12	2
Hong Kong	2	5	1	4	57	4	3		3	2	5
Korea	8	24	26	11	71	8	79	38	4	2	13
Thailand	17	78	14	9	28	67	13	100	17	24	51
Malaysia	18	50	113	59	59	1	4	41	29	31	47
Japan	20	107	63	26	58	24	17	120	16	34	1
Taiwan	25	16	87	3	33	67	79	71	23	88	14
Brunei	83	136	83	28	107	126	122	20	35	151	44
China	91	151	179	115	40	67	97	122	60	16	75
Vietnam	98	103	67	135	47	24	166	151	68	30	142
Indonesia	129	155	71	161	99	126	46	131	39	156	146
India	132	166	181	98	97	40	46	147	109	182	128
Philippines	136	158	102	54	117	126	133	136	51	112	163
Cambodia	138	171	149	130	110	98	79	54	120	142	149
Lao PDR	165	89	80	138	72	166	182	123	168	110	183

Note: *Ranking out of 183 countries.

Source: World Bank (2011).

Table 7: Ease of Doing Business in 2011 – Asia and the Pacific

Economy	Ease of Doing Business Rank*	Starting a Business	Dealing with Construction Permits	Getting Electricity	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Resolving Insolvency
Singapore	1	1	2	3	1	3	1	2	1	2	1
Hong Kong	2	2	1	2	10	2	2	1	2	1	3
Thailand	3	8	4	4	5	5	4	18	3	4	6
Malaysia	4	6	19	13	11	1	3	9	5	6	5
Taiwan	5	3	16	1	6	5	12	13	4	14	2
Tonga	6	5	6	7	20	10	16	6	12	8	10
Samoa	7	4	11	8	3	16	5	12	16	13	17
Solomon Islands	8	14	7	10	21	10	7	5	14	15	11
Vanuatu	9	15	9	21	18	10	12	8	22	11	7
Fiji	10	16	13	16	9	5	7	14	19	10	14
Brunei	11	18	15	6	16	16	17	4	6	21	4
Mongolia	12	11	21	24	3	5	5	11	23	7	13
China	13	20	24	17	7	5	15	20	9	3	9
Vietnam	14	13	10	19	8	4	21	24	11	5	16
Papua New Guinea	15	9	22	5	14	14	7	19	17	23	12

Table 7 continued...

Table 7 continued...

Marshall Islands	16	7	3	14	22	10	20	16	10	9	15
Kiribati	17	19	18	22	12	21	7	3	13	12	22
Palau	18	17	8	15	2	24	22	17	21	19	8
Indonesia	19	21	12	23	15	16	7	22	7	22	18
Philippines	20	23	17	11	19	16	18	23	8	17	20
Cambodia	21	24	23	18	17	14	12	10	20	18	19
Micronesia, Fed. Sts.	22	12	5	9	22	16	22	15	18	20	21
Lao PDR	23	10	14	20	13	23	24	21	24	16	22
Timor-Leste	24	22	20	12	22	21	18	7	15	24	22

Note: *Ranking out of 183 countries.

Source: World Bank.

Compared to other countries in the world, ASEAN registered better facilities in doing business when it comes to ease of doing business measured by the facility to start a business, dealing with construction permit, getting electricity, registration of property, getting credit, protecting investors, paying taxes, enforcing contracts, and resolving insolvency. As can be seen from Table 6, Singapore, Thailand, and Malaysia ranked in the top 10 of 183 countries included in the survey. Brunei ranked 83 in the ease of doing business. Other ASEAN countries, namely Vietnam, Indonesia, the Philippines, Cambodia, and Lao PDR ranked in the lower 50 per cent of the countries surveyed. Compared to other countries in East Asia and Pacific (Table 7), Indonesia, the Philippines, Cambodia, and Lao PDR ranked in the bottom quartile of 24 countries in the region.

Total foreign investment (manufacturing sector) to ASEAN amounted to US\$ 10.82 billion. Japanese investments in the manufacturing sector account for 71 per cent of total investment that flowed into the region as of 2005 (Table 8). India has the lowest investment amounting to US\$ 208.27 million or 2 per cent of total investment in the manufacturing sector. Biggest investment was given to Thailand (35.83 per cent of total FDI), followed by Vietnam (19.32 per cent) and Malaysia (13.1 per cent). Notable is the decrease in investment from 2004 to 2005 as shown in Table 9.

Table 8: Foreign Direct Investment in Manufacturing Sector, 2005

ASEAN Countries	FDI in Manufacturing Sector (US\$ million)					
	China	India	Japan	Korea	Taiwan	Total
Cambodia	426.44	-	10.06	43.64	19.59	499.73
Indonesia	119.48	42.46	1051.91	245.27	122.33	1581.45
Lao PDR	4.16	0.19	0.6	20.5	-	25.45
Malaysia	10.42	147.08	966.24	177.26	113.34	1414.34
Myanmar	-	-	-	-	-	0
Philippines	1.54	0.07	491.59	27.11	25.11	545.42
Singapore	-	-	786.8	-	-	786.8
Thailand	20.87	18.47	3511.55	29.69	297.27	3877.85
Vietnam	72.72	-	857.93	514.39	645.62	2090.66
ASEAN Total (from Source Country)	655.63	208.27	7676.68	1057.86	1223.26	10821.7

Source: ASEAN Secretariat.

Table 9: Trends in Total FDI to Manufacturing Sector, 1992-2005

ASEAN Countries	1992-2002	2003	2004	2005
	(US\$ million)			
Brunei	0	0	0	0
Cambodia	249.56	215.17	215.17	213.68
Indonesia	7750.06	8479.53	8468.65	3489.2
Lao PDR	71.22	16.43	15.89	13.26
Malaysia	4312.03	3581.51	3563.14	1840.93
Myanmar	73.93	45.03	40.53	30.74
Philippines	1941.43	1791.13	1772.17	522.13
Singapore	3312.66	3312.66	3312.66	752.71
Thailand	5750.46	5555.43	5466.76	2636.5
Vietnam	2202.14	2170.13	2162.13	1874.12
ASEAN Total	25663.49	25167.02	25017.1	11373.27

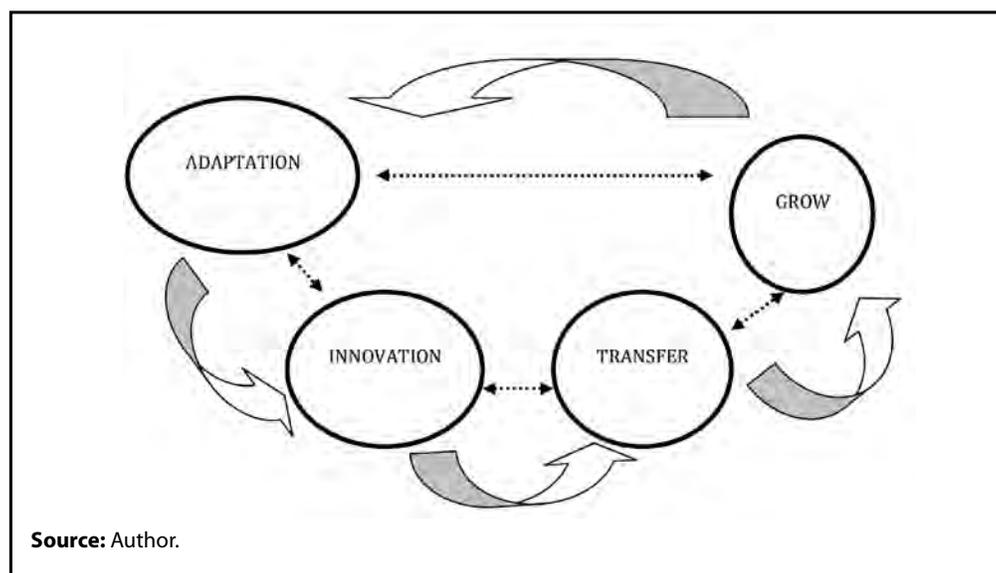
Source: ASEAN Secretariat.

4. Adapt-Innovate-Transfer-Grow Model (AITG)

The bilateral and multilateral agreement of countries among ASEAN+4 outline the rationale and general policies on the development and growth of SME in the region. Given the importance of SMEs, a formal business framework on how the strategic plans on SME development can materialise is captured in the model called, Adapt-Innovate-Transfer-Grow Business Model shown in Figure 2.

The SME Development and Grow Business Model follows the adaptation-innovation-transfer-grow (AITG) framework. The dotted lines that connect each of the activities in the framework represent the managerial competencies of the enterprise. This is the invisible force (felt but not seen) that guides the enterprise to properly coordinate the AITG Model. The managerial competencies refer to the vision, strategy, capability, culture and values of the entrepreneurial undertaking.

Figure 2: Adapt-Innovate-Transfer-Grow Model



Adaptation to the environment is the first step that SMEs use in starting, developing and growing the business. Knowledge of the business environment the SME will operate in is key to the adaptation process. To reduce risk of failure for SMEs, government should have a comprehensive, complete and timely database and information dissemination programme on policies, procedures, laws, and incentives that SMEs should adapt. Unlike large organisations, SMEs do not have the formal mechanisms and personnel to scan the environment. Adaptation will require supporting infrastructure for SMEs to access necessary information.

When an organisation begins to know, understand, and adapt to the environment, it starts to innovate to gain competitive advantage. The organisation delivers products and services by utilising new resources or employing new processes, which introduces change in the production and services. This process transforms the environment creative a system of continuous adaptation and innovation. As the adaptation-innovation process begins to add value, thereby creating growth, knowledge transfer occurs to duplicate the innovation and sustain the growth of the organisation. The innovation must be transferred to the different elements of the system through systematic technology/knowledge transfer for the firm to be able to make good use of the innovation for the firm's growth and sustainability. The sustainability of the enterprise will greatly depend on how well the organisation can adapt to the transformed environment through these four-dynamically linked processes. This ability is termed as managerial competence of an organisation. This managerial competence comprises the elements of visioning, strategy, and business planning. The AITG Model is dynamic system that repeats itself over time but changes the scenario and environment depending on how the actors of the system will respond.

The above model when applied to the strategic plan for SME growth and development considers the environment to be designed and crafted through policies and agreements among stakeholders, namely the industry, government, community, and the global economies. The environment refers to policies and agreements on a national and regional level. SMEs development in each country will depend on the governance of the particular economy. Regional collaboration and integration of different economies will depend on the policies and agreements on a regional scale. Through the collaboration of the different stakeholders, six-action points blueprint should be mapped out both on the national and regional level. These are as follows (UNESCAP 2011):

- Stipulation of enabling policy and regulatory environment that will provide effective institutional framework and pro-business policy;
- Provision of needed SME infrastructure;
- Promotion of entrepreneurship through education, training, and development of managerial and entrepreneurial skills;
- Access to equity and debt financing;
- Development and adaptation to technology and innovation; and
- Development of SME business services.

5. Where do We Go from Here? Road to Stronger Partnership

- Small and medium enterprises are catalysts to economic growth. They are agile and have more organisational freedom to respond to the environmental opportunities and threats compared with large organisations. They are also at the center of trends given their proximity and close communication with their markets. Thus, they have quicker response mechanism to address market opportunities and investment partnerships. However, their size and management capabilities limit their capacity to take advantage of opportunities and respond quickly to changes in the environment. Applying the AITG Model, following recommendations are proposed.

- Government and policy making bodies should have keen observation on business trends amidst of SMEs. SMEs are usually the ones that detect the needs of the market and address these needs through their product and service offerings. Observable trends where SMEs use entrepreneurial skills to address needs and more often solve social issues are: social entrepreneurship, health and well-being; social and economic equity; and environmental concerns. Social entrepreneurship evolved as government becomes ineffective in addressing social issue on poverty, pollution, and climate change. SMEs use the entrepreneurial process to solve the issue of poverty through job creation for the marginalised sector; pollution through garbage collection and recycling, and climate change through provision of good and tools to adapt to the changes in the environment.
- Innovation and creativity should be promoted either through the formal educational system or non-formal activities that will enhance creativity among the people.
- Foreign direct investment should include investments and partnership with SMEs to address the process of technology transfer. Sustainable growth of large organisations is maintained as they collaborate with more SMEs both in the downstream and upstream products and process in the supply chain. Technology transfer through SME-Loans partnership creates a deposit of knowledge in the local economy that can sustain the growth and development of SMEs and provide inputs in further creation of innovative products and services. Capacity building of entrepreneurs in terms of managerial capability, and access to information and credit is an important element in the technology transfer process.
- Growth of SMEs will need debt and equity capital. This can be provided through a system of encouraging venture capital and angel investors. Strategy in providing additional capital for SMEs is commonly done through extension of credit to SMEs, usually called micro-financing. Credit extension programme should likewise be provided to growing SMEs that are not being served by the formal banking system. Aside from provision of credit facilities, a formal equity market should be established for SMEs where investments can be done through share in ownership. This system should be simplified and made less costly compared to the existing equity market called the stock exchange.
- The above recommendations require an innovative way of dealing with programmes that have been set for quite sometime. This needs an innovative mind, a creative spirit, and a daring will to tread a new road in SME growth and development.

Endnotes

- ¹ Countries which signed the agreement include Algeria, Argentina, Australia, Austria, Belgium, Brazil, Bulgaria, Canada, Chile, Czech Republic, Norway, the Philippines, Poland, Portugal, Romania, Russian Federation, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, Tunisia, Turkey, Denmark, Egypt, Finland, France, Germany, Greece, Hungary, Iceland, India, Indonesia, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Mexico, Morocco, the Netherlands, New Zealand, United Kingdom, United States and Vietnam.
- ² Refer, Annexure 1 for ASEAN Declaration of 1967.

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Annexure 1

ASEAN Declaration

AIMS AND PURPOSES

- To accelerate the economic growth, social progress and cultural development in the region through joint endeavours in the spirit of equality and partnership in order to strengthen the foundation for a prosperous and peaceful community of Southeast Asian Nations;
- To promote regional peace and stability through abiding respect for justice and the rule of law in the relationship among countries of the region and adherence to the principles of the United Nations Charter;
- To promote active collaboration and mutual assistance on matters of common interest in the economic, social, cultural, technical, scientific and administrative fields;
- To provide assistance to each other in the form of training and research facilities in the educational, professional, technical and administrative spheres;
- To collaborate more effectively for the greater utilisation of their agriculture and industries, the expansion of their trade, including the study of the problems of international commodity trade, the improvement of their transportation and communications facilities and the raising of the living standards of their peoples;
- To promote Southeast Asian studies; and
- To maintain close and beneficial cooperation with existing international and regional organisations with similar aims and purposes, and explore all avenues for even closer cooperation among themselves.

Enhancing Connectivity for Promoting India-ASEAN Economic Integration

Michael Yeoh*

1. Introduction

As a result of advancing trends in globalisation, national leaders are beginning to realise the importance of inter-connectivity and the coordination of physical and institutional infrastructure between nations and regions for the advancement of economic development.

Initiated in 1991, India's "Look East" Policy marked a strategic shift in the country's international economic and political orientation, towards deepening economic ties with Southeast Asia, following a period of prolonged isolation in the region. As a result of shifts in the global balances of demography, economic strength and securitisation of the nations of the global community in the past decade, India's eastern orientation is gaining ground.

The recent global financial crisis has drawn attention to the potential for greater inter-dependence in Asia, especially in financial and monetary cooperation, as the collapse of the financial institutions in the USA and Europe opened new possibilities for investment in the East. Moreover, the crisis brought into relief the need for regional economic consolidation to serve as a safety net in case of global downturn.

For members of ASEAN, developing regional economic integration, backed up by supporting physical and institutional infrastructure, is not a new agenda. The Greater Mekong Subregion (GMS) has been operational for over a decade, promoting market integration between Cambodia, Thailand, Lao PDR, Myanmar, Vietnam and China. The importance of greater inter-connectivity within ASEAN forms the basis of the Master Plan on ASEAN Connectivity (MPAC), an 80-page document that grew out of the 15th ASEAN Summit in Thailand in October 2009, where leaders adopted a Statement on ASEAN Connectivity. At the following Summit in Hanoi in April 2010, the Leaders emphasised the need to identify specific measures to develop infrastructure for greater connectivity. The resulting MPAC proposes advancing ASEAN connectivity to promote social and economic development in order to achieve targets outlined in the Millennium Development Goals (MDGs) and build a 'Community' by 2015.

The ultimate aim behind improving regional connectivity is facilitating economic development and narrow development gaps in ASEAN and East Asia by deepening economic integration.

A key strategic target of the MPAC document is to "plug"¹ both the Chinese and Indian economies to enhance the development and importance of ASEAN connectivity. To this end, the writers discern three modes of connectivity: physical, institutional and people to people, with physical and institutional connectivity being stressed as important mechanisms for enhancing economic integration and narrowing development gaps.

Greater connectivity between India and ASEAN presents potential gains for both areas, as evidenced by the acceleration of political-institutional and physical-infrastructure developments over recent years. Deepening economic integration will not only enhance increase prosperity by multiplying business opportunities, but will also narrow the development gaps between the countries and regions concerned.

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2. The Importance of Myanmar

Developing infrastructure in Myanmar represents perhaps the most important key to enhance connectivity between ASEAN and India, on account of the country's strategic geographical location, and the recent domestic political developments.

Myanmar is the only Southeast Asian country with which India has a border (1,643 km), creating potential for cross-border trade and transport infrastructure such as roads and railways. Furthermore, Myanmar and Northeast India (where the border lies) are the lowest income economies in their respective economies (ASEAN and India respectively), characterised by an agricultural economy with some natural resources. The development of both areas and their cross-border connections is, therefore, of central importance to both their own development and to facilitate the expansion of trade across the region.

Furthermore, recent domestic political developments have turned Myanmar into a more attractive destination for international investors. Economic sanctions were lifted by the developed countries, following years of isolation and prolonged withdrawal and boycotting from western companies. The country has also liberalised its market and voiced a keen desire for foreign development in multiple areas of its economy.

In June 2012, Thein Sein expressed his aspiration that Myanmar would triple per-capita GDP by 2016, entailing a perhaps overly-ambitious growth of 25 per cent year on year.² A conference in Singapore in July 2012 aimed to provide businesses interested in investing in Myanmar with contacts and information drew many eager business representatives from the region. Reforms are also expected to be passed by the end of July 2012 on the standing Foreign Investment Law (1988), which states that foreign investors can only acquire a maximum of 35 per cent of a company's total equity, while the government also revealed plans for a commission to "increase the role of the private sector" in telecommunications, energy, forestry, education and health.³

Moreover, despite prolonged western isolation, various Asian corporations have already been investing in Myanmar for the past two decades, especially Chinese and Indian companies. The country has also been a member of ASEAN since 1997, and is scheduled to hold the ASEAN chair and host the ASEAN Summit in 2014.

Nevertheless, despite the strategic advantages of this relatively small economy, there are also obstacles that must be overcome if its great potential is to be realised. The poor state of infrastructure and logistics makes many international and regional investors wary of immediate engagement with Myanmar's economy. Although multiple plans have been drafted, the country has no deep sea port, which significantly restricts potential trade linkages with Thailand and India. Furthermore, major highway projects are still getting off the ground.

3. Anticipated Positive Impact of Increased Connectivity for India and ASEAN

3.1. Benefits for India

SAARC Offers Limited Promise

In light of the weak impetus among India's neighbours in the South Asia region, ASEAN presents an attractive partner for India for deepening economic integration. Cross-border infrastructure development in the South Asian Association for Regional Cooperation (SAARC) has been stunted as a result of various factors, including fiscal imbalances, and political instability in Afghanistan, Pakistan, Nepal, Bangladesh and Sri Lanka.

As a result of these weaknesses, trade between India and the region has also been disappointing. From 1996-97 to 2008-09, India's proportional import and export share to and from the South Asian Free Trade Area

(SAFTA) decreased, while by comparison the proportional presence of ASEAN countries in India's export and import basket has risen.⁴ The limited potential of India's other regional partners, therefore, makes realising the potential of ASEAN ever more imperative.

Economic Development as a Result of Physical Connectivity

Greater connectivity within India, and between India and the ASEAN region, will have a significant impact on the economic development of the country. In order to realise the goal of deeper integration with ASEAN, India is also undertaking a series of development projects to upgrade the infrastructure and transport network within the country. Enhancing connectivity within India will enable the profits from linkages to ASEAN to be better distributed to more remote and underdeveloped regions of India.

The development of the Golden Quadrilateral (GQ) in India (completed in 2010) and the North-South, East-West corridor (NSEW) (to be completed in 2015) will enhance connectivity across the country and between India and the region. Economic activities will be stimulated by lower transport costs, resulting in higher gross regional domestic product (GRDP) along the GQ. It is also envisaged that firms in middle and northeast India will move to the GQ in pursuit of higher profits, which will also increase the GRDP of the GQ.

The development of the NSEW corridor will stimulate trade and other business activities along the transport line, as well as enhance the economic activity in the larger industrial hubs that it connects. Overall, enhancing connectivity both within India and with its neighbours will generate an explosion of opportunities for the movement of goods, people and knowledge. Hitherto unconnected areas can unlock the potential of exchanging goods or workers to stimulate development in areas that would otherwise remain underdeveloped and remote.

Ushering in Domestic Reforms

Many aspects of the domestic political and business environment in India present barriers for economic development. Greater integration with ASEAN countries and the Southeast Asia region in general, will put a spotlight on India and pressurise policy-makers to usher in reforms of the domestic business environment.

Current barriers to economic development in India include corruption and excessive red tape, which discourage both domestic and foreign investment in India. Greater connectivity and integration within the wider Southeast Asian market will increase foreign business traffic, raising the profile and consequently the importance of tackling these issues.

3.2. Benefits for ASEAN

India's Burgeoning Consumer Market

Exporting countries in ASEAN can expect to experience a greater demand from Indian consumers as a result of deeper connectivity. India's middle class is projected to grow at a rapid pace: it is projected to account for 68 per cent of the population in 2030, from 5 per cent in 2010.⁵ This demographic shift will lead to an expanded consumer market for goods and services emanating from the Southeast Asia region: by 2030, global consumption is expected to near 30 per cent in India.⁶ This phenomenal market expansion means that India can fill the reduction in demand from the US and Europe, experienced as a result of the global financial crisis and European sovereign debt crisis. In this sense, India as a burgeoning consumer nation will allow ASEAN countries to diversify their export markets away from dependence on Western economies and China.

India's Young Workforce

Demographically, 70 per cent of India's 1.2 billion population is under 35 years old.⁷ This creates a great potential in terms of a young work force that can play a significant role in ASEAN production.

3.3. Mutual Benefits

Trade Complementarities

Revealed Comparative Advantage (RCA) data shows that there exist many potential trade complementarities between South Asia and Southeast Asia. South Asia's comparative advantages lie in processed goods, paddy rice, manufacture, textiles and apparel, plant-based fibre, and petrol and coal products. Whereas Southeast Asia produces more electrical equipment, metal products, rubber and plastic products, coal and gas, and processed rice.⁸ India's growing workforce has the potential to inject manpower into production in Southeast Asia, while its growing consumer market will act as a sponge for goods exports.

Narrowing the Development Gap

Connecting low income countries and regions to more dynamic economic zones will narrow the development gap among Asian countries, as a result of technological and knowledge transfer, and the various other secondary benefits that can be expected from an expansion of trade routes.

For India, greater inter-connectivity with ASEAN presents a means of narrowing the development gap within the country. Increasing access to its landlocked Northeast region through projects such as the Kaladan Multi-Modal Transit Transport Project (KMMTTP) will not only increase connectivity between India and Southeast Asia, but between India's mainland and its Northeast region. Furthermore, the Mekong-India Economic Corridor (MIEC) and the Trilateral Highway will require the upgrading of infrastructure within India, as well as connecting it to Southeast Asia, creating better linkages within the country.

Between India and ASEAN, the gradual lowering of national barriers to trade and economic integration will lead to greater regional connectivity as well as intra-national integration. Intra-regional linkages, based on common or complementary trade and business needs, will create a powerful cross-cutting trajectory of development, linking regions of complementary development needs, regardless of national borders. In this sense, increasing connectivity between India and ASEAN can be seen in the context of the Aid for Trade initiative (AFT), which attempts to bridge the gap in infrastructural requirements in LDCs.⁹

It is expected that connectivity will cut across national borders, generating development based on the interaction of regions of different economic tiers. Tier 1 economies are those that are expected to lead the regional economy by providing large markets of final and intermediate goods, for neighbouring Tier 2 and Tier 3 regions. They include industrial cities such as Bangkok and Chennai. Tier 2 regions are less developed but present sources of economic dynamism by attracting production processes from nearby Tier 1 regions. Examples include Kolkata, Dhaka, Chiang Mai and Kunming.

Tier 3 economies are less developed still, but possess rich cultural and natural resources, lower wages and rents, which make them compatible with Tier 1 and Tier 2 regions looking to outsource or expand. The potential for development of these regions is greatly enhanced by better regional connectivity, enabling them to capitalise upon business opportunities that would otherwise have remained inaccessible. Myanmar and Northeast India with their rich natural resources would be considered such economies. They stand the most to gain in aggregate from better connectivity, as potential agricultural bases and tourist destinations.

Developing Myanmar and Northeast India is a core focus of the regional strategy to enhance ASEAN-India connectivity because of their strategic locations and relative weakness. Myanmar is the lowest income nation in ASEAN and Northeast India is one of the poorest regions with the weakest connectivity with the rest of India. Yet, both border the strongest economies in the region: China and the rest of India. With this in mind, upgrading the weakest sections of the Asian Highway No. 1, that run through Myanmar and Northeast India and giving impetus to trade and transport facilitation initiative between Myanmar and India are the targeted focus of greater political commitment.

Mitigating Dependence on China and Other Economic Giants

As the economic powerhouse of the region (and, increasingly the world) China dominates both India and ASEAN's trade basket. China is now India's third-largest trading partner in goods and the biggest if Hong Kong is included. But for every dollar's worth of exports to China, India imports three, leading to a trade deficit of up to US\$ 40 billion in the year to March 2012 (2 per cent GDP).¹⁰ And for ASEAN, figures show that between 2000 and 2009 trade with China grew at a rate of 24 per cent per annum which is double that of intra-ASEAN trade within the same period. In 2009, while China accounted for 43 per cent of ASEAN's trade.

For India, encouraging trade links with other, less economically powerful countries in the region will make India less reliant on China and enable it to diversify its operations and disperse its obligations. While for ASEAN, the predominance of China in ASEAN's trade basket and its other investments in the region can be offset by growing India's presence in the region, especially in light of the growing consumer market in India. India currently accounts for only 2 per cent of ASEAN's imports as opposed to China which accounts for 13 per cent. Nevertheless, trade between India and ASEAN has been growing at an impressive 24 per cent per year from 2004 onwards. This rate of growth presents a promising emerging alternative to China's dominance.

Moreover, last month China reported its slowest growth in three years, and India recently reported its weakest performance since 2004 of 5.3 per cent.¹¹ The economic contraction of these countries represents risks of both cyclical slowdown and also long-term erosion of potential growth. It can be partly blamed on Europe's sovereign debt crisis, but is also in part an inevitable progression from the rapid and intense growth of the previous decade.

Consequently, it is now necessary for China, India and other emerging economies to work towards a period of more sustained and slower growth. Increasing trade between ASEAN and India will contribute to this long-term goal, while offsetting the dependence of both countries for trade on China. Furthermore, in light of recent global economic crisis, greater regional interdependence in South and Southeast Asia will reduce the risk of contagion of Western economic downturn.

4. Current State of India-ASEAN Connectivity

4.1. Institutional Connectivity

4.1.1 Situation Analysis

India's Bilateral Free Trade Agreements with ASEAN

Institutional connectivity between India and Southeast Asia is growing as a result of deeper diplomatic and economic ties with ASEAN and ASEAN+3. Although India is not yet a member of ASEAN, it holds regular summits with the organisation, and it is predicted that ties will strengthen via an ASEAN+3+3 (+India, Australia and New Zealand) in the coming years.¹²

A variety of bilateral free trade agreements are also enhancing economic connectivity between India and Southeast Asia. In January 2010, the ASEAN-India Free Trade Area (AIFTA) came into effect, and as of August 2011, India, Singapore, Malaysia, Thailand, Vietnam, Brunei, Indonesia, the Philippines and Myanmar have implemented the agreement. Under the agreement, import tariffs imposed on 80 per cent of traded goods were removed. India also has FTAs with Singapore and Malaysia, and one is pending with Thailand, separate to that with ASEAN.

The Comprehensive Economic Cooperation Agreement (CECA) between India and Singapore was signed in 2005. Singapore-based exporters have the benefit of tariff elimination or reduction on 75 per cent of Singapore's domestic exports, especially in the sectors of electronics, pharmaceuticals and plastics. Exporters will also enjoy

Mutual Recognition Agreements (MRA), eliminating the need for duplicative certification of products for entry into respective markets.

India and Thailand have also established a framework agreement for creating a Free Trade Area, which is expected to be brought into operation soon. The FTA will cover 84 items in the areas of goods, services and investment. Meanwhile, the India-Thai Chamber of Commerce (ITCC) has been assisting business trading and investment between India and Thailand since 1944.

India's Institutional Connectivity with South Asia

India has been promoting intra-regional trade and investment links within South Asia via the South Asian Association for Regional Cooperation (SAARC), and the country is the primary driver behind SAARCFINANCE, a regional network of SAARC central bank governors and finance secretaries. Growth in the South Asian region is largely hindered by regional political instability afflicting the countries around India. Pakistan's governance is focused on counter-terrorism measures at the Afghan border and the rise of Islamic militia within the country, while Sri Lanka currently plans on sorting out its internal affairs after recovering from a lengthy and bloody civil war. These developments leave little space and time for regional cooperation, particularly concerning economic development and, therefore, are pushing India to look beyond its neighbours for economic integration.

Banking Cooperation

India currently attends informal meetings of the Asian Cooperation Dialogue (ACD), along with other participating central banks. Analysts at the Asian Development Bank (ADB) argue that India "could eventually assume a greater role in helping to forge financial cooperation in the Asian region...motivated not only by trade integration, but by the structural shift that is resulting from India's co-integration with the stock markets in Hong Kong, China and Singapore".¹³ Nevertheless, they caution that India could have different interests with respect to the international monetary system, as Indian businesses appear more intent on working within the dollar order.¹⁴

4.1.2 Proposed Initiatives

ASEAN Single Aviation Market (ASAM)

The ASEAN Single Aviation Market proposes to establish the liberalisation of passenger and cargo air services between ASEAN countries. The ASAM would remove all restrictions for passenger and freight transport and create common set of regulations covering areas such as user charges and tariffs. According to the ASEAN Economic Community (AEC) Blueprint, ASAM should be implemented across ASEAN between January 2014 and December 2015; however, analysts believe it could take longer to achieve a fully liberalised system.¹⁵

Air travel forms one of the priority sectors for economic integration within ASEAN.¹⁶ Various sub-regional initiatives have already emerged, such as the Multilateral Agreement for the Liberalisation of Passenger Air Services (MALPAS) between Singapore, Thailand and Brunei.¹⁷ These agreements encourage and demonstrate the impetus towards market liberalisation in this sector. In terms of relevance for connecting with India and other ASEAN 'plus' countries, engagement with third countries forms a priority in the development plan for ASAM.

Myanmar/India Transport Facilitation Agreement

The connectivity between Myanmar and Northeast India is limited not only by inadequate physical infrastructure, but by restrictions on tradable items and modes of settlement. A bilateral agreement between Myanmar and India limits the number of tradable items for border trade to 62 and only in terms of barter trade, and there's no formal foreign exchange facility at the border area.¹⁸ This is constraining border trade and creating imbalances. In 2010-11, Myanmar exported Rs. 32 million of betel nuts and Rs. 4 million of dry Ginger to India, while India only exported Rs. 2.6 million of cumin seed to Myanmar.¹⁹ As a further result of these institutional weaknesses, informal border trade has been growing.²⁰

It is necessary, therefore, for the governments of both India and Myanmar to either lift or expand the list of tradable items, and permit financial settlements in order to facilitate legitimate border trade. Nevertheless, in order to prevent a sudden influx of Chinese products to India, the Myanmar government would have to regulate strictly the origin country of products.²¹ The implementation of a transport facilitation agreement in ASEAN would also reduce the cost of crossing national borders and facilitate greater connectivity of people. Furthermore, implementing modern software and security structures would facilitate the creation of a more adequate environment for regulated trade.

4.2. Trade and Cross-border Investments

4.2.1 Situation Analysis

The first decade of the 20th Century witnessed a significant growth in trade activity between India and ASEAN, with businesses taking advantage of the liberalising trends in institutional structures described above.

Between 2000-2009, trade in merchandise between India and ASEAN rose from US\$ 7.1 billion to US\$ 41.3 billion, with a compound average growth rate (CAGR) of 21.6 per cent.²² Moreover, India's share of ASEAN's merchandise exports and imports has grown significantly, as has ASEAN as a destination of merchandise export for India. Yet, ASEAN's share as origin of imports has slightly dropped in the 2000-09 period, reflecting the slow progress of incursion into the Indian market by ASEAN.²³ This trend is especially prominent in the rise in trade between India and Singapore. In 2001, Singapore became the second largest supplier of FDI into India, and the top destination for India's foreign investments.²⁴ India has more than 5,000 companies incorporated in Singapore, predominantly in IT and software industries. Meanwhile, India has also received significant investments from Malaysia and Thailand, in various industries including telecommunications, construction, roadways and financial services.²⁵ For its part, India invests in the Southeast Asia region mainly in IT, software, chemicals, pharmaceuticals and metal products.²⁶

ADB analysts contend that "the latest wave of Indian integration into East Asian regionalism is being driven by the activities of Indian companies", rather than political-institutional arrangements. They argue that, India's rate of exporting to the rest of Asia actually remains below optimum, as a result of relatively low FDI openness,²⁷ compared with other Asian emerging economies, which leads to an uncertainty surrounding the movement of services, products and people across borders. For example, given the geographical proximity of Thailand to India, the shares of Thailand in India's exports and imports (0.96 per cent and 1.04 per cent respectively in 2009²⁸) are significantly low. As a result, companies have taken the lead by linking themselves with East Asian production networks, while East Asian companies are themselves capitalising on India's strengths in research and development, in some cases relocating their global R&D centres there.²⁹

4.2.2 Proposed Initiatives

There is great potential for intra-regional connectivity, transcending national barriers, generating development based on the interaction of regions of different economic tiers. As discussed above, industrial Tier 1 regions such as Bangkok and Chennai can provide a large market of raw materials for neighbouring Tier 2 and Tier 3 regions. As they grow, the opportunities for neighbouring regions will expand in tandem.

Tier 2 regions will also become dynamic economic centres by attracting production processes from the Tier 1 regions. This interaction will enable Tier 3 regions, such as Myanmar and Northeast India to capitalise on their rich natural resources and the proliferation of business opportunities brought about by deeper connectivity with these more dynamic economic zones.

5. Physical Connectivity

5.1. Situation Analysis

The geographical location of India, with its long land and coastal borders, endows it with great potential for enhancing physical connectivity through rail, road and maritime means. Various routes are already in operation, such as the 160 km Friendship Road between Myanmar and India, inaugurated in February 2001, providing a major trade and transport route between the two countries and beyond. Nevertheless, in recognition that India and Southeast Asia have a long way to go to unlock the full potential of economic integration, manifold projects are currently underway, or have been proposed, to enhance physical connectivity by road, rail or sea.

The strategic geographical location of Myanmar between South and Southeast Asia makes it key to unlock the potential of deeper physical connectivity between the two regions. Myanmar is the only Southeast Asian country with which India shares a border (through Northeast India). Therefore, connecting India to Southeast Asia entails a significant development of transport networks through Northeast India and Myanmar. These two areas are consequently the focus of many of the projects for physical development, currently underway or proposed.

5.2. Proposed Initiatives

The Mekong-India Economic Corridor

The Mekong-India Economic Corridor (MIEC) is a multimodal economic corridor, linking Mekong countries of Myanmar, Thailand, Cambodia and Vietnam with India through its east coast. It was proposed to connect Ho Chi Minh City (Vietnam) with Dawei (Myanmar) via Bangkok (Thailand) and Phnom Penh (Cambodia), linking on to Chennai in India. The emphasis of the corridor is on expanding the manufacturing base and trade with the rest of the world, in particular, India. Nevertheless, there remain certain challenges for the MIEC in terms of physical connectivity, such as the lack of any deep sea port in Myanmar, or a highway between Dawei and the Thai border.

The west link of the MIEC is one of the most important routes for linking India with Southeast Asia. The route would create a sea route between Bangkok (Thailand) and Chennai (India) via Dawei (Myanmar), with the express motive of connecting these two Tier 1 regions.

The route is especially important to the development of the region because the MIEC passes through regions and countries at different stages of development. By including existing and emerging industrial agglomerations along the corridor (such as Ho Chi Minh and Bangkok) as well as lower income regions and countries (such as Cambodia and Dawei), the latter regions can benefit from their contact with the former, contributing to more dispersed economic development.

Trilateral Highway between Thailand, Myanmar and India

The 1,360 km link was started in 2005, and will run from Moreh in India to Mae Sot in Thailand through Bagan and Mandalay in Myanmar. Once completed, the route will make it possible to drive from India to Thailand. Development will entail upgrading and constructing new roads and bridges, to be undertaken predominantly by Thailand and India. India has also offered credit to Myanmar to finance the construction of new highways.

As part of the project, Prime Minister Manmohan Singh has declared that India will repair 71 bridges on the Friendship road between India and Myanmar, and the two countries will also form a joint working group to determine institutional requirements for the cross-border links. In May 2012, Prime Minister Manmohan Singh and President U Thein Sein set a deadline of 2016 for the completion of the trilateral road connection.

Dawei Development Projects

One of the most important developments to enhance ASEAN-India connectivity is the special economic zone (SEZ) and deep sea port being set up at Dawei (Myanmar). Due to the strategic location of the city, on the Southeast coast of Myanmar, a deep sea port would have the potential to open up new shipping routes to India, the Middle East and Europe, as well as reduce congestion in the Malacca Straits.

In December 2008, an Memorandum of Understanding (MoU) was signed between the Italian Thai Development Public Company Limited (ITD) and the Myanmar Port Authority (MPA), granting ITD the right to develop the Dawei Project, including construction of a highway, deep sea port, industrial estate and trans-border corridor link, covering an area of 250 sq. km.³⁰ The project is estimated to cost US\$ 80 billion. ITD has already revealed that Myanmar's Asia World Company and the Thai PTT Exploration and Production (PTTEP) are intending to invest in the project.³¹

The deep sea port will be equipped with a ship building facility to provide maintenance and building for large vessels. It is expected to handle 200 million tonnes per year, including: 5 million tonnes of agricultural produce, 25 million tonnes of coal, 45-50 million tonnes of general cargo, 35 million tonnes of chemical and petrochemicals and 36 million tonnes of crude oil.³²

The development of Dawei will signify a major step in completing the MIEC, by linking Bangkok and Chennai, via the Andaman Sea. This will lead to a rapid proliferation of business opportunities between India and ASEAN. The completion of the MIEC is expected to have the largest impact on Cambodia, than Myanmar, Thailand and Lao PDR, but the transit route will be critical for Thailand.³³ Overall, it is anticipated that the MIEC will impact more greatly on lower income countries such as Myanmar and Cambodia, making it an important tool for narrowing regional development gaps.

Connecting Myanmar and Northeast India

Another area of great potential for connectivity between India and ASEAN is along the land border between Northeast India and Myanmar. There are currently three routes operating between Myanmar and India: Moreh to Tamu, Zolkawtar to Rhee and Nampong to Pangsau (Stilwell Road). The route between Moreh in India and Tamu in Myanmar – a road that is at times mountainous and unmaintained – is the site of the most trade activity between the two regions. Certain sections in Myanmar will be upgraded as part of the Trilateral Highway Project.

Zolkawtar (India) to Rhee (Myanmar) is the second largest gateway for border trade. They are connected by a two-lane, mountainous road that is paved and fairly well maintained. The route also has better security than from Moreh to Tamu. Some upgrading of the road and realisation of transit trade through Bangladesh would make this the shortest land route connecting Myanmar and Kolkata via Northeast India and Bangladesh.³⁴

Stilwell road was constructed during the World War II by the US Army, connecting Ledo in India to Bhamo in Myanmar. Despite the establishment of checkpoints at the border in Nampong and Pangsau, the former remains closed to official trade. Reactivating the Stilwell Road and the checkpoint would reveal multiple opportunities for India, Myanmar and China to integrate among themselves as well as providing a valuable point of connection between India and the entire Southeast Asia region through Myanmar.³⁵

Enhancing Connectivity between Northeast India and the Rest of India

One of the main issues confronting better ASEAN-India integration is the weak connectivity between Northeast India and the rest of the country. The Siliguri Corridor that connects the two sections of India is a mere 26 km wide, bordering the Himalayan region of China to the north, and Bangladesh to the south. The narrowness of the

corridor predictably causes transportation delays and increased costs. Attempts to negotiate transit access through Bangladesh have been fruitless, resulting in a project to connect the two Indian regions via alternative means.

The Kaladan Multi-Modal Transit Transport Project (KMMTTP) is one of various initiatives by the Indian Government that aims at addressing this bottleneck. The KMMTTP is designed to provide an alternative route between Northeast India and the rest of the country, via Myanmar and the Bay of Bengal. The route will entail an east-west sea-link between Kolkata in India and Sittwe Port in Myanmar across the Bay of Bengal, and a north-south land and river-link between Sittwe and Mizoram in Northeast India. The project will include the expansion of Sittwe Port, construction of a river port in Paletwa (Myanmar), channel dredging of Kaladan River from Sittwe to Paletwa and construction of a 129 km road from Paletwa to Myeikwa (at the India-Myanmar border).³⁶ The entire project is expected to cost about US\$ 105.4 million, with India contributing US\$ 95.4 million and extending US\$10 million in credit to the Government of Myanmar.

By enhancing connectivity between Northeast India and the rest of the India, once completed, the KMMTTP will greatly enhance connectivity of India eastwards, to the rest of the Southeast Asia region through Myanmar. Furthermore, the development of physical and institutional infrastructure in Myanmar will enable the country to reap the benefits of transit trade, narrowing the developmental gaps in the ASEAN region as a whole.

6. Concluding Remarks and Recommendations

Greater connectivity between India and ASEAN countries will have multiple benefits for both regions. Lowering physical and institutional national barriers to trade will not only accelerate economic development but narrow development gaps in ASEAN and East Asia by deepening economic integration.

For India, its neighbours in South Asia are too distracted by domestic political concerns to pursue deeper economic integration, making Southeast Asia not just an attractive but a necessary partner in connectivity. For ASEAN countries, demographic shifts in India have endowed it with a burgeoning consumer market and young workforce that can fill the reduction in demand from the West and can play a large role in ASEAN production. The two regions also possess various trade complementarities enabling mutual profitability from liberalising barriers. Furthermore, enhancing trade between India and ASEAN will mitigate the economic dominance of China and making both less dependent on this economic powerhouse.

Various projects aimed at enhancing connectivity via improved transport networks have already been drafted or are currently underway, such as the Trilateral highway connecting Thailand, India and Myanmar, and the Mekong-India Economic Corridor (MIEC), as well as initiatives exclusively within India and ASEAN themselves. The development of physical infrastructural connectivity is supported by promising moves towards greater institutional connectivity, spearheaded by bilateral trade and transport agreements, banking cooperation and cross-border investment flows lead by private sector businesses.

Of central importance to deepening both institutional and physical connectivity is Myanmar, due to its strategic geographical location as the bridge between India and Southeast Asia, and development projects there such as the Dawei Port are therefore the linchpin of facilitating connectivity between the regions.

6.1 Policy Recommendations

Acknowledging the current initiatives to enhance economic integration and the potential gains to India and Southeast Asia, it is important that connectivity progresses sustainably and has the desired impact. For this to happen, it is suggested that greater physical connectivity should be approached via all modes of transport, integrating rail, road, sea and air. A multimodal approach is the key to overcoming geographical and political obstacles to linking these two regions.³⁷

Moreover, physical connectivity is not sufficient to achieve economic integration, since rail and road linkages are redundant without functioning institutional arrangements. For example, the restrictions on tradable items between India and Myanmar must be addressed in order to reap the benefits of greater physical connectivity brought about by development plans in Dawei.³⁸ Deepening institutional connectivity requires diplomatic inroads to be made to foment trust between India and Southeast Asian countries. Trust is a pre-requisite for successful integration and inter-dependence in the region, and again requires a multi-faceted approach, combining diplomatic, public sector, and private sector actors.

Hence, the initiative taken by private sector businesses to invest in foreign countries in India and ASEAN countries should form an important third dimension of deepening and encouraging economic integration in the region. Most notably, interaction between regions of different development stages³⁹ has the potential to generate rapid economic development, and should, therefore, be encouraged by governments through incentives. The shrink in GDP growth for both China and India for 2012 confirms the theory that the Asian economy is still dependent on the situation in Europe and the USA, largely because these two regions remain the largest consumers in the world for manufactured goods. This will hold back Asia's growth, delaying economic integration efforts as countries look to boost their own economies from within first. Asian governments should rethink their development policies to reduce poverty and empower their people so the region will have a higher purchasing power for its consumers. This will then drive the demand and market expansion for manufactured goods within the region, insulating both ASEAN and the bigger economies of Asia in case of another global economic downturn. In the long run, this inter-connectivity of trade will hopefully morph into an exchange of services that depends largely on a knowledge based economy which is more sustainable in the long run. It will be necessary for ASEAN and India to go down this path to ensure the continuity of their economic growth.

As a final comment, India, China and the ASEAN region are on the brink of a new era of economic and political cooperation brought about by deeper integration. The potential benefits of this, as discussed above, are manifold, most notably the opportunity to narrow the development gaps in the region. Enhancing connectivity presents a valuable opportunity for national governments to address governance issues, since it opens nations to the scrutiny of their regional and international neighbours. Moreover, better domestic governance is essential to optimising potential gains from enhanced connectivity. It is, therefore, imperative that all physical and institutional developments are pursued with due diligence, transparency and accountability to both citizens and stakeholders.

Endnotes

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- ² *The Economist*, "Tripling Success." 23 July, 2012.
- ³ Ibid.
- ⁴ Anushree Bhattacharyya and Debashis Chakraborty, "India's Recent Infrastructure Development Initiatives", available at <http://mpr.ub.uni-muenchen.de/23030/>, p. 5.
- ⁵ <http://www.adb.org/annual-meeting/2012/kspe/adb-adbi-book-launch-asean-prc-and-india-great-transformation>.
- ⁶ Ibid.
- ⁷ <http://asc.iseas.edu.sg/about-us/home/item/4-enhancing-asean-connectivity>
- ⁸ Biswa Nath Bhattacharyay, "Benefits and Challenges of Integrating South and Southeast Asia", *CESIFO Working Paper No. 3819*, 22 May 2012.
- ⁹ Anushree Bhattacharyya and Debashis Chakraborty, "India's Recent Infrastructure Development Initiatives." available at <http://mpr.ub.uni-muenchen.de/23030/>, p. 4.
- ¹⁰ *The Economist*, "Friend, enemy, rival, investor", June 30, 2012.
- ¹¹ *The Economist*, "The great slowdown", July 21, 2012.
- ¹² Gregory Chin, "Responding to the Global Financial Crisis: the Evolution of Asian Regionalism and Economic Globalization." *ADB Working Paper Series, No. 343*, January 2012, p.15.
- ¹³ Ibid, p. 16.
- ¹⁴ Ibid.
- ¹⁵ Ian Thomas et al., "Developing ASEAN's Single Aviation Market and Regional Air Services Arrangements with Dialogue Partners", *REPSF II*

Project No. 07/003, June 2008, p. 3.

¹⁶ Ibid, p. 5.

¹⁷ Ibid.

¹⁸ Fukunari Kimura, Toshihiro Kudo, So Umezaki, "Chapter 1: ASEAN-India Connectivity", *ASEAN-India Connectivity: The Comprehensive Asia Development Plan, Phase II*. ERIA Research Project, March 2011, p. 32.

¹⁹ Ibid.

²⁰ Ibid.

²¹ Ibid.

²² Ibid.

²³ Ibid.

²⁴ Biswa Nath Bhattacharyay, "Benefits and Challenges of Integrating South and Southeast Asia", *CESifo Working Paper No. 3819*. May 2012, p. 12.

²⁵ Ibid.

²⁶ Ibid.

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²⁸ Ibid.

²⁹ Ibid.

³⁰ Fukunari Kimura, Toshihiro Kudo, So Umezaki, "Chapter 1: ASEAN-India Connectivity", *ASEAN-India Connectivity: The Comprehensive Asia Development Plan, Phase II*. ERIA Research Project, March 2011, p. 24.

³¹ Ibid.

³² Ibid.

³³ Ibid.

³⁴ Ibid.

³⁵ Ibid.

³⁶ Ibid.

³⁷ Fukunari Kimura, Toshihiro Kudo, So Umezaki, "Chapter 1: ASEAN-India Connectivity", *ASEAN-India Connectivity: The Comprehensive Asia Development Plan, Phase II*. ERIA Research Project, March 2011, p. 46.

³⁸ Ibid.

³⁹ Ibid.

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POWERPOINT PRESENTATIONS

WORKING SESSION I

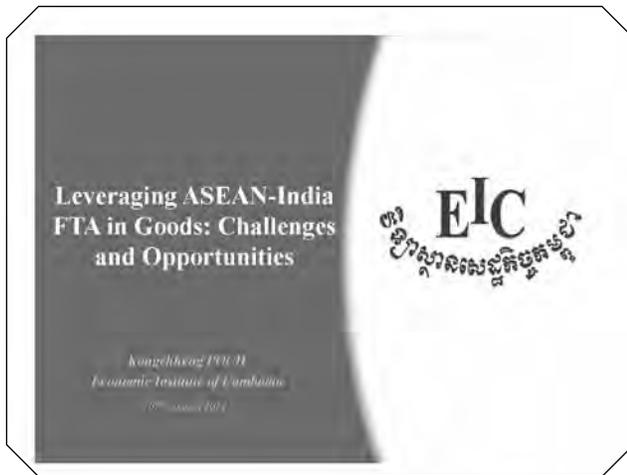
LEVERAGING ASEAN-INDIA FREE TRADE AGREEMENT IN GOODS

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Leveraging ASEAN-India FTA in Goods: Challenges and Opportunities

- Poch Kongchheng



Contents

- Introduction
- Recent ASEAN-India trade developments
- Challenges in furthering FTA in goods
- Opportunities in furthering FTA in goods
- Concluding remarks

Introduction

- ASEAN-India Free Trade Agreement (AIFTA) was operationalized since January 01, 2010.
- AIFTA is a major step towards the creation of one of the world's largest FTA.
- AIFTA has dramatically driven bilateral trade between the ASEAN region and India.

Recent ASEAN-India Trade Developments

- Total trade value in 2010 roughly reached US\$52.6 billion.
- Trade flow between India and individual ASEAN members is undoubtedly unbalanced.
- Singapore followed by Indonesia, Malaysia and Thailand remains the dominant trading partners of India.
- The two-way trade between the remaining ASEAN members (CLMV countries, Brunei and the Philippines) and India is still far behind.

Recent ASEAN-India Trade Developments

- ASEAN-India Trade Flow in 2006-2010 (*000 US\$)

ASEAN Members	2006	2007	2008	2009	2010
Singapore	11,311,812	15,291,975	17,158,851	11,969,173	16,325,395
Indonesia	3,480,249	5,718,542	9,080,651	10,010,809	14,252,412
Malaysia	5,987,290	7,675,912	10,495,759	9,514,962	9,551,216
Thailand	2,951,794	3,055,705	4,670,071	4,489,693	6,080,400
Net Item	1,053,924	1,294,811	2,184,213	2,270,406	3,469,108
Myanmar	326,789	571,824	1,152,800	1,700,365	1,364,729
Philippines	305,034	744,943	892,695	1,040,992	1,194,027
Brunei	270,181	242,368	343,016	254,338	228,869
Cambodia	49,571	46,071	36,122	45,309	69,694
Lao PDR	2,738	3,093	5,145	27,113	28,297
ASEAN Aggregation	26,808,949	34,656,118	46,131,905	41,869,355	52,588,632
ASEAN share of India's global trade	3.6%	3.6%	5.9%	6.4%	6.9%

Source: International Trade Center (Trade Matrix 2012)

Challenges in Furthering FTA in Goods

- ASEAN and India have many FTAs to be implemented simultaneously.
 - ACFTA
 - AJCEP
 - AANFTA, etc.....
- ASEAN's close relation with China poses more pressing constraint.



Concluding Remarks

- Two-way trade between the two regions has expanded rapidly.
- Yet, the trade relation is quite unbalanced.
- With challenges and opportunities, clear-cut policy options are required to promote stronger trade relation.



Thank You for Your Attention!!



Economic Linkages between South Asia/East Asia with a Focus on ASEAN/India Linkages

- Pradumna B. Rana

Economic linkages between South Asia/East Asia with a focus on ASEAN/India linkages

Pradumna B. Rana
Associate Professor

(Based on an on-going project on Re-invigorating South Asia: Looking Within, Looking East, and Looking West, supported by a research grant from JNU)

Prepared for the
Round Table of ASEAN-India Think Tanks,
New Delhi: 7-8 August, 2012



Key Messages

- Strong potential for India to develop multinational-led production networks in South Asia (mainly in agro-processing, water/energy resources, and services) and to link them to production networks and supply chains in East Asia and the ROW
- This would not only re-invigorate the dormant level of economic integration in South Asia but would enhance SA's contribution to the evolution of an "integrated and prosperous Asia"

Outline

- I. Why study economic linkages between SA/EA?
- II. Why focus on India/ASEAN relations?
- III. Evolving relations between India/ASEAN
- IV. Trends
- V. Potential and Complementarities
- VI. Required Policies and Actions



I. Why study economic linkages between SA/EA?

- ASEAN, China, and India (ACI) are undergoing a "great transformation" with implications for ACI, Asia, and the world (ADB 2012)
- So far, ACP/EA integration, could SA/EA relations be the second phase of Pan-Asian integration? (Rana 2009)
- Could it be a new "driver" of South Asian integration that has stalled since the Partition?
- Are we seeing the "re-emergence" of "integrated and prosperous Pan Asia"? (Rana 2012)

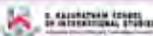
II. Why focus on India/ASEAN relations?

- Together with India/China, India/ASEAN trade is the largest component of SA/EA trade
- "ASEAN welcomes India's participation in the proposed Regional Comprehensive Economic Partnership", Singapore's PM in Singapore Dialogue organized by ISAS in New Delhi, 12 July 2012
- Former Thai Finance Minister (Sussangkarn 2010) has made the case for India, Australia, and New Zealand to be associate members/contributing partners in CMIM
- Expanded ASEAN+3 would strengthen Asia's voice in the G20 (Rana 2012)



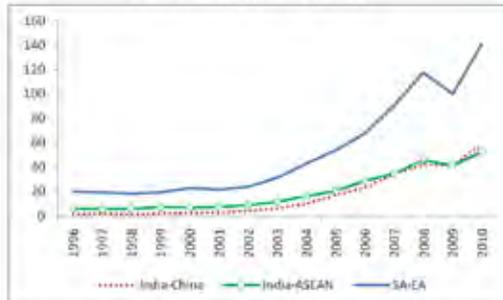
III. Evolving relations between India/ASEAN Trends

- 1991: India adopted "Look East" policy
- 1992: India became ASEAN's sectoral dialogue partner
- 1996: India became ASEAN's full dialogue partner
- 1997: BIMSTEC established
- 2000: Mekong-Ganga Cooperation established
- 2004: Early Harvest Scheme for India-Thai FTA
- 2005: India-Singapore CECA
- EAS established
- 2010: Comprehensive Asia Development Plan (CADP) submitted by IFTA to EAS
- Masterplan on ASEAN Connectivity approved
- ASEAN/India FTA (in goods trade) became effective
- 2011: ASEAN/India connectivity selected as main theme of C-STEP
- 2012: Prof Sen appointed Chancellor of Malanda University



IV. Trends - Trade

Total trade (X+M, bl \$)



IV. Trends - FDI

- FDI inflows to SA from EA are increasing. China, Malaysia, and Thailand are joining traditional high income countries such as HK, Korea, Japan and Singapore. India's service exports to Singapore have increased due to CETA. Singapore is second-ranked FDI source, also movement of professionals. Automobile industry in India benefiting from FDI from Korea and Japan. Electronics in India benefiting from FDI from Korea, Taiwan, and Singapore. Infrastructure in India and other SA countries benefiting from FDI from China, Malaysia, and Singapore.
- FDI inflows from SA to EA are also increasing: 1500 Indian companies are currently based in Singapore; large number of flights.

IV. Trends - Services

Growing opportunities for service exports from SA: health services (India), travel (Nepal), telecoms (Pakistan and Sri Lanka), financial services (India and Singapore) (Findlay et al 2009)

V. Potential and Complementarities

India's trade potential is highest with East Asia followed by EU, NAFTA, and South Asia (De 2010)

- (i) Calculations of RCAs and trade complementarity indices for India and East Asia suggest this potential both for goods and services trade (World Bank 2010, Rana 2009)

V. Potential and Complementarities

- (ii) Beyond static analysis, there is great potential for India (SA) to link with production networks in East Asia and the world: India could also develop production networks in South Asia in agro-processing and services.
 - Multinational-led production networks (product fragmentation and vertical specialization) are key contributors to regional integration and dynamism of East Asia
 - Akamatsu's "flying geese theory" of nexus between FDI and trade, technological developments, and Kimura's "product fragmentation and economic geography" theories are used to explain these developments and trade in parts and components

V. Potential and Complementarities

- Drivers of trade go beyond factor endowments and complementarities to the use of IT and communications and geography
- For these theories to function one needs (i) countries with different factor endowments (ii) dynamic private sector that can mobilize cross-border FDI (iii) technology that allow product fragmentation, and (iii) not-too-expensive service link cost to connect fragmented production processes.
- Some production sharing with East Asia in apparel and textiles (in Bangladesh and Sri Lanka); automobiles (in India); Electrical and telecom parts (in Sri Lanka)

VI. Required Policies and Actions

1. **First generation reforms** implemented by India and SA have reduced tariffs and NTBs, but they are still higher than in EA (Rana 2009)
2. India/SA needs to accelerate implementation of **Second Generation reforms**. These include reforms of public institutions for good governance (civil service, bureaucracy, and public administration), institutions to create or maintain human capital (education and health), and improving the environment affecting the private sector (regulatory environment, flexibility in labor market, legal and physical infrastructure, and clearly defined property rights) (Rana 2009)



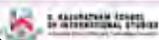
Appendix Table 2: Key structural indicators for South Asia and East Asia (Rankings)

Year	2008	2009-2010	2007	2008-2010	2010
	World Governance Indicator (WGI) ¹	Infrastructure (INF) ²	Human Development Indicator (HDI) ³	Global Competitiveness Index (GCI) ⁴	Doing Business Index (DBI) ⁵
South Asia					
Singapore	179	126	146	108	113
India	150	76	134	43	132
Yapac	176	131	144	125	123
Palawan	190	89	141	191	88
Sri Lanka	130	64	122	79	120
East Asia					
Cambodia	168	39	127	110	145
China	158	48	122	39	119
Indonesia	143	84	111	64	122
Japan	25	13	12	8	88
Leban	154	104	123	104	127
Mongolia	118	132	119	117	60
Singapore	14	4	23	0	1
Taiwan	153	94	118	73	92

1. WGI is a composite index of 10 indicators: government effectiveness, regulatory quality, government integrity, corruption control, political stability, voice and accountability, government expenditure, government effectiveness, government effectiveness, government effectiveness. 2. INF is a composite index of 10 indicators: infrastructure quality, infrastructure quality. 3. HDI is a composite index of 3 indicators: life expectancy at birth, mean years of schooling, and gross national income per capita. 4. GCI is a composite index of 14 indicators: infrastructure, innovation, leadership, management, macroeconomics, market efficiency, government efficiency, government effectiveness, government effectiveness. 5. DBI is a composite index of 10 indicators: starting a business, getting credit, paying taxes, trading across borders, enforcing contracts, resolving insolvency, starting a business, getting credit, paying taxes, trading across borders.

VI. Required Policies and Actions

3. ASEAN and India should re-double efforts to conclude investment and services chapter of the ASEAN/India FTA
4. A number of bilateral FTAs have become effective between India/SA and EA: to make these stepping stones rather than stumbling blocs to multilateralism, there is a need to consolidate them into a single Asia-wide FTA (Francois, Rana, Wignaraja 2009)
 - This argument supports Singapore PM's call for India to join ASEAN's RCEP

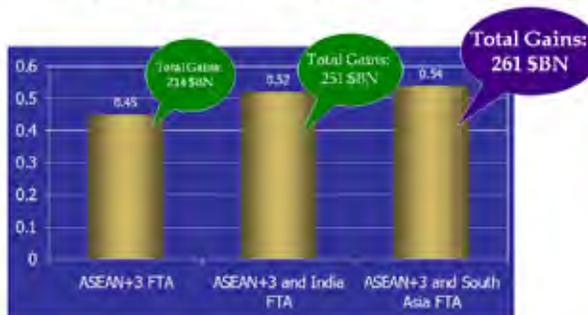


FTAs between South and East Asia



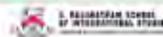
Source: APEC's Asia Regional Free Trade Area Forum (APEC FTA) database (http://www.apec.org/). data as of 13 January 2010

Gains in Income from Different FTA Scenarios



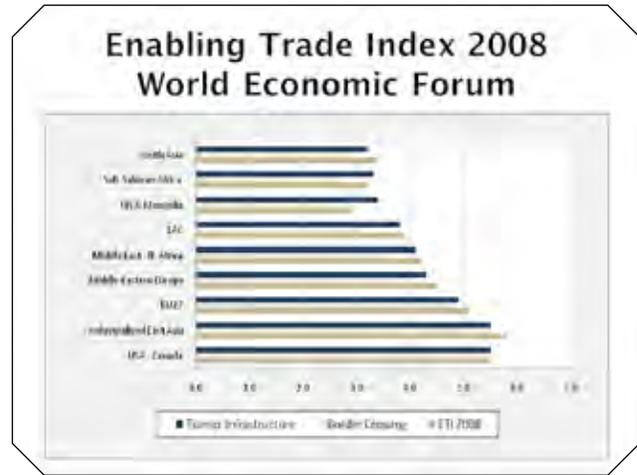
VI. Required Policies and Actions

5. With lower tariffs, trade facilitation policies to reduce non-tariff trading costs (including at the border and behind the border costs and logistics) have become the critical determinants of India/SA and EA trade



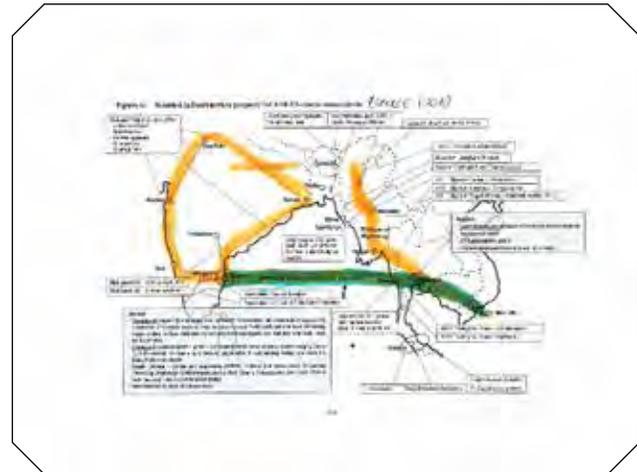
Trading Across Borders Across Regions (Export)

Region	Documents to export (months)	Time to export (days)	Cost to export (US\$ per container)
South Asia (SA)	8.5	22.3	1,811.8
East Asia & Pacific (EAP)	6.6	22.3	989.8
Eastern Europe & Central Asia (ECA)	9.4	26.7	1,851.7
Latin America	7.7	24.6	1,383.6
Middle East & North Africa (MENA)	8.4	29.3	1,388.8
Organization for Economic Co-Operation and Development (OECD)	6.4	23.6	1,288.7



VI. Required Policies and Actions

6. Trade facilitation is not only a question of software but also physical integration or connectivity which needs to be expedited
- A dozen or so infrastructure projects seek to connect SA with EA, and these have received a fillip with the gradual and cautious reforms in Myanmar, a node/economic bridge between SA and EA
 - The key projects are: Mekong-India Economic Corridor (MIEC) proposed by ERIA; Trilateral Highway between India, Myanmar, and Thailand along Asian Highway 1 (by 2016); Kaladan Multimodal Transit transport Project; Second Highway link between Nepal and China



Nepal-China Railway



Second Friendship Bridge, Nepal/China



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Thank You

Leveraging ASEAN-India Free Trade Agreement in Goods

- Pranav Kumar

Round Table on ASEAN-India Network of Think-Tanks

New Delhi, 7-8 August, 2012

Leveraging ASEAN-India Free Trade Agreement in Goods

Pranav Kumar

Confederation of Indian Industry (CII)
New Delhi

Why ASEAN?

- An opportunity to diversify export market
- Poor progress of integration within South Asia
- Relatively more integrated market
- With Doha not making desired progress, all countries are looking for FTAs to gain market access

Indo-ASEAN FTA

- Impact: too early to reach at any conclusion
- Based on the various studies' projection
 - Tea, spices, coffee and rubber to be negatively impacted
 - Food processing, fisheries, textiles & clothing, auto component likely to face greater competition
 - India to gain in services

Initial Trends (India's Exports to ASEAN) US\$mn

Country	2009-2010	2010-2011	2011-2012(Apr-Dec)
BRUNEI	24.44	23.07	889.42
CAMBODIA	45.54	66.04	70.32
INDONESIA	3,063.38	5,700.78	4,440.75
LAO PDR	16.93	13.11	9.89
MALAYSIA	2,835.41	3,271.17	2,835.67
MYANMAR	207.07	320.62	380.6
PHILIPPINES	746.77	881.1	739.67
SINGAPORE	7,592.17	9,825.44	12,672.38
THAILAND	1,740.16	3,274.21	2,091.27
VIETNAM SOC REP	1,838.95	2,651.44	2,069.10
Total	18,113.71	25,627.89	26,772.09

Source: Ministry of Commerce, India

Initial Trend (India's Imports from ASEAN) US\$mn

Country	2009-2010	2010-2011	2011-2012(Apr-Dec)
BRUNEI	428.65	234.17	615.14
CAMBODIA	3.05	8.01	6.37
INDONESIA	8,656.66	9,918.60	11,297.45
LAO PDR	20.08	0.22	58.78
MALAYSIA	3,176.78	6,523.58	7,130.79
MYANMAR	1,288.80	1,017.67	1,029.23
PHILIPPINES	313.07	429.39	399.05
SINGAPORE	6,454.57	7,139.31	6,574.25
THAILAND	2,931.52	4,272.09	3,947.51
VIETNAM SOC REP	521.31	1,064.90	1,300.38
Total	25,797.96	30,607.96	32,326.94

Source: Ministry of Commerce, India

Initial Trend (Broad Outcomes)

- No huge surge in imports on aggregate terms
- No major shift in the patterns of exports
- Trade deficit not alarming

Product-wise Import into India

- Tea, coffee and spices not witnessing any major surge in imports
- Fisheries too not getting adversely impacted
- Initial surge in imports in rubber
- Pharmaceuticals and electrical & electronic equipment showing upward trend

Leveraging India-ASEAN FTA to Increase Indian Exports

- No study forecasts that Indian merchandise exports will increase immensely
- Industry does see it as an opportunity to diversify in ASEAN market
- Vietnam, Cambodia and Myanmar are a great potential for both trade and investment

Leveraging India-ASEAN FTA to Increase Indian Exports

- Health & Pharma
- Manufacturing – esp machinery – cold rolling steel mills, textile machinery, agri machinery, vending machines, plastic processing machines and cold chain refrigeration
- Heavy commercial vehicles

Challenges for Indian Industry

- Fear factor
- Not well understood about the opportunities
- Too much focus on tariffs
- Need to address NTBs
- Connectivity

Thank You

WORKING SESSION II

EXPLORING OPPORTUNITIES
THROUGH DEEPER INTEGRATION IN
THE SERVICES AND INVESTMENT

List of Presentations in Session-II

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- 2. ASEAN SMEs: The New Investment Opportunities 158**
Aida Licaros Velasco, Associate Professor, Decision Science and Innovation Department, & Director, Center for Business Research and Development, RVR College of Business, De La Salle University, Manila

ASEAN-India Service and Investment Agreements and Its Implication on the Economic Cooperation between Laos and India

- Viengsavang Thipphavong

ASEAN-India Service and Investment Agreements and its implication on the Economic Cooperation between Laos and India



Viengsavang THIPPHAVONG

Economic Research Institute for Trade, MOEC, Laos.
7-8 August 2012

Outline

- ASEAN – India economic cooperation
 - Framework agreements
 - Summary of economic cooperation progresses
- Services and investment cooperation agreements
 - Achievements and
 - challenges
- Laos and India economic partnership under services and investment frameworks
 - Current cooperation
 - Potential cooperation in the future

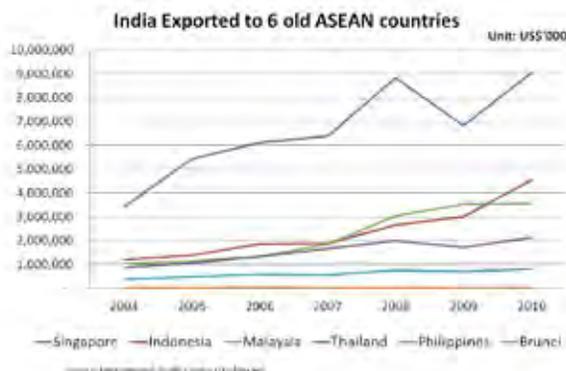
ASEAN-India Economic Cooperation

- “Look East” policy of Indian government in 1991 seen as a turning point to enhance greater economic cooperation between ASEAN and India
- From 1991 onward many forms of agreements between ASEAN-India taken place
- AFTA signed in 2009 – marked as significant economic cooperation (enhancing trade in goods, services and investment) between two parties. Estimated to complete by 2016.

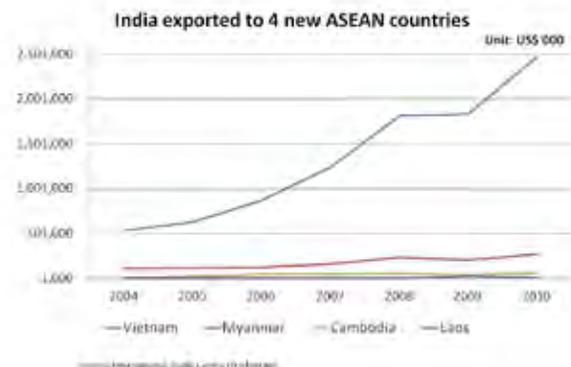
Current ASEAN-India Cooperation Agreements

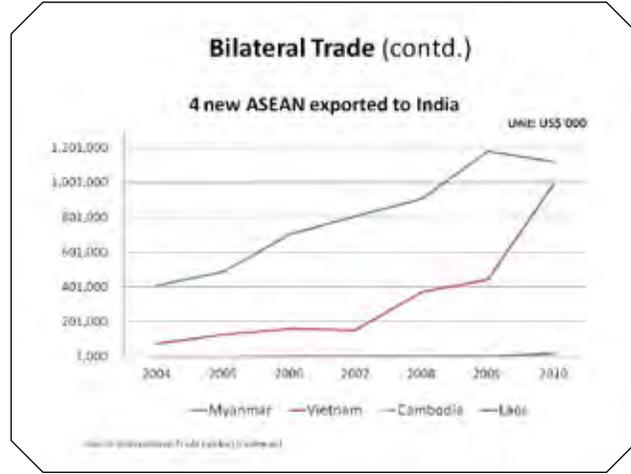
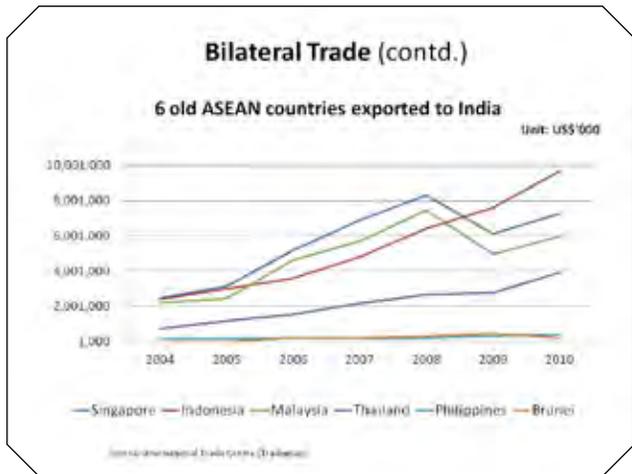
Year	Events/Agreements
1992	Sectoral Dialogue Partnership of ASEAN
1995	Full Dialogue Partnership of ASEAN
1996	Membership in ASEAN Regional Forum
1997	Establishment of Bengal Initiative for Multi-sectoral Technical and Economic Cooperation (BIMSTEC)
2000	Mekong-Ganga Cooperation Initiative begins
2002	First India-ASEAN Summit and India-ASEAN Business Summit
2003	Framework Agreement on Comprehensive Economic Cooperation
2003	India signs Treaty of Amity and Cooperation
2003	ASEAN-India Joint Declaration for Cooperation to Combat International Terrorism
2004	ASEAN-India Partnership for Peace, Progress and Shared Prosperity
2005	India becomes member of East Asian Summit
2009	Signing of the ASEAN-India Free Trade Agreement (AFTA)

Bilateral Trade Between ASEAN and India



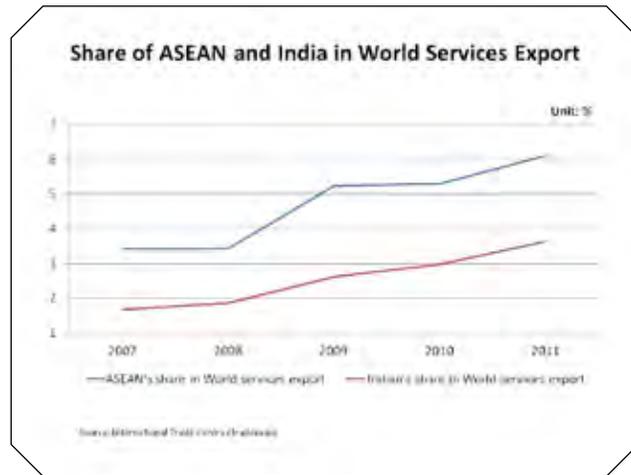
Bilateral Trade (contd.)





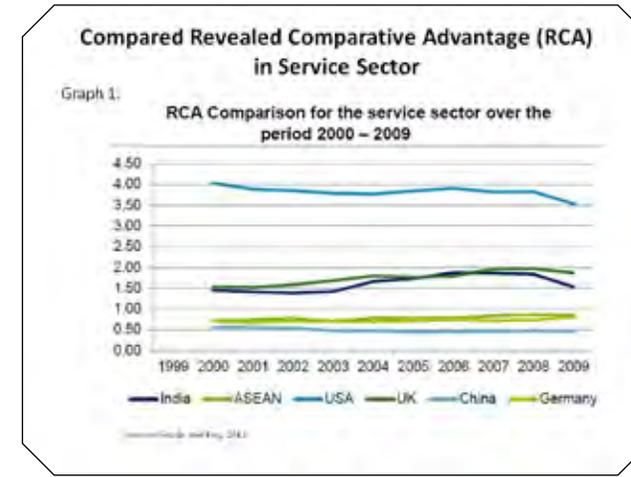
ASEAN-India Trade in Services

- AIFTA has provided platform for liberalizing services and investment between ASEAN and India by 2016.
- Including services sectors in the AIFTA can bring about economic profits to both ASEAN and India (see graphs)
- ASEAN** exported services to the world over US\$220 billion in 2010 while **India** was more than US\$124 billion (Trademap, 2012).
- However, opening up services sector under AIFTA seems to stalemated movement as some ASEAN countries afraid of disadvantages (unemployment issue), particularly on the Mode IV (Ghosh and Roy, 2011)

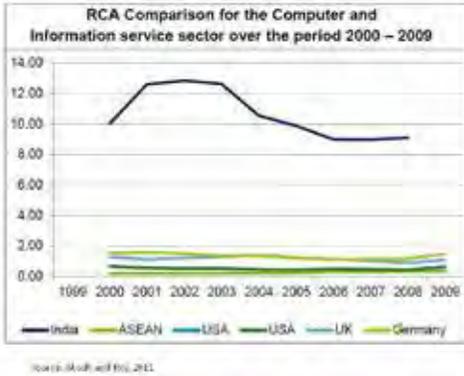


Services Concerned by ASEAN and India under AIFTA negotiation

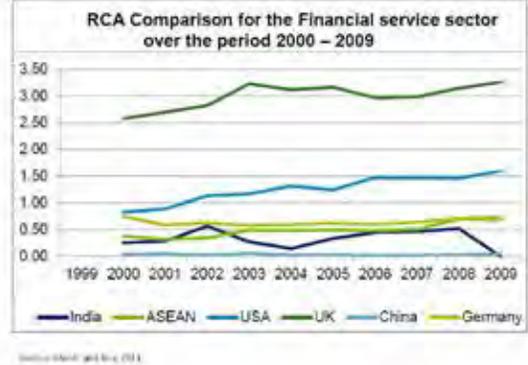
- ASEAN members tried to promote **Mode 3** (*supply of services through commercial presence*) for service liberalization.
- However, India pursued **Mode 1 and Mode 4** (*Cross-border supply of services and the temporary presence of natural persons respectively*)
- Thus mutual recognition agreements (MRA) was encouraged under AIFTA negotiation.
- Architectural, engineering and accountant services** are seen to boost ASEAN-India cooperation in both service supply and investment under AIFTA.



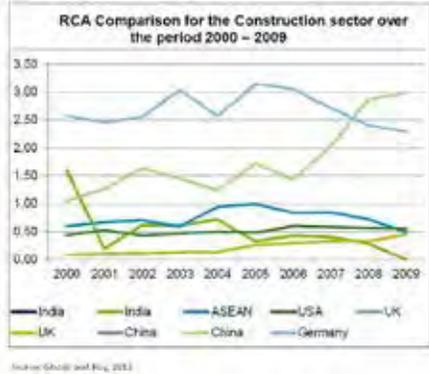
Graph 2.



Graph 3.



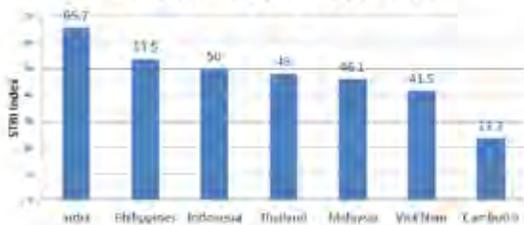
Graph 4.



Challenges impede services liberalization between ASEAN and India

- High protection level/ policy restriction
- Negative impact on GDP growth in some ASEAN members and India (Sildar and Nag, 2011)
- Increasing unemployment
- Lost market share

Service Trade Restrictions Index (STRI) by India and some ASEAN countries



Index interpretation:
 0=Open without restrictions, 25=Virtually open, 50=Existence of major/non-trivial restrictions, 75=Virtually closed, 100=Completely closed.

Note: (1) (4) represents STRI data for most of ASEAN member (1) (2) (3) (4) (5) (6) (7) (8) (9) (10) (11) (12) (13) (14) (15) (16) (17) (18) (19) (20) (21) (22) (23) (24) (25) (26) (27) (28) (29) (30) (31) (32) (33) (34) (35) (36) (37) (38) (39) (40) (41) (42) (43) (44) (45) (46) (47) (48) (49) (50) (51) (52) (53) (54) (55) (56) (57) (58) (59) (60) (61) (62) (63) (64) (65) (66) (67) (68) (69) (70) (71) (72) (73) (74) (75) (76) (77) (78) (79) (80) (81) (82) (83) (84) (85) (86) (87) (88) (89) (90) (91) (92) (93) (94) (95) (96) (97) (98) (99) (100)

Source: The World Bank, Annual Report Indicators Database

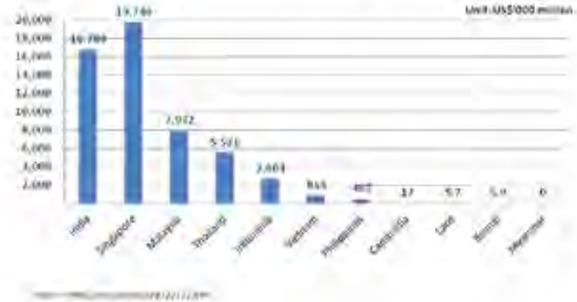
FDI between ASEAN and India

- FDI inflow from India to ASEAN member states increased gradually during 2008 to 2010 which rose 2.2% in average in those periods. However, it was dropped 154% in 2011 compared to 2010 which was from US\$3.4 bill to US\$-1.8 bill respectively.
- India ranked in number 8 on top ten FDI inflow in ASEAN (aggregated FDI data from 2008-2010)

FDI between ASEAN and India (Cont)

- Malaysia and Singapore represented ASEAN as the major investors in India, particularly in infrastructure sectors
- India strongly invested in service sectors of three ASEAN countries namely, Malaysia, Singapore and Thailand.

Total outflow investment in merchandise and services



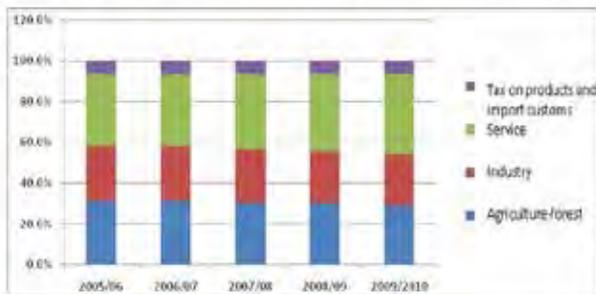
Bilateral Relationship Between India and Laos



Lao PDR economic performance

- Lao PDR is on the rise of gradually increasing economic development, average GDP grew 7.9% (2006-2010).
- Services, Agriculture and Industry became the main sectoral composition of Lao GDP from 2006-2010.
- In 2009-2010, agriculture and forestry sector had accounted for 29%, services sector 39% and industrial sector 26% of Lao GDP (see graph).

Economic Structure of Laos from 2006-2010



Lao-India: service and investment cooperation

- Overall bilateral economic cooperation between Laos and India relatively small compared to other ASEAN countries.
- Current field of investment by Indian investors in Laos
 - Developing power (US\$13 million)
 - Irrigation, and
 - Industrial plantation projects (US\$500 million)
- Total Indian investment in Laos between 2000 and 2009 was over US\$352 million.
- However, India accounted for only **3.6 percent** compared to other countries in total investment report from 2001 to 2009 in Laos. There are very limited or none investment outflows from Laos to India.

Possible economic cooperation between Laos and India

- Strengthening economic cooperation between Laos and India under Mekong-Ganga cooperation initiative.
- The potential sectors both Laos and India for maximizing economic profits :
 - Tourism
 - Culture
 - Education
 - Transport and communication

Recommendation

- Computers and information services or ICT increasingly play an important role in Laos economy as its economic growth. Thus, Laos and India can promote the economic tie through this sector.
- Laos and India has long historical ties in culture which can be promoted through tourist development.
- Laos still regarded as an agricultural country, has potential in large scale production. So investment in agro-processing industries badly need and Indian investors can take these advantages.

Thank you

ASEAN SMEs: The New Investment Opportunities

- Aida Licaros Velasco

ASEAN SMEs: The New Investment Opportunities

First Round Table of ASEAN-India Network of Think-Tanks

7-8 August 2012, New Delhi, India

Dr. Aida Licaros Velasco

De La Salle University
2401 Taft Avenue, Manila, Philippines

Association of South East Asian Nations (ASEAN)

- Established on 8 August 1967 in Bangkok, Thailand, with the signing of the ASEAN Declaration (Bangkok Declaration) by the Founding Fathers of ASEAN, namely Indonesia, Malaysia, Philippines, Singapore and Thailand or ASEAN 5
- Brunei Darussalam joined on 7 January 1984
- Viet Nam on 28 July 1995, Lao PDR and Myanmar on 23 July 1997, and Cambodia on 30 April 1999, or VLMC making up what is today the ten Member States of ASEAN.

Economic Indicators

(Source: <http://www.aseansec.org/51226.htm>)

Indicators	Unit	2008	2009	Remarks
Total land area	km ²	4,435,830	4,435,670	
Total population	thousand	583,673	590,844	2009 population is preliminary figure
Gross domestic product at current prices	US\$ million	1,512,707	1,496,341	2008 and 2009 annual figures for Lao PDR were taken from IMF-WEO Apr 2010. While figures for Brunei Darussalam, Cambodia, Indonesia, Myanmar, Malaysia, Philippines, Singapore, Thailand and Viet Nam are release figures from National Statistical Office's websites.
GDP growth	percent	4.4	1.5	ASEAN figure is estimated using country growth rates and country share of world GDP calculated in PPP\$ from the IMF-WEO Database April 2010.
Gross domestic product per capita at current prices	US\$	2,592	2,593	
International merchandise trade	US\$ million	1,897,127	1,536,843	2009 figure is as of September 2010
Export	US\$ million	977,537	810,489	
Import	US\$ million	919,591	726,354	
Foreign direct investments inflow	US\$ million	49,469	39,387	2009 figure is as of 31 December 2010
Visitor arrivals	thousand	65,605.5	65,808.6	2009 figure is as of 28 January 2011

Land Area and Population

(Source: <http://www.aseansec.org/5124.htm>)

Country	Total land area	Total population ^{1/}	Population density ^{1/}	Annual population growth ^{1/2}
	km ²	thousand	persons per km ²	percent
	2009	2009	2009	2009
Brunei Darussalam	5,765	406.2	70	2.1
Cambodia	181,035	14,957.8	83	2.1
Indonesia	1,860,360	231,369.5	124	1.2
Lao PDR	236,800	5,922.1	25	2.8
Malaysia	330,252	28,306.0	86	2.1
Myanmar	676,577	59,534.3	88	1.8
The Philippines	300,000	92,226.6	307	2.0
Singapore	710	4,987.6	7,023	3.1
Thailand	513,120	66,903.0	130	0.6
Viet Nam	331,212	87,228.4	263	1.2
ASEAN	4,435,830	591,841.0	133	1.4

GDP and Trade

(Source: <http://www.aseansec.org/5123.htm>)

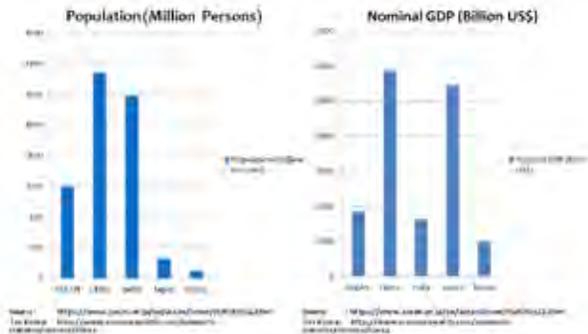
Country	Gross domestic product ^{1/} at current prices		International merchandise trade ^{2/}			Foreign direct investments inflow ^{3/}	
	per capita at current prices		Exports	Imports	Total trade		
	US\$ million	US\$ ^{2/}	US\$ million	US\$ million	US\$ million	US\$ million	US\$ million
	2009	2009	2009	2009	2009	2009	2010 ^{4/}
Brunei Darussalam	10,758.6	26,486.6	36,177.4	7,358.6	2,999.6	5,508.2	247.9
Cambodia	10,959.2	692.6	1,797.6	4,097.8	3,300.9	8,898.7	936.2
Indonesia	548,364.6	2,908.8	4,371.2	118,510.9	36,879.2	218,899.2	4,274.8
Lao PDR	6,679.2	319.8	2,266.0	1,297.2	1,726.0	2,962.1	318.6
Malaysia	193,167.7	6,822.6	12,959.3	156,890.9	129,830.0	286,221.4	1,301.0
Myanmar	24,972.8	428.5	1,199.1	6,361.5	3,808.9	16,195.3	578.0
The Philippines	161,897.6	1,749.4	8,936.8	38,494.7	45,598.0	89,866.6	1,948.0
Singapore	152,761.7	36,631.2	52,871.8	268,832.5	265,784.7	525,617.1	16,500.0
Thailand	204,822.8	3,950.8	7,943.5	152,497.2	133,769.6	286,296.8	4,975.6
Viet Nam	36,312.1	3,138.6	3,528.8	56,691.9	69,230.9	125,921.9	7,606.0
ASEAN	1,496,341.3	2,532.5	4,872.0	316,489.2	726,354.1	1,536,843.3	39,987.3

Economic Indicators

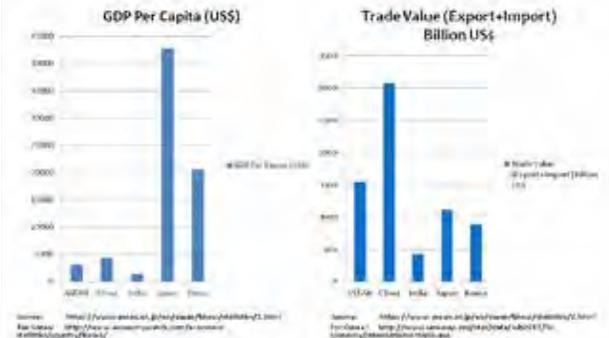
(Source: <http://www.aseansec.org/5123.htm>)

Country	Unemployment rate ^{1/}	International merchandise trade						Year-on-year change in foreign direct investments net inflow ^{2/}	
		Ratio of exports to GDP	Ratio of imports to GDP	Ratio of total trade to GDP	Growth of nominal value of exports	Growth of nominal value of imports	Growth of nominal value of total trade	US\$ million	percent
		percent	percent	percent	percent	percent	percent	2009	2009
		2008/2009	2009	2009	2009	2009	2009	2009	2009
Brunei Darussalam	5.7	66.6	22.3	88.9	14.4	48.1	28.6	193.5	54.5
Cambodia	1.6	48.1	37.7	85.8	11.6	26.2	15.8	(205.0)	(35.4)
Indonesia	7.9	21.8	17.7	39.5	20.1	79.5	48.2	(4,441.9)	(47.7)
Lao PDR	1.5	22.2	39.9	58.1	116.7	158.6	140.7	59.8	89.9
Malaysia	3.7	81.2	63.9	145.1	10.4	-0.8	6.9	(5,937.4)	(81.1)
Myanmar	4.9	25.4	15.4	40.8	11.6	26.1	19.4	(397.0)	(49.7)
The Philippines	7.1	28.0	28.2	52.0	-2.9	2.0	-0.3	464.0	26.2
Singapore	4.9	147.7	134.5	282.2	49.3	-42.9	-16.1	5,896.7	54.0
Thailand	1.0	57.7	50.6	108.3	19.0	26.0	20.1	(3,553.0)	(41.7)
Viet Nam	4.6	58.9	71.9	130.7	27.0	29.0	20.5	(1,070.0)	(29.7)
ASEAN	n.a.	54.2	48.5	102.7	3.8	16.7	6.2	(16,081.4)	(29.4)

ASEAN + 4 Economic Indicators (2010)



ASEAN + 4 Economic Indicators



The ASEAN Vision 2020

A concert of Southeast Asian nations, outward looking, living in peace, stability and prosperity, bonded together in partnership in dynamic development and in a community of caring societies.

ASEAN Community

- Establishment of an ASEAN Community by 2015 and signed the Cebu Declaration on the Acceleration of the Establishment of an ASEAN Community by 2015
- Three Pillars of ASEAN Community
 - ASEAN Political Security Community
 - ASEAN Economic Community
 - ASEAN Socio-Cultural Community

SMEs and Business Opportunities

ASEAN SMEs: The Next Mover of Economic Growth...

- SMEs account for more than 96% of all enterprises
- 50% to 85% of domestic employment.
- Contribution of SMEs to GDP is between 30% and 53%
- Contribution of SMEs to exports is between 19% and 31%.
- SMEs generate income and employment
- SMEs empower women and youth business participation
- Aid in inclusive growth and development due to widespread presence in non-urban and poorer domestic regions.
- ASEAN long-run and sustainable economic growth is heavily influenced by SME.

Inclusive Growth and Development

SME and Investment Partnership

Why SMEs?

- Efficient SME sector will ensure sustainable, inclusive and broad-based economic and social development
- They are critical in supporting regional integration through the establishment of the ASEAN Community
- More agile and adaptable to changes in environment and innovation
- ICT facilitates SME investments and integration
- Limited access to finance, technologies and markets are investment opportunities to partner with SMEs
- SME based clusters , inter- firm networks and linkages within ASEAN + 4 will help leverage collaboration and collective efficiency, economies of scale in the value chain leading to more business opportunities

SMEs at the Center of Trends

- Social issues
- Health and people well-being
- Social and economic equity
- Environmental concerns



SMEs: Catalyst of Investment Paradigm Shift

- SMEs as choice for foreign invested enterprise
- Enable innovative SMEs to develop and grow
- Provide Pro-SME Interventions
- Social Entrepreneurship
- SMEs and LO Partnership
- Venture Capital and Angel Investors for SMEs

WORKING SESSION III

ENHANCING CONNECTIVITY FOR PROMOTING ASEAN-INDIA ECONOMIC INTEGRATION

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Enhancing Connectivity for Promoting ASEAN-India Economic Integration

-Mahani Zainal Abidin

ENHANCING CONNECTIVITY FOR PROMOTING ASEAN-INDIA ECONOMIC INTEGRATION

Dr. Mahani Zainal Abidin
Institutional Strategist and International Staffer (IS&I), Malaysia
 7 August 2012



Brief history of ASEAN-India Relations

- ASEAN-India:
 - sectoral dialogue partnership in 1992
 - full dialogue partnership in December 1995
- Since India became ASEAN's dialogue partner:
 - Collaboration evolved from functional cooperation to various forms, part of ASEAN's main partners such as AEC, PMG, EAS, Muzungu Group, and BIMSTEC.
- Annual ASEAN-India Summits held since 2002.
- At the 9th ASEAN-India Summit, Prime Minister Manmohan Singh said "greater physical connectivity with ASEAN remains India's strategic objective":
 - called for forming a group of proposals for the Myanmar-India Economic Corridor linking the North-east with the East Asia Region
- 20th ASEAN-India Commemorative Summit will be held on on December 20-21, 2012 in New Delhi.

ASEAN-India Today

- ASEAN-India FTA came into effect on 1 January 2010.
- ASEAN-India trade in 2010:
 - India is ASEAN's 7th largest trading partner, 6th biggest investor
 - total trade of **USD55.4bil**, represents 2.7% of whole of ASEAN trade
 - total trade target : **USD70bil in 2012**.
- India's major import source : Malaysia and Singapore
- India's main exports markets : Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.

Trade partner/country/region ¹	US\$ Million		
	Exports	Imports	Total trade
ASEAN	247,318.0	294,229.0	541,547.0
China	142,799.2	315,113.4	457,912.6
European Union (EU)	142,230.4	93,243.4	235,473.8
US	132,290.2	292,749.2	425,039.4
USA	100,614.2	26,222.0	126,836.2
Republic of Korea	44,892.8	52,143.2	97,036.0
India	34,223.7	33,414.7	67,638.4
Australia	35,290.1	22,374.4	57,664.5
Japan	31,228.0	21,292.2	52,520.2
Thailand	14,122.3	31,263.2	45,385.5
Other top trade partner countries	144,734.0	717,471.1	862,205.1
Other ²	295,417.0	125,247.1	420,664.1
Total	1,079,443.4	874,783.4	1,954,226.8

Top 10 ASEAN trade partners 2010
Source: ASEAN Secretariat

ASEAN-India Today (2)

Investment

- FDI from India US\$2.58 bil, more than double than in 2009, highest among ASEAN dialogue partners.

Socio-cultural

- 2.7 million Indian tourists entered ASEAN in 2011, 50% increase since 5 years ago (2007; 1.6 million tourists).
- Speedier people-to-people exchanges via:
 - aviation connectivity for air ASEAN connectivity
 - the proposed India-Myanmar-Thailand Highway

FDI net inflow to ASEAN from selected partner countries
Source: ASEAN Secretariat

Partner country/ ¹ region	India (US\$ bil)				Percentage change		
	2008	2009	2010	2011	2009	2010	2011
Australia	1.47	1.27	1.28	20.05	-14.3	0.8	149.5
EU	0.92	0.65	0.80	0.16	-30.3	20.0	101.0
Japan	1.13	1.76	1.95	13.20	55.7	10.8	113.3
European Union (EU)	1.41	1.14	1.12	19.17	-24.0	-1.8	66.4
China	1.27	1.14	1.26	0.08	-11.0	9.7	91.0
European Countries	1.54	1.16	0.74	0.71	-24.6	-55.2	181.0
Australia	0.79	0.67	1.01	0.91	-17.0	50.5	127.5
India	1.94	1.01	1.54	3.44	-48.4	24.0	234.6
Other ²	17.45	1.65	17.13	20.42	-88.4	134.0	134.0
Total FDI inflows to ASEAN	47.87	38.27	76.11	143.55	19.7	107.0	161.0

India's Look East Policy

- India is participating in the growing regionalism and has looked eastwards for closer integration with East Asia.
- The eastward looking policy initially centered on ASEAN (Dialogue Partner), APEC, BIMSTEC, MGC, Summit). It then expanded to Northeast Asia, Australia, New Zealand, US and Russia as part of EAS.
- Today, India's LEP has yielded benefits in bilateral trade (AIFTA), regional cooperation and increased people-to-people. Foreign trade as a ratio of GDP increases, represents an increasingly open economy.
- Future bilateral and multilateral projects will physically link East India with ASEAN.
- India's northeastern region has to be developed as a safe gateway to the East.
- Increase in India-ASEAN relationship coincides with robust expansion of the global and Indian economies. Hence, building more connectivity with ASEAN is important for India.

The importance of connectivity as illustrated by ASEAN

- ASEAN aims to achieve AEC by 2015. As such, ASEAN needs a community with enhanced connectivity.
- The sluggish intra-trade growth at 25% has prompted ASEAN leaders to devise a connectivity blueprint that encompasses physical, institutional and people-to-people connectivity.
- Good connectivity is important for ASEAN regional production network to remain competitive.
- People mobility will intensify the community building efforts.



Conclusion

- To fully realise the benefit of ASEAN-India FTA, connectivity between the two regions must be enhanced.
- Land connectivity needs huge investment and challenges remains
- Better connectivity can be achieved by focusing on air, sea and people-to-people links.
- New bold initiatives and the necessary reforms need to be taken. If not, this could limit prospects for future cooperation.

THANK YOU



Enhancing Connectivity to Promote India-ASEAN Economic Integration

- Michael Yeoh

Enhancing Connectivity to Promote India-ASEAN Economic Integration

By
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Asian Strategy & Leadership Institute (ASLI)
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Malaysian Representative to
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The 5C's of ASEAN

- ❑ ASEAN Consciousness
- ❑ ASEAN Charter
- ❑ ASEAN Community
- ❑ ASEAN Connectivity
- ❑ ASEAN Centrality

ASEAN is a region of around 600 million people with a combined gross domestic product of USD1.5 trillion.

Enhancing Connectivity to Drive Regional Integration

- ❑ The ASEAN Leaders Summit Meeting in Thailand on 24th October 2009 issued a Statement on ASEAN Connectivity.
- ❑ The ASEAN Leaders affirmed that enhancing Regional Connectivity within ASEAN would benefit all ASEAN Member States through enhanced trade, investment, tourism, people-to-people exchanges and development which would complement on-going regional efforts to realise a people-oriented ASEAN community by 2015 (ASEAN Leaders Statement issued in Cha-am Hua Hin Thailand in October 2009).
- ❑ The ASEAN Leaders in the 17th ASEAN Summit in Hanoi in October 2010 issued a Declaration on the adoption of the Master Plan on ASEAN Community:
"The Master Plan on ASEAN Connectivity will promote economic growth, narrow development gaps, ASEAN integration and community building process, enhance competitiveness of ASEAN, promote deeper social and cultural understanding as well as greater people mobility and connect its member states within the region and with the rest of the world"
- ❑ The ASEAN Leaders further appreciated the support shown by ASEAN Dialogue Partners and their readiness to partner with ASEAN in the implementation of the Master Plan.

Tri-Pillars of ASEAN Connectivity Master Plan

- ❑ The ASEAN Leaders established a High Level Task Force on ASEAN Connectivity with a Member / Representative from each of the 10 Member States.
- ❑ The High Level Task Force conceptualised and presented the Master Plan on Connectivity which was adopted by the ASEAN Leaders at the 17th ASEAN Summit.
- ❑ Under the Master Plan, ASEAN reviewed achievements made and challenges encountered that are impeding linkages to greater connectivity. Key strategies and action plans have been adopted with clear targets and timelines to enhance ASEAN Connectivity.
- ❑ Through an enhanced ASEAN Connectivity, the production and distribution networks in the ASEAN region will be deepened, widened and become more entrenched in the East Asia regional and global economy.
- ❑ There are 3 key pillars in the ASEAN Connectivity Master Plan:
 - Physical Connectivity
 - Institutional Connectivity
 - People Connectivity

The Key Elements of ASEAN Connectivity Includes

- I. Physical Connectivity – Hard Infrastructure
 - Transport
 - Information and Communications Technology (ICT)
 - Energy
- II. Institutional Connectivity – Soft Infrastructure
 - 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

Goals and Challenges of ASEAN Connectivity

The Goals of ASEAN Connectivity are

- ❑ To enhance integration and cooperation of ASEAN and local economic and social development.
- ❑ To enhance global competitiveness of ASEAN through stronger production networks.
- ❑ To enhance the well-being and livelihood of ASEAN people.
- ❑ To enhance rules and good governance for ASEAN.
- ❑ To enhance connections to economic centres both within ASEAN region and within individual member states.

The Challenges of ASEAN Connectivity

- ❑ Political Will.
- ❑ Financial Resources.
- ❑ Standardisation eg Rail gauges.
- ❑ Speedy Implementation.
- ❑ Effective Monitoring and Coordination.

Benefits of Enhanced Connectivity

- ❑ Enhancing intra-regional connectivity would benefit all ASEAN Member States through enhanced trade, investment, tourism and development.
- ❑ ASEAN Connectivity would expedite infrastructure development and contribute to opening up of remote island and less developed regions.
- ❑ It would also significantly narrow the development gap within ASEAN.
- ❑ It would contribute towards promoting local economic and social development in the region.

7

Key Principles of ASEAN Master Plan

The Master Plan on ASEAN Connectivity is premised on the following key principles:

- i. Serve to accelerate, not hinder, existing ASEAN initiatives and complement ASEAN Community building process;
- ii. Foster a win-win solution to reflect the interest of all ASEAN Member States;
- iii. Ensure synchronisation of ongoing sectoral strategies or plans within the frameworks of ASEAN and its sub-regions;
- iv. Strive for balance between regional and national interest;
- v. Strengthen connectivity between mainland and archipelagic Southeast Asia;
- vi. Outward-looking and serve to promote healthy competitive dynamics among external partners and also help preserve ASEAN centrality; and
- vii. Feasible in practice with clear financial mobilisation models, including the involvement of private sector.

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Role of ASEAN Partners – India & ASEAN Connectivity

- ❑ The Master Plan envisages cooperation, coordination and partnership with Dialogue Partners and other external partners in expanding Connectivity beyond ASEAN.
- ❑ Indian business can participate in ASEAN Connectivity projects and play a significant role in enhancing India-ASEAN Connectivity.
- ❑ Enhancing India-ASEAN Connectivity will promote greater economic integration between ASEAN and India.

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India's Look East Policy

- ❑ India's Look East Policy initiated in 1991 marked a strategic shift in the country's international economic orientation towards developing economic relations with Southeast Asia.
- ❑ ASEAN-India FTA signed in 2009 will lift import tariffs imposed on 80% of traded products between 2013 and 2016.
- ❑ "the latest wave of Indian integration into East Asian regionalism is being driven by the activities of Indian companies" (ADB)

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What will India's Enhanced Connectivity Entail?

- a. What projects are underway to create greater integration?
 - i. Mekong-India Economic Corridor.
 - ii. Trilateral Highway between Thailand, Myanmar and India.
 - iii. Economic impacts of Golden Quadrilateral of India and North-South and East-West corridor.
 - iv. Regional strategies (including physical and institutional).
- b. What are the projected economic impacts of these connectivity-enhancing projects?
 - i. Higher economic growth especially for smaller countries of Myanmar, Bangladesh, Cambodia and Vietnam; and India, China and Thailand in terms of absolute value of GDP.
 - ii. China as potential net exporter to ASEAN; India as potential net importer.
 - iii. Energy connectivity with India will be dominated by oil and gas.
 - iv. ICT services will be an important aspect of connectivity with India.
 - v. Not many differences projected for people-to-people connectivity.
 - vi. India's younger work force can play a larger role in ASEAN production systems.

Categorizing Regions into Tiers to Create Networks

- ❑ **Tier 1** - Industrial cities such as Bangkok and Chennai to lead regional economy with large markets.
- ❑ **Tier 2** - Kolkata, Dhaka, Chiang Mai and Kunming, sources of economic dynamism by attracting production processes from neighbouring Tier 1 region.
- ❑ **Tier 3** - Expand economic activities such as agriculture, mining and tourism based on location advantages.

Myanmar and North East India – natural and mineral resources such as gas, oil, coal and limestone. Potential for agriculture and tourism.

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Areas Where India can Enhance Connectivity with ASEAN

- ❑ ICT
 - skills certification and development
 - MRT for ICT skill standards
 - Software collaboration
 - Digital economy
 - ASEAN Virtual Learning Centres
 - ASEAN Broadband Corridor
- ❑ Tourism
 - Facilitate people mobility
 - Visa exemption? or Visa relaxation
- ❑ Infrastructure / Transport
 - Air connectivity
 - Trans ASEAN Highway
- ❑ Financing projects
 - Financing ASEAN Infrastructure / Connectivity
 - Leveraging on Private Capital
 - India-ASEAN Bond Fund
 - PPP projects

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Benefits of Greater India-ASEAN Connectivity And Integration

- ❑ Benefits for India
 - * Diversification from SAPRC – limited opportunities.
 - * Accelerate economic development resulting from physical connection.
 - * Becoming less reliant on China for trade.
 - * Ushering in domestic reforms.
- ❑ Benefits for ASEAN
 - * India can help make up for fall in demand from USA and Europe resulting from India's burgeoning consumer market.
 - * India's young workforce and growing middle class.
 - * India as an alternative to China.

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THANK YOU

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Enhancing Connectivity for Promoting ASEAN-India Economic Integration

- Suthiphand Chirathivat

Enhancing Connectivity for Promoting ASEAN-India Economic Integration

Suthiphand Chirathivat
Chula Global Network
Chulalongkorn University

Introduction

- The world has changed, Asia is fast becoming economically dominant
- How to act in the new environment if we are going to advance our role and influence in international affairs
- Despite uncertainty in Europe and slow growth around the world, ASEAN, China and India are projected to grow faster than the others
- How to manage ASEAN-India economic integration?

Introduction

- How to fit in ASEAN-India connectivity?
- Issues like India's links to ASEAN production networks?
- Can connectivity help?
- Need to substantiate connectivity with policy regulations and participation of private sector (De (2010))

Estimated 2010 Data

	Population (million)	GDP Size (billion US\$, 2009 prices)	GDP per capita (US\$, 2009 prices)
ASEAN	588.4	1,611.5	2,738.6
China	1,354.1	5,497.8	4,060.0
India	1,214.5	1,393.2	1,147.1

Source: Estimated from UN, World Bank and ADB data.

Estimated ASEAN 2010 Data

	Population (million)	GDP Size (billion US\$, 2009 prices)	GDP per capita (US\$, 2009 prices)
Brunei Darussalam	0.41	10.65	26,171
Cambodia	15.05	11.02	732
Indonesia	232.52	573.24	2,465
Lao PDR	6.44	6.05	941
Malaysia	27.91	206.73	7,406
Myanmar	50.50	34.01	673
Philippines	93.62	172.81	1,846
Singapore	4.84	208.66	43,137
Thailand	68.14	284.57	4,176
Viet Nam	89.03	103.79	1,166

Source: Estimated from UN, World Bank and ADB data.

Implied Growth Rates From Aspirations

	Average Annual Growth
2.5 times	4.7 %
3 times	5.6 %
3.5 times	6.5 %
4 times	7.2 %

ASEAN Aspirations (Country Studies)

	2010 GDP per capita (US\$, 2010 prices)	Aspiration Target (times)	2030 GDP per capita (US\$, 2010 prices)
Brunei Darussalam	30,391	2.5	75,978
Cambodia	729	4.0	2,917
Indonesia	3,039	3.5	10,636
Lao PDR	1,021	3.5	3,574
Malaysia	8,519	3.0	25,557
Myanmar	756	4.0	3,026
Philippines	2,132	2.5	5,330
Singapore	46,041	1.6	73,665
Thailand	4,679	3.0	14,038
Viet Nam	1,195	3.4	4,063
ASEAN	3,161	2.98	9,406
Coefficient of Variation	1.582		1.315

ASEAN-India Trade and Investment Flows

- Significant trade increase from US 7.1 billion in 2000 to US 41.3 billion in 2009
- Trade share of ASEAN with India has increased from 1.28% in 2000 to 2.83% to 2010 and that of India with ASEAN increased from 7.67% to 9.19%
- ASEAN has facilitated production network by increasingly involving in international supply chain and developing associated activities like foreign outsourcing and offshoring

ASEAN-India Trade and Investment Links

- Emergence of international product fragmentation has been identified as an important characteristic of recent development of trade and investment in ASEAN
- Using such a framework, India would probably be characterized as having entered the first phase of integrating into IPNs (Rahul Sen and Sadhana Srivastava (2010))
- Compared to major ASEAN economies, India's contribution to exports of global parts and components is found to be small

ASEAN-India Trade and Investment Links

- Growth of export share of intermediate inputs from ASEAN to India has been positive, with Indonesia, Malaysia, Singapore and Thailand being major exporters of such products
- In case of India also a positive but very gradual growth is observed
- Export share of intermediate goods from ASEAN to India and vice-versa is very low compared to that of China
- Indication of China to have evolved as a major export destination of intermediate goods for ASEAN countries and also India

ASEAN-India Connectivity in the Context of AEC

- 10 member countries
- A combined population of over 600 million
- A nominal GDP exceeding US 1.8 trillion
- Growth rate expected to exceed 5% in 2012
- Target to form a single market and production base by 2015

ASEAN-India Connectivity in Relation to MPAC

- By adopting MPAC, special emphasis on the role of connectivity (17th ASEAN Summit)
- Three dimensions –physical, institutional and people-to-people, a holistic approach to support the building of ASEAN Community
- MPAC envisioned intra-regionally well-connected ASEAN, connectivity with the economies beyond the Region is also as much critical to the success of ASEAN as a Community
- Sixth EAS declared “inclusive ASEAN Connectivity as a key priority area of cooperation in the EAS, together with other agreed priority areas of cooperation”



READY TO SELL: Thais cross the border to sell goods in Myanmar.

Bangkok Post, Sunday, July 15, 2012, Page 13



HIGHWAY HEADQUARTERS: an office for the road construction project.

Bangkok Post, Sunday, July 15, 2012, Page 13

Enhancing ASEAN-India Connectivity: Dawei Development Project

- More recently, an MoU was signed between MPA and ITD to develop Dawei deep sea port and integrated development plan
- ITD granted right from the government to develop the project covering an area of 250 km² over 75 years project period, for the development of a deep sea port, industrial estate, and trans-border corridor link
- Total project cost estimates of US 80 billion



BRING IN THE BULLDOZERS: Rights, a concrete marker during the initial ITD for Thailand. The development sits on a hilltop overlooking the sea at the site of a planned deep sea port near Dawei.

UP THE CREEK: Far right, a farmer holds what he says is lead that he pulled from a creek in the countryside near Dawei.

NO HURRY: Here on left, a boy walks down a dirt road in a village near Thavon on the Andaman Sea.



CHANGE IS COMING: Two fishermen's canoes park a sign marking off the ecological zone near Dawei.

Source: Bangkok Post, Sunday, December 25, 2011 p. 11

4-2-2. Dawei development project (2)



4-2-2-(2). Dawei industrial estate: Layout plan



**Enhancing ASEAN-India Connectivity:
Role of Myanmar and Northeast India**

- Still weak physical connectivity between Myanmar and Northeast India
- Moreh land customs stations (LCS) has been the busiest, handling almost 99% of the regions trade with Myanmar
- Northeast India's trade with Myanmar has always remained less than a percent of India's total trade with Myanmar since the opening of Moreh LCS in 1995 (De (2011))

**Enhancing ASEAN-India Connectivity:
Route Development Possibilities**

- Moreh/Tamu route
- Zolkawtar/Rhee route
- Nampon/Pangsu route: Stilwell road
- Kaladan Multimodal Transit Transport project
- Bangladesh transit route
- Kyaukphyu project



Prime Minister Yingluck Shinawatra talks to Myanmar President Thien Sein on the way to his welcoming ceremony at Government House

Bangkok Post, July 24, 2012, Page 16A.



That the recent visits to Thailand by Myanmar democracy icon Aung San Suu Kyi, left, and President Thein Sein, right, were such big news item here shows a changing mentality among Thai people towards welcoming a former enemy now seen as a resource-rich potential business partner.

Bangkok Post, Sunday, July 13, 2012, Page 11.

**Enhancing ASEAN-India Connectivity:
A Regional Framework**

- Multi-modal approach; maritime, inland waterways, land, air, and other different modes of transportation
- Multi-functional approach; physical, institutional and people-to-people
- Multi-tier approach; tier 1(Bangkok, Chennai, Delhi, etc), tier 2 (existing)(Kolkata, Dhaka, Kunming, etc), tier 2 (emerging) (Yangon, Mandalay, Dawei, Kyaukphyu, etc, tier 3, others

Enhancing Connectivity for Promoting ASEAN-India Economic Integration

- Siwage Dharma Negara

Enhancing Connectivity for Promoting ASEAN-India Economic Integration

Siwage Dharma Negara
Indonesian Institute of Sciences (LIPI)

Presented for the
ASEAN-India Network of Think Tanks (AINTT) Meeting
New Delhi, August 7-8, 2012

Source: Kompas, 6 December 2010

Outline

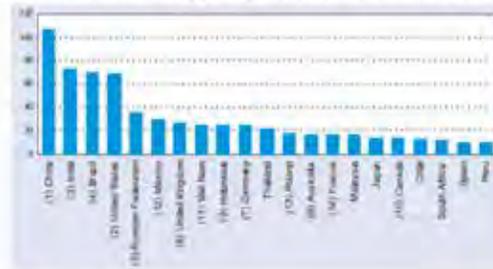
- ▶ Why promoting ASEAN – India connectivity is important
- ▶ The Challenge of Physical Infrastructure
- ▶ Strategy to Promote Connectivity
- ▶ The Way Forward

Why promoting ASEAN – India connectivity is important

- ASEAN and India trade and economic relations have grown significantly.
 - Trade between India and ASEAN has increased at an average, annual rate of 18% between 1993 and 2010 (ASEAN 2010).
 - ASEAN is India's 4th-largest trade partner, with a total trade value of more than \$50 billion in 2011. India is also the 6th-largest trade partner for ASEAN in 2011.
 - ASEAN-India trade is targeted to reach \$100 billion in 2013.
- India has been reforming and liberalizing its economy since 1991 after experiencing a serious balance of payments crisis. The reform has made its economy more competitive and outward looking, opening up great potential from closer economic relations.
- ASEAN-India partnership could be an important building bloc of the emerging broader regional economic cooperation in Asia (JACIK).

Why promoting ASEAN – India connectivity is important

- India ranks second at the top priority list of the host economies for FDI.

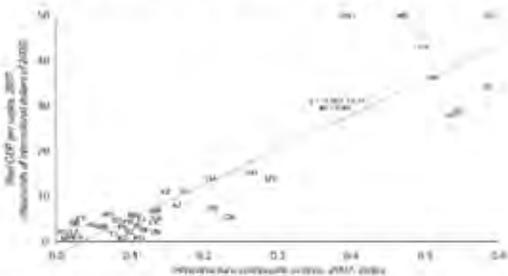


Source: UNCTAD, 2010, p. 13
Note: Numbers in brackets in the ranking in the previous year

Why promoting ASEAN – India connectivity is important

- The ASEAN-India FTA will create one of the world's largest free trade areas with a market of almost 1.8 billion people and a combined GDP of \$2.8 trillion
 - As economies develop, production becomes more concentrated spatially. Connected countries/regions are favored by producers
 - In view of this huge market potential, enhancing ASEAN-India connectivity will be key for tapping the benefits from an enhanced trade and economic relationship.
 - Improved connectivity will strengthen economic cooperation, deepen economic integration and narrow development gaps in the region.
 - ASEAN-India connectivity will boost growth and competitiveness of the region
 - "Asia must be at the center of the new globalism. Asia must lead the way to keep markets and societies open"
- (Susilo Bambang Yudhoyono, President of Indonesia and Chair of ASEAN, WEF 2011)

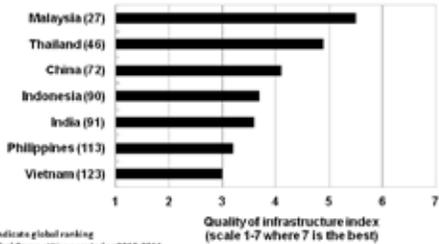
The Challenge of Physical Infrastructure



Source: World Bank, 2011, p. 49
Note: The regression equation is: $Y = 1.8X + 0.0001$, where Y is GDP per capita (PPP) in 2005 and X is Infrastructure as a percentage of GDP. $R^2 = 0.9999$. $F = 1.0 \times 10^{10}$. $t = 1.0 \times 10^5$. $p < 0.0001$. $SE = 0.0001$. $DF = 100$. $MA = 100$. $MA(1) = 1.0$. $MA(2) = 1.0$. $MA(3) = 1.0$. $MA(4) = 1.0$. $MA(5) = 1.0$. $MA(6) = 1.0$. $MA(7) = 1.0$. $MA(8) = 1.0$. $MA(9) = 1.0$. $MA(10) = 1.0$. $MA(11) = 1.0$. $MA(12) = 1.0$. $MA(13) = 1.0$. $MA(14) = 1.0$. $MA(15) = 1.0$. $MA(16) = 1.0$. $MA(17) = 1.0$. $MA(18) = 1.0$. $MA(19) = 1.0$. $MA(20) = 1.0$. $MA(21) = 1.0$. $MA(22) = 1.0$. $MA(23) = 1.0$. $MA(24) = 1.0$. $MA(25) = 1.0$. $MA(26) = 1.0$. $MA(27) = 1.0$. $MA(28) = 1.0$. $MA(29) = 1.0$. $MA(30) = 1.0$. $MA(31) = 1.0$. $MA(32) = 1.0$. $MA(33) = 1.0$. $MA(34) = 1.0$. $MA(35) = 1.0$. $MA(36) = 1.0$. $MA(37) = 1.0$. $MA(38) = 1.0$. $MA(39) = 1.0$. $MA(40) = 1.0$. $MA(41) = 1.0$. $MA(42) = 1.0$. $MA(43) = 1.0$. $MA(44) = 1.0$. $MA(45) = 1.0$. $MA(46) = 1.0$. $MA(47) = 1.0$. $MA(48) = 1.0$. $MA(49) = 1.0$. $MA(50) = 1.0$. $MA(51) = 1.0$. $MA(52) = 1.0$. $MA(53) = 1.0$. $MA(54) = 1.0$. $MA(55) = 1.0$. $MA(56) = 1.0$. $MA(57) = 1.0$. $MA(58) = 1.0$. $MA(59) = 1.0$. $MA(60) = 1.0$. $MA(61) = 1.0$. $MA(62) = 1.0$. $MA(63) = 1.0$. $MA(64) = 1.0$. $MA(65) = 1.0$. $MA(66) = 1.0$. $MA(67) = 1.0$. $MA(68) = 1.0$. $MA(69) = 1.0$. $MA(70) = 1.0$. $MA(71) = 1.0$. $MA(72) = 1.0$. $MA(73) = 1.0$. $MA(74) = 1.0$. $MA(75) = 1.0$. $MA(76) = 1.0$. $MA(77) = 1.0$. $MA(78) = 1.0$. $MA(79) = 1.0$. $MA(80) = 1.0$. $MA(81) = 1.0$. $MA(82) = 1.0$. $MA(83) = 1.0$. $MA(84) = 1.0$. $MA(85) = 1.0$. $MA(86) = 1.0$. $MA(87) = 1.0$. $MA(88) = 1.0$. $MA(89) = 1.0$. $MA(90) = 1.0$. $MA(91) = 1.0$. $MA(92) = 1.0$. $MA(93) = 1.0$. $MA(94) = 1.0$. $MA(95) = 1.0$. $MA(96) = 1.0$. $MA(97) = 1.0$. $MA(98) = 1.0$. $MA(99) = 1.0$. $MA(100) = 1.0$.

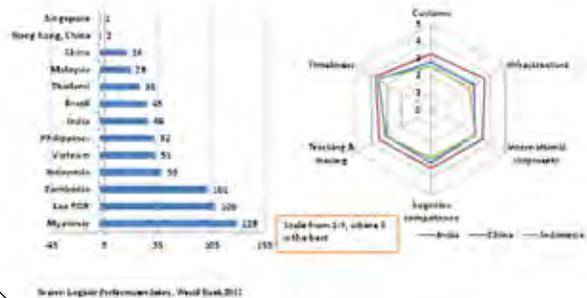
The Challenge of Physical Infrastructure

- There is a large infrastructure disparity among the ASEAN countries. Need to focus on developing stronger infrastructure of CLMV countries.
- Physical infrastructure remains the key challenge in India for attracting investors, sustaining economic growth & promoting connectivity.



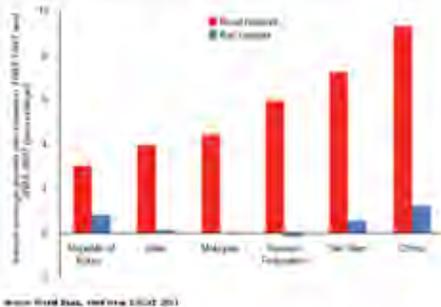
The Challenge of Physical Infrastructure

- Logistic performance matter for enhancing connectivity



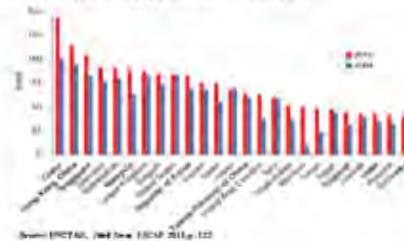
The Challenge of Physical Infrastructure

- Need to strengthen multimodal transportation system:



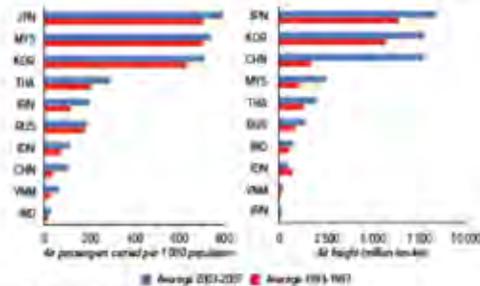
The Challenge of Physical Infrastructure

- Maritime transport is the most important mode of transportation in international trade.
- Need to strengthen ASEAN-India liner shipping connectivity to be on par with the global best players.

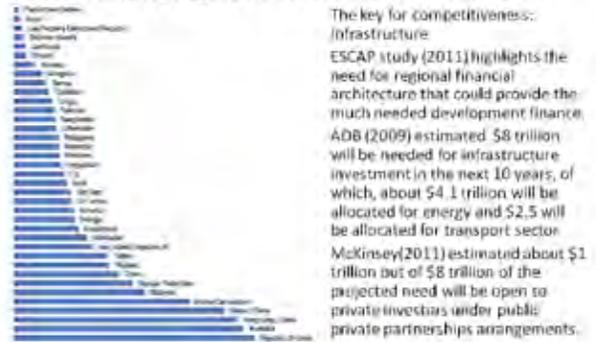


The Challenge of Physical Infrastructure

- More export oriented country tends to use more air transport for freight



The Challenge of Physical Infrastructure



Strategy to Promote Connectivity

- ESCAP (2011) points out the need for strong regional institutions for planning, managing & funding major cross countries initiatives (incl. physical infrastructure, trade, transport and harmonization of rules and regulations).
- ASEAN-India connectivity should be designed based on a multi-modal approach in which all modes of transportation, such as land, maritime, and air, are considered (Kimura and Umezaki 2010), e.g. Mekong India Economic Corridor (MIEC) will expand trade link between ASEAN and India through maritime transport.
- Connectivity should be linked with the production base → transform transport corridor to economic corridor
- Myanmar's poor infrastructures (railways, roads, ports) should be quickly addressed as it is constraining the connectivity between ASEAN and India.

The Way Forward

- ASEAN & India have to build stronger regional cooperation programs to address infrastructure needs, incl. enabling institutions and policies.
- There is a need to build an integrated regional transportation network between India and ASEAN.
- Need to create financial architecture to fund infrastructure development. The use of a PPP for infrastructure investment is promising...but it will only work if the inherent conflict between public and private sector interests, most notably in price setting, could be effectively negotiated.
- Strong political commitments to execute most of the policies & strategies, which have been agreed by the ASEAN & India, are needed.

Thank You

Essex, Singapore, 6 December 2016

Enhancing Connectivity for Promoting India-ASEAN Economic Integration

- U. Khin Maung

**The Government of the Republic
of the Union of Myanmar**

**Enhancing Connectivity for Promoting India-ASEAN
Economic Integration**

Khin Maung
Superintending Engineer and Advisor (Retired)
Public Works
Ministry of Construction

7-8 August 2012 New Delhi, India

Myanmar Profile





National data

Population - 60 millions

Area - 676,578 sq.km

Road Length - 142395 km

No of Registered Vehicle - 2231663

Neighbouring Countries-China, Laos, Thailand, Bangladesh, India



Railways Network of M.R.

Yangon Circular & Suburban Line

Existing Infrastructure

(a) Track

Item	Length		Remarks
	Mile	Km	
Single line Route Mile	3191.45	4962.32	Rail (W)
Double line Route Mile	415.60	664.06	Rails 75 lb RRS
Total Route Mile	3516.45	5626.32	Rails 60 lb RRS
Total Track Mile	4632.64	7212.22	Rails 50 lb ANSC
Yangon Circular	29.50	47.52	

(c) Construction of double track on Yangon-Mandalay line




* Yangon-Kydaungkan and Mandalay-Myothong sections had been already double tracked
 * The rest line Kydaungkan-Myothong (240 km in length) was completed in November, 2007.
 * So the whole (Yangon-Mandalay) main line has been double tracked.

Road Network in Myanmar

- Union Highway
- Main Road
- North - South direction = 45 roads
- East - West direction = 36 roads

► Union Highways and other main roads are controlled by Public Works (PWs), Ministry of Construction (MOC)

- near to ports and railways, easy for Multimodal Transport.
- Yangon, Mawlamyine and Dawei sea ports near to AH/GMS Highways.



National Highway Development Plans and Policies.

The Government of Union of Myanmar has Laid down a Union Highway Network Master Plan of the whole country with 36 roads running North to South and 45 roads East to West. These Union Highway Network will criss-cross through seven states and seven divisions like arteries and veins in the body.

Development plans and policies are given to the roads leading to the economic development of each and every region and increasing contacts among the national people, thus strengthening friendship and in building the reconvolution of our national races.

In accordance with this priority and available budget, not only the existing roads mostly running from North to South in the country are being extended and upgraded but the new ones running from East to West all over the Union are also being built.

Statistical data of Vehicles & Road

Year	Registered Vehicles	Road Length (KM)
2001	445167	69732
2002	461692	73843
2003	476350	78266
2004	960341	90713
2005	978522	92859
2006	993566	104058
2007	1024372	111737
2008	1997358	125355
2009	2067839	127942
2010	2298677	130050
2011	2331663	142395

Myanmar has about 142395 Km of road networks. The length of various categories of road are as under:

- Union Highways 18740 km
- Township network road 19045 km
- Major city road and other roads 26427 km
- Village and boundary area roads 78183 km

Among these roads, under the Ministry of Construction is about 37784 km.



Road Progress in Myanmar

Year	Under Ministry of Construction		The Whole Country		Ratio of Paved to Total
	Total Road Length	Paved Road	Total Road Length	Paved Road	
2004	20497 km	14126 km	90713 km	22153 km	24.42%
2005	28225 km	14356 km	92859 km	22830 km	24.58%
2006	30433 km	14956 km	104058 km	23955 km	23.02%
2007	30711 km	15213 km	111737 km	24670 km	22.08%
2008	30002 km	15387 km	125355 km	25553 km	20.38%
2009	32070 km	15583 km	127942 km	26333 km	20.58%
2010	34178 km	16550 km	130749 km	28569 km	20.89%
2011	37784 km	17260 km	142395 km	30879 km	21.68%

Notes:
 1. The Whole Country data includes MFC, VCDC, MCEC, Ministry of Government, Ministry of progress of Public works in National road and Development Affairs, Ministry of Electrical Power (E) and Army Corps of Engineers, Ministry of Defense, Union Highways and area roads including ARBAN Highways, are under the control of Ministry of Construction.

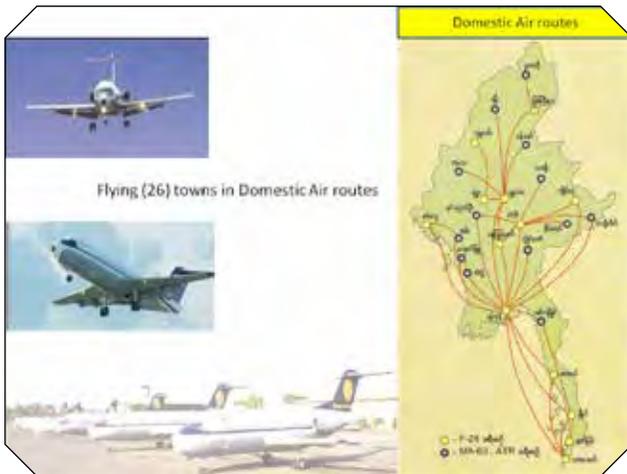
Name	Location (City)	No of Berths	No of Container Berths	Max Vessel (DWT) of draft(m)	Remark
		International	International		
Myanma Port Authority	Yangon	8	3	1500 DWT, 9m	
Myanma Economic Corporation	Yangon	1		1500 DWT, 9m	
Asia World Port Terminal	Yangon	5		1500 DWT, 9m	General Cargo/ Container Cargo
Myanmar Industrial Port	Yangon	2		1000 DWT, 7m	General Cargo/ Container Cargo
Eon Pyi Marine Co., Ltd	Yangon	3			General Cargo/ Container Cargo
Myanmar International Terminals Thilava Ltd. (MITT)	Thilava/ Yangon	5		2000 DWT, 9m	General Cargo/ Container Cargo
Myanmar Integrated Port Limited (MPL)	Thilava/ Yangon	1		2000 DWT, 9m	

INTERNATIONAL AIRLINES IN MYANMAR



Domestic Airlines





Development of Regional Cooperation

- ❖ No Country can prosper by keeping her doors closed to the outside world.
- ❖ Reduce development gap among the member countries
- ❖ Can Live together in peace and are committed to cooperating with each other for mutual economic benefit .
- ❖ Cooperation is uniting countries and strengthening their economic linkages while fostering peace, facilitating sustainable growth and improving living standard.

Sectors in the Regional Cooperation

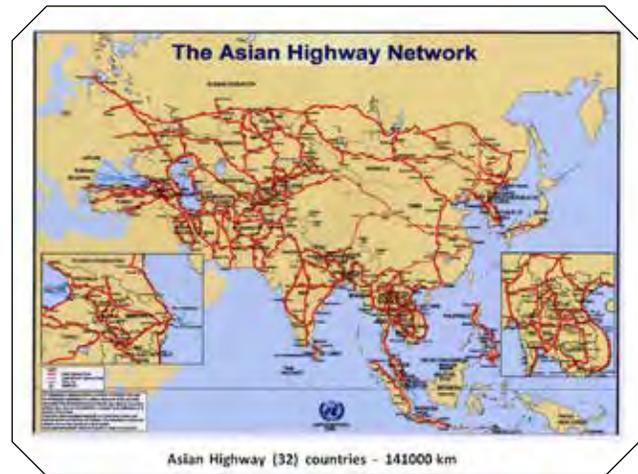
(9) Key Sectors related to economic development

- Transportation
- Energy
- Telecommunications
- Human resources development
- Tourism
- Environment
- Trade
- Investment and
- Agriculture

Regional Cooperation including Myanmar for Road Transport sector

- Road Sector Cooperation is dominant because of
 - Least cost and convenient for short distance,
 - Providing door-to-door services,
 - Important mode in land-locked regions or countries etc;
- Regional cooperation can be bilateral, Trilateral, Multilateral etc; as the following examples:-
 - ASIAN Highways Network including (32) member countries
 - ASEAN Highways Network including (10) member countries
 - Greater Mekong Subregion (GMS) Economic Cooperation (6) member countries (ACMEC + China)
 - Ganga Mekong Cooperation (GMC) (6) member countries (ACMEC + India)
 - Ayanwady – Chauphra- Mekong Economic Cooperation (ACMEC) (5) member countries (CLMTV)
 - CLMV Cooperation (4) member countries
 - Bay of Bengal Initiative for Multi-Sectoral and Technical Cooperation (BIMSTEC) (7) member countries
 - BCIM cooperation (4) member countries
 - India- Myanmar-Thailand Trilateral Highway

- Myanmar-India Bilateral
 - Kaladan Multimodal Transit Transport Project
 - Kalay –Kalewa-Tamu road upgrading Project
 - Tiddim – Rhi- Falam road upgrading Project
- Myanmar –China Bilateral
 - Tengchong – Kanbiketi – Myitkyina Road upgrading
 - Ruili – Kyaukphyu corridor project
- Myanmar- Thailand Bilateral
 - ❖ Myawady – Thingannyinaung road section upgrading (18)km
 - ❖ Thingannyinaung – Kawkareik section new road construction (30)km
 - ❖ Myanmar – Thai Friendship Bridge at Myawady / Maesot border
- Myanmar –Lao PDR Bilateral
 - ❖ Myanmar – Lao Friendship Bridge across Mekong river at Kyainglap- Xiengkoke border.



ASIAN Highway Network

There are 4 ASIAN Highways passing through Myanmar in the ASIAN Highway Network, with (32) member countries, starting from Tokyo, Japan to the border of Turkey and Bulgaria. The said (4) ASIAN Highways AH1, AH2, AH3 and AH14 in Myanmar link to the neighbouring countries China, India and Thailand and provide access to Yangon Port. They are an important land bridge between South and South-East Asia countries. Myanmar is working to maintain and upgrade the main road network including ASIAN Highways with private sector participation.



AH1 starting from Myawady at Thai - Myanmar border to Tamu at Myanmar-India border, with the length of 1665 Km is the Primary ASIAN highway route in Myanmar;

Asian Highway Routes in Myanmar

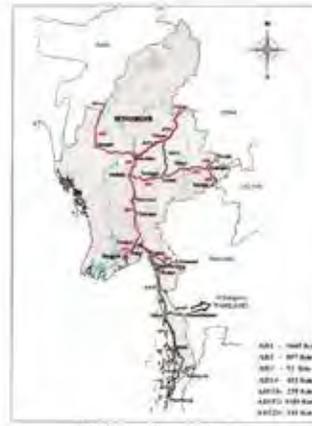
Current Status of AH Network in Myanmar (2011 March)

Route No.	Itinerary	Length	Classification			
			Class I	Class II	Class III	Below Class III
AH 1	Myawady-Payagyi-Yangon-	[1665]	80	144	984	448
	Meiktila-Mandalay-Tamu	1656				
AH 2	Tachileik-Kyaington-Meiktila	807	..	6	344	457
AH 3	Mongla-Kyaington	93	..	..	93	..
AH 14	Muse-Lashio-Mandalay	453	67	..	386	..
	Total	[3018]3009	147	150	1807	905

ASEAN Highway (10) Countries - 37070 km



Fig. 10 ASEAN Highway Route Number in Myanmar



ASEAN Highway Network in Myanmar

ASEAN Highways-

There are (7) ASEAN Highways in Myanmar.

- AH1,AH2 - ASEAN Highway with one or two digit to AH3 and AH14
- AH111 - This is the road link between Loilem on AH2 and Thibaw on AH14 with the length of about (239)Km.
- AH112 - This is the road connection between Thaton on AH1 and Kawthaung via Mawlamyine with the length of about (1145)Km and then extend to join AH2 in Thailand.
- AH123 - This is the proposed road linking Dawei on AH112 to AH2 in Thailand with the length of about (140)Km. This road will be the important route if it would have been deep Sea port at Dawei.

Current Status of ASEAN Highway in Myanmar

Route No.	Itinerary	Total Length (Km)	Primary	Classification			Below Class III	Missing Link
				Class I	Class II	Class III		
AH 1	Tamu-Mandalay-Meiktila-	1656	..	80	144	984	448	..
	Yangon-Bago-Phagyi-Thaton-Myawadi							
AH 2	Meiktila-Loilem-Kyaington-Tachileik	807	..	..	6	344	457	..
AH 3	Mongla-Kyaington	93	..	..	..	93	..	..
AH 14	Mandalay-Thibaw-Muse	453	..	67	..	386	..	..
AH 111	Thibaw-Loilem	239	..	..	..	..	239	..
AH 112	Thaton-Mawlamyine-Thabyuzayat-	1145	..	..	20	84	981	..
	Ye-Dawei-Lehnya-Khamaungyi, Lehnya-KhongLoy							
AH 123	Dawei-Maesamee Pass	141	..	..	..	..	..	141
	Grand Total Length (Km)	4534	..	147	170	1891	2125	201

• Proposed Development Timeframe

Phase	Tentative Completion Year	Technical Requirement
Stage 1	2000	Network configuration and designation of national routes to be completed.
Stage 2	2004	Road signs for all designated national routes to be installed. All designated national routes upgraded to at least Class III standards. All missing links to be constructed. All designated cross-border points to be operational.
Stage 3	2020	All designated national routes upgrade to at least Class I or Primary Road standards. For low traffic volume non-arterial routes, Class II standards are acceptable.



GMS Road Links- There are (3)GMS Road Links in Myanmar.

R₁ Tachileik-Kyaington-Mongla Road (256 Km)

It is a part of GMS North-South Economic corridor as well as a part of ASIAN and ASEAN Highways in Myanmar, linking with China (Jinhong-Kunming) to the north and Thailand (Chiang Rai) to the south. Upgrading of Mongla-Kyaington section (93 Km) was already completed to two lane bituminous road, but curvatures and gradients are still under standard in some mountainous terrain.

R₂ Lashio-Muse Road (176 Km)

GMS route R₂ Lashio-Muse section in Myanmar is linking with China and is also a part of ASIAN and ASEAN Highway route No 14. It is two lane bituminous paved road with the ASEAN highway design standard of class III.

R₃ Lashio-Thibaw-Loilem-Kyaington Road (666 Km)

GMS route R₃ Lashio-Kyaington section is linking R₂ in Northern Shan State and R₁ in Southern Shan State. The road section between Lashio and Thibaw on AH14.



North-South Economic Corridor



Southern Economic Corridor



India- Myanmar-Thailand Trilateral Road Proposed Route

This route starts from India-Myanmar border Tamsu Town to Kalaywa-Myoma-Chaingma-Yinmarbin-Linkadaw-Letseikan-Palokku-Letpanchaypaw-Bagan-Kyaukpadaung-Pyawbwe-Oaktwin-Htamabin-Kyaukkyi-Sihwekyin-Dorayit-Theinzayit-Thazon-Paan(Mawlamyine-Mudon) Kawkaeik and then Thailand border Myawaddy. Route length is about 1360 Kilometer.



Kaladan Multimodal Transit Transport Project.



Road Way(248 km)

Water Way(157 km)

Total 405 Km

Kaladan Multimodal Transit Transport Project.



Kolkata -> West Bengal -> MIZORAM (1967 Km)

Kolkata -> Sittway -> MIZORAM (1294 Km)

LESS 1673 Km

Distance Comparison

Tiddim - Rhi – Falam Road upgrading

Detailed Project Report (DPR) for upgrading of Tiddim-Rhi-Falam Roads had been carried out by the engineers and surveyors from Border Road Organization of India and from Public Works of Myanmar, between (20.1.2006) and (22.5.2006) and received it on (24.12.2006)

Myanmar side had received the draft MoU for the upgrading of Tiddim-Rhi Road on (13.6.2011) from India side. The draft MoU is still needed to be finalized for signing.

Tiddim - Rhi – Falam Road upgrading



Myanmar and China Bilateral road projects

(Kanbiketi-Myitkyina -Pangsau road)

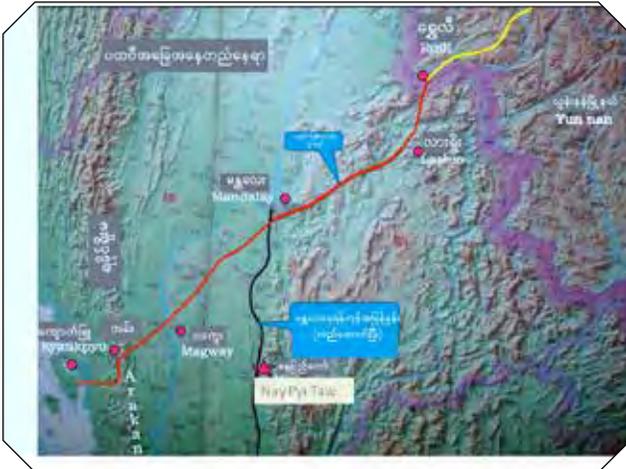
- Kanbiketi-Washaung-Myitkyina road, about 98 km was constructed by Htein Min Road Construction and Maintenance Company Limited, Hteinchong District, Yunnan Province and it was already opened in 2007, upgraded to two lane asphalt concrete road.
- Pangsau –Myitkyina-Kanbiketi road (Stilwell road), about 365 km links between India-Myanmar and China(Yunnan).
- Myitkyina to Namti is existing bituminous road about 50 km.
- Namti – Tanai about 141 km was already upgraded to metalled road and
- Tanai – Pangsau about 174 km is still earth road and it is going to privatize as B.O.T scheme.

Myanmar and China Bilateral road projects

(Ruilu and Kyaukpyu road)

The joint MoU between the Ministry of Transport of the People's Republic of China and the Ministry of Construction of the Union of Myanmar on the Development of Cooperation in China – Myanmar Corridor Project between Ruili and Kyaukpyu at 18 May, 2010.

The study for the development of the corridor has been started since 2005 after bilateral discussion between Myanmar and China in 2004.



Myanmar-Thailand Bilateral Road



Thinganyinaung - Kawkaek Road Construction



Yammat – Lao PDR – Vietnam East-West Corridor (Kyauppyu – Haiphong)



Some of the roads links between the nodal points of Border Trade Posts at the border with neighbouring countries, such as Muse, Lwelet and Chinshwehaw with China border, Tachileik, Myawady, Kawthung and (Myeik) Mawtaung with Thai border, Tamu and Rhi with India border and Maungdaw with Bangladesh border Geographically, Myanmar will play a key role as a Landbridge both between India and the PRC and between south Asia and Southwest Asia is the future development of links to the building of Southwest Corridor of Third Asia-Europe Continental Land Bridge.

Key Findings for enhancing Transport connectivity between India and ASEAN

Enhancing includes implementation of new project and upgrading of existing facilities

- Important role of Myanmar
- Landlocked states in North-Eastern part of India
- Market research for selection of Nodal point (Kaly, Monywa, Mandalay etc.)
- Existing connectivity and facilities for strengthening trade

- Trade

- Normal
- Border
- Re-export

Interstate train transport
Transit trade transport (Land route)

- Normal ——— direct transport ——— sea link

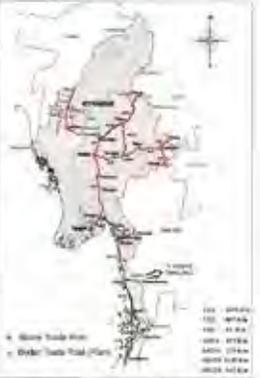
- Border Trade Post

- Software, i.e. Cross Border Transport Agreement (CBTA)
- Corridor approach
- Future development

- Markets for India products are Tamu, Kaly, Monywa, Mandalay, Yangon even in the whole country because people are using household use medicine of India products.

- Kaly city is prime important nodal point for the land transport route from India because it is at the junction point linking to AIZWAL of Mizoram State via Rhi and Imphal of MANIPUR State in India via Tamu. It is also situated on the international Highway of ASEAN, ASEAN and others.

The towns Monywa and Mandalay are also important cities for India because they are also on the same international highway linking to India and wholesale dealers for India products are living there. Border Trade posts at Tamu and Rhi are on the road link between India and Myanmar and also some facilities are already there.



CBTA

- Roads alone, however, are not enough to facilitate the flow of people and goods. Priority must also be given to software issues, such as custom procedures and practices, which will be necessary to allow for a smooth flow of trade and services.

Objectives of CBTA

- To facilitate the cross-border transport of goods and people between and among the contracting parties;
- To simplify and harmonize legislation, regulations, procedures, and requirements relating to the cross-border transport of goods and people; and
- To promote multimodal transport

Enhancing Road Transport should follow corridor approach so that the economic corridor approach is expected to extend the benefits of enhancing transport linkages to remote and landlocked locations in the region, which have been disadvantaged by their lack of integration with more prosperous and better located neighbouring areas.

Corridor stages

1. Transport corridor
2. Logistics corridor
3. Economic corridor

1. Transport corridor Infrastructure

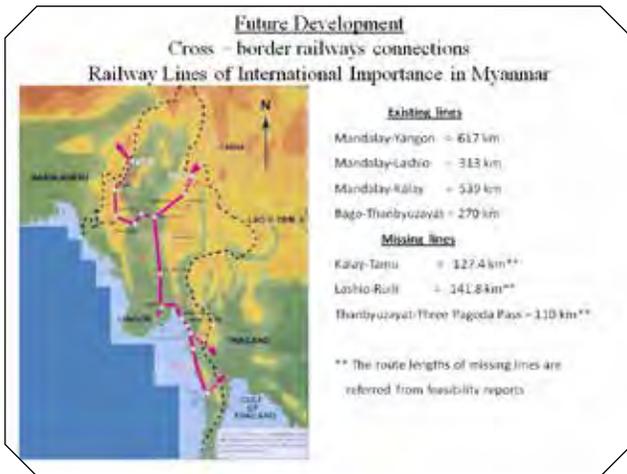
2. Logistics corridor Infrastructure
Hardware
Software
CBTA

3. Economic corridor Infrastructure
Hardware
Software / CBTA
SEZ
Trade / Industrial

Corridor Stages

- Transport Corridor : Connection between nodal points. Generally Corridor width should be 1/3 of direct length between nodal points.
- Logistics Corridor : Physical links integrates and harmonizes with the corridor's policy, regulatory and institutional framework etc. to facilitate the efficient movement of people and goods, and the provision of related services such as storages, warehousing, trucking, insurance and freight management.
- Economic Corridor : The transformation of corridor into a full-fledged economic corridor wherein good and services would be flowing freely and efficiently to processing centers along the corridor for value adding activities or for export through international gateways.
 - : Expected to contribute significantly to value addition, job creation and poverty reduction in the corridor and surrounding areas.

The objective of the development is to create an enabling environment for people to enjoy long, healthy and creative lives.



3. TRN_038 Dawei Deep Sea Port and Road Link to Thailand



- Just after signing of MOU, between Italian-Thai Development Public Co., Ltd (ITD) and Myanmar Port Authority (MPA), ITD dispatched a survey team to conduct soil exploration and survey works at the project site in Dawei area.
- Survey works along the road link between Dawei and Thailand are yet to be conducted within this year.
- ITD carried out the following program for development of the project after full completion of pre-engineering works -
 - (a) A preliminary engineering design and a feasibility study
 - (b) An environment impact assessment
 - (c) To submit project proposal to the Government of the Union of Myanmar for receiving its permission.
- The framework agreement for Dawei Deep Sea Port, Industrial Estate, Road and Rail Link to Thailand project was signed by ITD & MPA on 2nd November 2010.

Dawei Deep Sea Port Project (conceptual Plan)



Kyaukphyu Deep Sea Port Project



Enhancing Connectivity for Promoting India-ASEAN Economic Integration

- ◆ Combining the previous slides together, we can conceive that the enhancing connectivity for promoting India-ASEAN Economic Integration should step first on the gate of ASEAN region i.e Myanmar through the existing transport connectivity and available facilities and then link to the corridors formulated by the subregion or region for the multilateral or global economic integration.
- ◆ Formulation of an economic corridor along the existing road linking the landlocked states of India parallel to the Myanmar border as a backbone corridor of India can be more beneficial for promoting India-ASEAN economic integration.
- ◆ Reviewing Myanmar-India bilateral transport projects of Kaladan Multimodal Transit Transport Project, India - Myanmar - Thailand Trilateral Highway Project and Tiddim - Rhi Road construction Project, all of these projects will be beneficial for promoting India-ASEAN Economic Integration through Myanmar.

Enhancing Connectivity for Promoting India-ASEAN Economic Integration.(contd)

- ◆ India - Myanmar - Thai Trilateral Highway project is indicated as Western Corridor of GMS economic cooperation program and also the road section between Monywa to Kalewa/Kalay on that road is given priority investment needs for the development of ASIAN Highway Network by the UNESCAP study. The abstracts of the study report done in December 2006 was attached in the next pages.
- ◆ The India products transported from main land to the land locked states closed to the Myanmar border can be exported as border trade to Myanmar and then can be reexported to the other neighboring countries by the domestic traders, thus promoting economic integration of local people living in the land locked states.

Enhancing Connectivity for Promoting India-ASEAN Economic Integration(cont'd)

- ◆ During the visit of the prime Minister of India, Excellency announced that India would undertake the task of repair/upgradation of 71 bridges on the Tamsu-Kalewa Friendship Road. The two leaders decided that India would undertake the upgradation of the Kalewa-Yargyu road segment to highway standard while Myanmar would undertake that of upgradation of the Yargyu- Mounywa stretch to highway standard by 2015. This project would help in establishing trilateral connectivity from Moreh in India to Maeot in Thailand via Myanmar. The two leaders welcomed the revival of the Joint Task force on the Trilateral Highway between India- Myanmar - Thailand. It was agreed that efforts would be made to establish seamless trilateral connectivity by 2016.
- ◆ Another agreement was that the bus will be plying between Imphal of India and Mandalay of Myanmar via Moreh/Tamsu at the border. The good road is essential to fulfill the committed agreement before plying the bus schedule.

❖ Projects for enhancing connectivity should be prioritized especially on the bottlenecked section in the corridor because investment in the infrastructures needs large amount of budget and it is not so easy to implement simultaneously for all projects. The decided project should start as earliest as possible otherwise the project cost will become higher and higher due to yearly price escalation and unforeseen commodities inflation.

Conclusion

A major structural impediment is the absence of an integrated network of land transport links among the countries which makes the intra-regional movement of goods and people costly. Improved transport linkages support the many different objectives of regional cooperation; increase in trade and investment due to larger markets, improved access for land locked partners, border development, and establishment of land bridges with other regions.

The enhancing of connectivity can enable local communities and remote village to maximize the impact of development efforts and economic benefits from transport corridors.

The improved roads will promote closer economic linkages among the countries, particularly in agriculture and agro-industry. The additional traffic generated will promote growth in the service industry, in turn generating employment. Increased traffic will be also benefiting small business in the countries, with transport cost savings being passed on.

Enhancing connectivity in corridor approach together with software issues will be more beneficial for promoting economic integration allowing for a smooth flow of trade and services, reducing travel time and transport cost along the corridor and also easier access to the markets.

-2-

Enhancing Connectivity can also support proper community-based tourism projects in rural areas, facilitate private sector participation, and establish mechanisms for increased regional cooperation. Tourism can make substantial and sustainable contribution to economic growth, foreign exchange earnings, investment, job creation, social welfare, external debt reduction, and economic diversification - all of which will help reduce poverty.

In conclusion, the repercussion indicating their better economy of local people living along the enhanced connectivity of GMS corridors had been attached in the following photographs.

Thank you for Kind Attention



ASEAN-India Connectivity Report: India Country Study - Major Findings

- Prabir De



Key Impediments to ASEAN-India Trade

- 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
- Mismatch of standards
- Unfavourable currency in border trade
- Poor institutions and governance
- High trade costs (transport costs outweigh tariffs)

Non-physical barriers

- Inconsistent and difficult border crossing formalities and procedures
- Restrictive visa requirements
- Restrictions on entry of motor vehicles
- Different standards on vehicles and drivers across countries
- Transit traffic difficult/not allowed

Poor Links in Regional Infrastructure

Sector	Countries	Particular
Road transportation (passenger bus services)	India and Bangladesh	Kolkata – Dhaka Agartala – Dhaka
	India and Myanmar	No link so far
Rail transportation (passenger train services)	India and Myanmar	No link so far
	India and Bangladesh	Kolkata – Dhaka
Aviation (international flight connection)	India – ASEAN	Many
	India – Bangladesh	Many
Inland waterways (cargo)	India and Myanmar	No link
	India and Bangladesh	Yes

Insufficient number of flights

- Many ASEAN countries not yet connected with India by direct flights.
- ASA is yet to be signed with some ASEAN countries.
- Airlines want 5th FR, not accepted by country's regulators
- ASEAN-India open sky policy yet to be utilized.

Airlines as on July 2012

Sector	No of flights per day
India - Thailand	22
India - Malaysia	9
India - Singapore	20
India - Myanmar	1
India - Philippines	1

ASEAN-India Passenger Movement

	Passenger Movement		
	2000-01	2010-11	AAGR (%)
India - Thailand	510655	2081881	30.77
India - Malaysia	219736	881906	17.58
India - Myanmar	9753	10738	1.01
India - Singapore	1176885	2043395	7.36
India - Brunei	4722		
India - Indonesia	10487		

ASEAN-India Freight Movement

Freight Movement			
	2000-01	2010-11	AAGR (%)
India - Thailand	12412	72633	48.52
India - Malaysia	8595	30459	25.48
India - Myanmar	105	5	-9.52
India - Singapore	63074	96883	5.36
India - Brunei	341		
India - Indonesia	364		

Source: DGCA



India-ASEAN Connectivity Projects



Important Regional Physical Connectivity Projects

- Kaladan Multimodal Transit Transport Project
- India – Myanmar – Thailand Trilateral Highway
- Delhi – Hanoi Railway Link
- Mekong – India Economic Corridor



Project Details

- Piloted and funded by MEA
- Based on DPR prepared by RITES in 2003
- Project area entirely in Myanmar
- Transport infrastructure components planned originally
 - Port/IWT development between Sittwe and Kalatwa along Kaladan river
 - Road from Kalatwa to Indo-Myanmar border (Mzoram)



Project Components

- Fairway development/ Sea-dredging in Sittwe port area
- Construction of Port/IWT terminals at Sittwe
- Fairway development/Dredging on Sittwe - Paletwa stretch of Kaladan river (158 Km)
- Construction of IWT Terminals at Paletwa
- Construction of 6 IWT vessels (300 ton each)
- Highway (129 kms) from Paletwa to Indo-Myanmar Border



Routes

Stretch	Mode	Distance (in km)
Kolkata- Sittwe	Sea route	539
Sittwe- Paletwa*	IWT (Kaladan)	158
Paletwa-Kaletwa- Indo Myanmar border*	Road	129
	Total	826

* Post-DPR ready



India-Myanmar-Thailand Highway

- Development of 78 km of new roads
- Upgradation of about 400 km of roads
- Construction of all-weather approach lanes
- Rehabilitation/ reconstruction of weak or distressed bridges
- A detailed examination of a project on the Ayeyarwaddy river as well as a causeway
- Phase I of the IMTTA was taken up in early 2005
- India assumes responsibility of 78 km of missing links and 58 km of upgradation as part of Phase I
- India may also take up additional 132 km of upgradation
- Thailand would take up upgradation of 138 km and 62 km sectors of Phase-I and another 100 km as part of Phase-II
- Border Roads Organisation (BRO) upgraded the Tama Kalewa-Kalemyo (TKK) road (100 km) in Myanmar at a cost of about US\$ 27.28 million. Government of India is also responsible for upkeep of the TKK road



Alignment

- Highway links Moreh (in India) with Mae Sot (in Thailand) through Bagan (in Myanmar)
- The alignment of this trilateral highway falls within the Asian Highways 1 and 2, being pursued by UNESCAP.



Asian Highways Routes and Trilateral Transport Linkages, Myanmar



International Road Links in Myanmar

Road Conditions of Trilateral Highway

Sl. No.	Route	Distance	Status	Year of Road
01	Myawaddy (India) - Myawaddy	18 km	100% paved	1995
02	Thabeikkyin - K. K. K. K.	14 km	100% paved	1995
03	Kadawath - P. P. P. P.	15 km	100% paved	1995
04	P. P. P. P.	18 km	100% paved	1995
05	Thabeikkyin - Thabeikkyin	100% paved		
06	Thabeikkyin - Thabeikkyin	100 km	100% paved	1995
07	Thabeikkyin - Thabeikkyin	100 km	100% paved	1995
08	Thabeikkyin - Thabeikkyin	100 km	100% paved	1995
09	Thabeikkyin - Thabeikkyin	100 km	100% paved	1995
10	Thabeikkyin - Thabeikkyin	100 km	100% paved	1995
11	Thabeikkyin - Thabeikkyin	100 km	100% paved	1995
12	Thabeikkyin - Thabeikkyin	100 km	100% paved	1995
13	Thabeikkyin - Thabeikkyin	100 km	100% paved	1995
14	Thabeikkyin - Thabeikkyin	100 km	100% paved	1995
15	Thabeikkyin - Thabeikkyin	100 km	100% paved	1995



Western Corridor of GMS Economic Corridors



Myanmar Deep Seaport Projects



Ongoing and Prospective Connectivity Projects in Myanmar

Slr	Type	Sector	Sub-Sector	Project Name	Cost (USD mil)	Status
1	PPP	Logistics	Port, Rail, Road	Deep deep sea port	8,000	Ongoing
1	PPP	Logistics	Road/Rail	Deep Megal Luper Harbour	-	Ongoing
2	PPP	Logistics	Port, Rail, Road	Kyaikpada deep sea port	10,000	Ongoing
2	PPP	Logistics	Road/Rail	Dawei Harbour Port	-	Prospective
2	PPP	Logistics	Road	Kaung Myeik Sub-Project (Sittoung to India border)	40.1	Ongoing
1	PPP	Logistics	Port/Waterway	Kaung Myeik Sub-Project (Sittoung Port, Kanaung River development)	88.2	Ongoing
2	Public	Logistics	Road/Rail	Upgrading Bhamo Chaw Road (Chawng Maikay)	-	Ongoing
2	Public	Logistics	Road/Rail	Upgrading Insein Chaw Road (Kangyong/Thawngyi)	-	Ongoing
2	PPP	Logistics	Railway	Lain-Ahau railway	42.0	Prospective
2	PPP	Logistics	Road/Rail	Maw-Hyalegaw	-	Prospective
2	PPP	Logistics	Railway	Mandalaikhe (Hakay/Thakay) rail line	112.6	Prospective
2	PPP	Logistics	Railway	Shaw-May railway	50.7	Prospective
2	PPP	Logistics	Road/Rail	Shaw-Thawng Road	-	Prospective
2	PPP	Logistics	Railway	Thawngyi/Three Pagoda Pass railway	240.2	Prospective
2	PPP	Logistics	Road/Rail	Thawngyi/Insein-Thawngyi	-	Prospective

Delhi-Hanoi Railway Link

- Two objectives – (a) to link India's Manipal with India's main railway corridor, and (b) to re-establish and renovate railway networks in Myanmar.
- Indian consulting engineering company, RITES, has already completed a preliminary study to establish Delhi – Hanoi railway link in 2006
- Indian government has come forward and extended US\$ 50 million credit line to the Myanmar government for upgradation of 640 km railway system between Mandalay and Yangon section.
- Indian Railways is engaged in harmonization of railway tracks in the northeastern India and also construction of new lines.
- Project under construction in Indian side: Diphu – Karong – Imphal – Maitih rail link which will link India with ASEAN.
 - Construction of a 98 km railway line connecting Jiribam to Imphal has already been taken up at the cost of Rs 31 billion. The project was initiated in April 2003 and supposed to be completed by March 2014 for Jiribam-Tupul sector and March 2016 for Tupul-Imphal sector
- On completion of these projects there could be possibilities for (i) India – Myanmar – Thailand – Malaysia - Singapore rail link, and (ii) India – Myanmar – Thailand – Hanoi rail link.

New Delhi-Hanoi Rail Link Route-I



New Delhi-Hanoi Rail Link Route-I in Myanmar

Section	Route	Distance (in km)	Renovating/ Construction Cost (USD in million)
Tamu-Kalay	Missing	128	151*
Kalay-Mandalay	Existing	516	285*
Mandalay-Bago	Existing	541	-
Bago-Thawngyi/uzay	Existing	270	210**
Thawngyi/uzay-Three Pagoda- Fast	Missing	110	402**

New Delhi-Hanoi Rail Link Route-II



New Delhi-Hanoi Rail Link Route-II in Myanmar

Section	Route	Distance (In km)	Renovating/ Construction Cost (USD In million)
Tamu-Kalsay	Missing	128	151*
Kalay-Mandalay	Existing	516	285*
Mandalay-Bago	Existing	541	
Bago-Thantbyuzayat	Existing	270	210**
Thantbyuzayat-Ye-Dawei	Existing	235	
Dawei-Bang Bong Tee	Missing	110	308**



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 (MIEC)



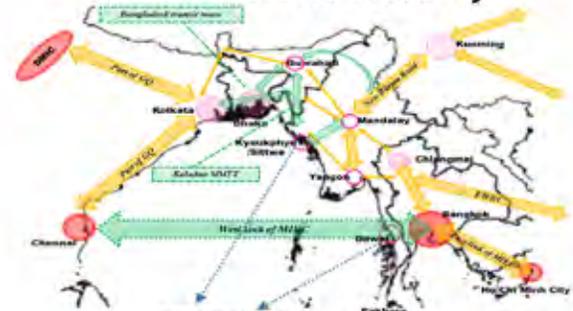
ASEAN-India Connectivity: New Corridor Projects



Emerging Architecture



A Regional Framework to Enhance ASEAN-India Connectivity



Some important developments on regional connectivity (strong impact on ASEAN-India trade flow)

1. Transit for traffic between India, Bangladesh, Nepal, and Bhutan.
2. Integrated check posts (ICP) in Moreh in Manipur, Petrapole in West Bengal, etc.
3. India – ASEAN connectivity projects, particularly Mekong – India Economic Corridor (MIEC) and BIMSTEC Trilateral Highway
4. Kunming – Kyaukpadaung gas pipeline, highway and SEZ
5. Dawei SEZ and port



Encouraging Progress in Transit

- All SAARC countries have in-principle agreed to regional transit.
- Motor Vehicle Agreement is being negotiated.
- SAARC Expert Group finalized the text of the Regional Agreement on Railways in August 2011.
- Sub-regional transit has been agreed between India, Nepal, Bhutan and Bangladesh.
 - Bilateral document between India and Bangladesh signed during the state visit of Indian PM to Bangladesh in September 2011 to facilitate overland transit traffic between Bangladesh and India
 - Demonstration run of container train between Bangladesh, India and Nepal is getting ready.



ASEAN-India Connectivity: Investment Opportunities

- Infrastructure development
 - Telecommunication
 - Waterways, ports and shipping
 - Airports and airlines
 - Roads and highways
 - SEZ
- Township
- Education
- Health, etc.



New Projects of ASEAN-India Connectivity: Recommendations

- Completion of Chennai–Erode Port Road Connectivity Project
- Completion of National Highway Development Programme (NHDP), Phase VI
- Completion of Dedicated Freight Corridor (DFC) projects
- Linking Chennai with DFC projects
- Capacity augmentation of airports in Tamil Nadu and North East India
- Capacity augmentation of seaports in Tamil Nadu
- Completion of Delhi–Mumbai Industrial Corridor (DMIC)
- Development of Chennai–Bangalore–Mumbai Industrial Corridor (CBMIC)
- Completion of the feasibility study of PRIDE (Peninsular Region Industrial Development) corridor
- Completion of the missing links of India–Myanmar–Thailand Trilateral Highway
- Completion of the feasibility study of Delhi–Hanoi Railway Link (DHRL)
- Completion of the Kaladan Multimodal Transit Transport Project (KMTTP)
- Developing Mekong–India Economic Corridor (MIEC)
- New flights and river connection between ASEAN countries and India



Challenges

- Funding of regional infrastructure projects (uncertain global economic environment)
 - Institutional mechanism
 - Financing instruments
- Stronger institutions for regional cooperation
- Supporting skill
- Stronger coordination
- Land acquisition, environment, a.o



Lessons from GMS

- Connectivity works – impact on trade and poverty
- Physical connectivity needs resources and time
- Software connectivity needs time and resources
- Capacity building and political commitment important
- Demand-side factors also important



Vision for ASEAN-India Single Market

ASEAN Economic Community: 2020
SAARC Economic Union: 2020

Current Status

	Harmonized & integrated road and railway network	Maritime & waterways network	Aviation policy	One Customs	Transit	Competition Policy
EU (10)	✓	✓	✓	✓	✓	✓
ASEAN	✗	✓	✓	✓	✓	✗
NAFTA	✗*	✓	✓	✓	✓	✓
SARFC	✗	✗	✗	✗	✗	✗

* Except US and Mexico



Concluding Remarks

- Trade between India and East Asia is the major development
- Lack in connectivity will slow down the integration process
- Presence of regional infrastructure is negligible
- India-ASEAN connectivity holds the key to deeper Asian integration
- An integrated action plan for achieving a common market by 2020 is required.



Thank you



WORKING SESSION IV

JOINT VENTURES IN THIRD COUNTRIES

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Nguyen Huy Hoang, Deputy Director, Southeast Asian Studies, Vietnam Academy of Social Sciences (VASS), Hanoi
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S. K. Mohanty, Senior Fellow, RIS

Enhancing Connectivity for Promoting India-ASEAN Economic Integration

- Nguyen Huy Hoang

ASEAN-INDIA FDI AND POSSIBILITIES OF JOINT VENTURES IN THIRD COUNTRIES

Nguyen Huy Hoang, Ph.D.
Institute for Southeast Asian Studies
VASS, Hanoi, Vietnam

First Round table of ASEAN-India Think-Tanks,
New Delhi, August 7-8, 2012

ASEAN-INDIA ECONOMIC COOPERATION: SOME CRUCIAL MILESTONES

- ASEAN-India economic relation has stepped up a notch since 1990s when India embarked a look-east policy (1991) with its strategy for establishing "extended neighborhood".
- 1992: Sectoral Dialogue Partner; 1995: Full Dialogue Partner;
- The relation has been institutionalized with the first ASEAN-India Summit in Phnom Penh in Nov. 5, 2002;
- 2003: Signed ASEAN-India CECA, establishment of AIRTIA and the Start of AFTA negotiation.

- 2009: Sign of AFTA in goods: Import tariffs will be lifted on more than 80 traded products between 2013-2016.
- Negotiation on the ASEAN-India Trade in Services and Investment Agreements are now on process (targeted for early conclusion).
- Both sides are working on enhancing private sector engagement, stimulation of trade and business-to-business interaction.
- ASEAN-India Aviation Cooperation framework was adopted in Nov. 6th, 2008 → for closer aviation cooperation → enhancing connectivity.
- Cooperation in various fields have been enhanced recently.

ASEAN-India Trade Relations India's two-way trade with ASEAN (US\$ Mil.)

	2004	2005	2006	2007	2008	2009	2010	Till. Oct. 2011
Total Two-way Trade	16,102	20,918	28,670	34,855	46,122	43,665	57,895	46,060
Export from ASEAN	8,550	10,632	16,301	21,031	26,698	25,399	30,618	24,792
Export from India	7,552	10,286	12,369	13,824	19,424	18,066	27,277	21,258

ASEAN-INDIA FDI

- Establishment of RTIA (Article 2 of CECA): To promote investment within ASEAN-India RTIA, to establish liberal and competitive investment regime and to enhance cooperation in investment (Article 5 of CECA).
- Article 5 laid foundation for setting-up joint ventures between ASEAN and India entrepreneurs and private sectors.
- Indian investment in ASEAN is in growing trend recently as two sides reached several cooperation agreements as CECA, FTA and RTIA, etc.

INDIAN INVESTMENT IN ASEAN

- **In Indonesia:** Up to 1985: India was among the top five investors. Indian investors hold 1.5 billion US\$ assets in Indonesia. Recently, more projects on pipeline, steel, coal, etc invested worth more than 25 billion US\$.
- **In Malaysia:** 1980-2007: Indian investment worth 1.5 billion US\$. From 2008 to 2011: many more projects worth around 1.5 billion US\$ invested in Malaysia, making the country a top ten investor in Malaysia.

- **In Myanmar:** 189 million USD, making country the 13th investor in the country (as of Nov. 30, 2011). Potential for more investment in infrastructure and technological cooperation in areas as agriculture and natural resources.
- **In Singapore:** At present, Singapore is top destination for Indian companies (in May 2012, investment worth 500 million US\$)
- **In Thailand:** India is 13th largest investor with total invested capital of 1.5 billion US\$ (as of the end of 2011).
- **In Vietnam:** Indian investment is of around 270 million USD. There are mega projects worth close to 4.5 billion US\$ by TATA, ONGC seek to invest in Vietnam

ASEAN INVESTMENT IN INDIA

- **Singapore:** the ASEAN's largest investor in India among and second largest among foreign countries invested in Singapore with cumulative FDI from 2000 to 2010 was 10.2 billion US\$ (2.4 billion in 2009-2010).
- **Indonesia:** 16th largest foreign investor and second among ASEAN with 604 million US\$.
- **Malaysia:** 25th largest among foreign investors and third among ASEAN with total capital of 253 million USD during 2000-2010.
- **Thailand:** Total FDI from 2000-2010 was 78 million USD.
- **Myanmar:** FDI from Myanmar is of over 6 million US\$ during 2000-2010 period.

ASEAN-INDIA JOINT VENTURES

- **Identification of A-I Joint Ventures:** Capital intensive industries: oil and gas exploration, mineral extraction, and metals processing, infrastructure, banking and other potential areas (agro industries) and manufacturing, etc.
- **Current Situation of A-I Joint Ventures:** Indian companies have many manufacturing joint ventures with Indonesian counterparts in the fields of synthetic fibers, textiles, garments, steel and hand tools, infrastructure, oil exploration and mining. Bajaj Auto has a joint venture for the assembly/production of three wheelers and two wheelers

- There are 25 joint venture operating in Malaysia (rather small but more technology oriented industries with as much local equity as possible), mainly in textiles, steel files, spinning plant, furniture, sugar, diesel engines, paper and paper boards, cosmetic and pharmaceutical etc.
- There are about three joint ventures are operating in Myanmar in manufacturing and infrastructural sector.
- With Singapore, many joint venture in the field of IT, Infrastructure investment and critical technologies in India. In Singapore, joint ventures are working in shipping, automobile accessories, computer accessories, chemicals etc.

- Joint Ventures with Thailand are relatively high-tech and even capital intensive and cover a wide range of products and activities including pulp-chemicals, pharmaceuticals, textiles, nylon, tyre cord and real estate.
- Joint Ventures between India and Vietnam are in the field of oil and gas exploration and exploitation, plastics industries, pharmaceutical, steel production, etc.
- Joint Ventures with other countries in ASEAN as Laos, Philippines, Cambodia concentrate on capital intensive industries, IT infrastructures, processing and manufacturing that India poses advantages over these countries.

POSSIBILITIES (PROSPECTS) FOR JOINT VENTURES IN THIRD COUNTRIES

- With CECA, RTIA, FTA between ASEAN and India, and between India and single ASEAN country as well as more liberated trade and investment policies from both sides, more joint ventures could be possible in the fields of capital intensive industries, manufacturing, steel, oil and gas exploitation for new markets in other regions (e.g. in South America, Africa, South Asia, etc.)

- Therefore, cooperation of the private sectors of both sides in joint ventures in third countries would be possible because of the excellent bilateral relations and “interlocking” economies between India and some ASEAN countries. There are areas in which both side could cooperate but other than the “third countries” as identified and suggested above, remains are left for private sectors from both sides to decide, but the decision should be adhered to the advantages held by both sides in order to make these joint ventures beneficial.
- To foster joint ventures abroad, both ASEAN and India need to enact suitable policies to eliminate trade barriers and deregulate foreign ownership restrictions and flows of capitals.

+ BENEFIT OF A-I JOINT VENTURES

- To help ASEAN-India Joint Ventures to access foreign markets.
- To present companies’ majority interest and maintain control over a projects.
- To help companies cutting down the cost of doing business and to save money, and share the risk while doing business abroad.
- To help enhancing their chances of developing advanced technological methods that would reduce exploration and production costs and increase profit margins.

- To help acquiring technological information and management expertise from other companies.
- To enhance cooperation between India and ASEAN, to foster bilateral trade, investment and closer tie between India and ASEAN and between India and ASEAN countries.
- Help making the Indian Look East Policy successful.
- Help enhancing the development of private sectors both from India and ASEAN, the important contribution to economic growth.

Thank You!

India's Engagement with East Asia in Regional Value Chain: Some Emerging Issues

- S. K. Mohanty

India's Engagement with East Asia in Regional Value Chain: Some Emerging Issues

S. K. Mohanty
Senior Fellow, RIS

The First Round Table on
ASEAN-Indian Network of Think-Tanks (AINTT)
August 7-8, 2012, New Delhi

Context

- South East Asia is a fast growing region of the world
- Significant average growth rate since 2003 until 2008
- Improved share in the global trade and FDI (RIS, 2008)
- Industrial competitiveness in diversified sectors
- Growing knowledge intensive manufacturing sector
- Manufacturing and services: vibrant sectors in the region
- Employment opportunities in knowledge based sectors
- South East Asian economy becoming resilient to recent episode of recession

Trade as Driver of Growth

- Trade growing faster than production sector globally
- There are certain globally dynamic sectors growing faster than others – product composition also changing
- Parts and component sector has been the fastest growing sector globally for the last several decades
- Trade and production activities in P&C sector - dominated by lead firm

Parts and Component Sector

- Parts & component sector – mostly machinery and automobile sector
- Production and trade activities in P&C sector by MNCs since 50s
- Coverage of MNC activities range from conception of a product to its delivery and post-sale services
- Trade in P&C was mostly with developed countries, and now tilting towards developing countries
- Regional value chain is predominantly emerging in different regions – both horizontal and vertical value chain

RTAs, RVC and Surge of IRT

- Rising regional trade in RVC sectors– localised in certain geographical space
- P&C Sector - Developed and developing countries
- Regional leaders in developing countries: ASEAN, Mercosur, SACU, etc,
- Fragmentation of production and international division of labour- finer level
- Spreading to other sectors: Sectoral coverage- from machinery, automotive to several other sectors- similar experiences
- Local firms benefit from their engagement with MNCs
- Far reaching consequences- employment, income generation, other linkage effects in the region
- Sectoral approach required- policy intervention in several areas- MNCs, FDI, technology transfer, trade facilitation, policies involving reduction of transaction cost, etc

RVC as Growth-Inducing Approach to RTAs

- FTAs – drivers of growth
- Various schemes of liberalisation in Asia
- In the context of EAS, alternative group of countries
- Comprehensive Economic Cooperation – Welfare effects could be up to 5%
- Fast growth can be achieved with regional value chain – gain may be higher than various schemes of FTA initiatives
- Regional sectoral approach required – Mercosur (Automotive sector), ASEAN (Several sectors)

Gains from Regional Value Chain

- Rapid economic growth in the region- reduction in the level of poverty- social sector development
- Despite of strong trade potential, the region has not been able to capitalize the existing synergies
- The RVC could be an appropriate model to foster intra-regional trade by deepening regional process
- Attract FDI to promote sectoral activities along with possible transfer of technology to local firms
- Local firms to achieve the status of a global player in the production of goods and services
- Demand more of foreign trained professionals-encourage 'reverse brain drain' in the region
- Integration of regional knowledge economies

A Model for Production Fragmentation



Source: Flow chart prepared by the author

Model

- Average cost structure of production fragmentation
 Type1= $SL_1+PB_1+SL_2=\square_1$... (1a)
 Type2= $SL_1+PB_1+SL_2+PB_2+SL_3=\square_2$... (1b)
 Type3= $SL_1+PB_1+SL_2+PB_2+SL_3+PB_3+SL_4=\square_3$... (1c)
 Type4= $SL_1+PB_1+SL_2+PB_2+SL_3+PB_3+SL_4+PB_4+SL_5=\square_4$.. (1d)
- Possibility of production fragmentation
 $\square_1 > \square_2 > \square_3 > \square_4$... (2)
- Limits to this process
 $\square_1 > \square_2 > \square_3 < \square_4$... (3a)
 $\square_1 > \square_2 < \square_3 < \square_4$... (3b)
 $\square_1 < \square_2 < \square_3 < \square_4$... (3c)
- Rising component of services
 $(\square_{SLi+1} / \square_i) \rightarrow 1$ as Type $i \rightarrow k$... (4)

Distribution of Parts & Components by HS Section

(Number of lines)

HS Section	Descriptions	Product lines
7	Plastics & leather articles thereof	33
8	Raw Hides & Skins, Leather, etc.	1
11	Textile & Textile Articles	8
15	Base Metals & Articles of Base Metal	26
16	Machinery & Mechanical Appliances	246
17	Vehicles, Aircraft and Vessels	43
18	Optical, Photograph & Cinematography	30
20	Miscellaneous Manufactured Articles	2

Note: Total number of sub-headings - 280

Trends in Global Exports: 1998-2010

Major Sectors	Exports (Trillion US)			CAGR (%)		Sh in World (%)		
	1998-00	2004-6	2008-10	1998-00/2004-06	2004-06/2008-10	1998-2000	2004-2006	2008-2010
World Total	5.47	11.13	13.86	12.5	5.6	100.0	100.0	100.0
(1) Primary	0.42	1.11	1.57	17.7	9.1	7.7	10.0	11.4
(2) Intermediate	2.55	4.94	5.98	11.7	4.9	46.5	44.4	43.2
Semi-Finished	1.44	2.91	3.69	12.4	6.2	26.3	26.1	26.7
P&C	1.11	2.03	2.28	10.6	3.0	20.3	18.2	16.5
(3) Final goods	2.44	4.68	5.67	11.4	4.9	44.6	42.0	40.9
Capital Goods	1.04	1.99	2.42	11.5	5.0	18.9	17.9	17.5
Consumption goods	1.41	2.68	3.24	11.4	4.9	25.7	24.1	23.4

Data Source: Comtrade, Online, World Bank, Washington D.C.

Trends in Global Exports of Parts and Components: 1998-2010

Major Destinations	Exports (Billion US)			CAGR (%)		Sh in World (%)		
	1998-00	2004-6	2008-10	1998-00/2004-06	2004-06/2008-10	1998-2000	2004-2006	2008-2010
World	941.1	1573.1	2153.2	8.9	5.5	100.0	100.0	100.0
Dev Countries	727.1	974.0	1219.5	5.0	5.8	77.3	61.9	55.9
Emerging Countries	177.0	440.4	632.1	16.4	9.5	18.8	28.0	29.0
Transitioned Countries	37.0	158.7	331.6	27.5	20.2	3.9	10.1	15.2
LDCs	0.1	0.2	0.4	20.3	20.4	0.0	0.0	0.0
Africa	1.5	4.6	7.5	20.1	13.1	0.2	0.3	0.3
Asia	287.0	448.7	976.6	14.6	10.8	30.5	41.2	44.7
Europe	383.6	604.4	841.1	7.9	8.6	40.8	38.4	38.5
Central America	24.3	37.1	45.9	7.3	4.3	2.6	2.4	2.0
South America	7.1	11.1	17.0	7.3	11.3	0.8	0.7	0.8
Latin America & Carb	264.6	310.6	351.9	2.7	3.2	28.1	19.7	16.1

Data Source: Comtrade, Online, World Bank, Washington D.C.

India's sectoral export potential in China: Parts and Components (Mill US \$)

Sector	2005	2006	2007	2008	2009	Share (%)		CAGR (%)
						2005	2009	
Chemical products	6.3	8.1	9.6	10.0	9.2	9.2	0.2	16.8
Fiber and Cloths	11.2	13.8	16.3	17.7	15.1	9.4	0.4	16.3
Metal Products	51.8	60.5	74.1	81.7	72.9	1.9	2.0	16.4
Mechanical Machinery	1072.7	1275.0	1488.2	1592.2	1488.3	38.9	38.8	14.1
Electrical Machinery	1137.4	1316.2	1677.2	1799.3	1619.5	43.1	43.4	14.7
Motor Vehicles	0.2	0.4	0.6	0.7	0.4	0.0	0.0	45.9
Precision instruments	428.0	474.9	534.8	616.5	560.4	15.5	15.1	12.9
Total	2757.6	3178.9	3800.8	4109.9	3706.9	190.0	100.0	14.2

Data Source: PCTAS, 2011, ITC, Geneva.
 Note: The sector classification is based on Lemoine and Ouhalla-Keseno (2002). Estimation is made at 6-digit HS with bilateral time series data.

India's export more competitive than ASEAN in China: Parts and component in 2009, (Million US\$)

Sector	IDN	MMR	MYS	PHL	SGP	THA	VNM
Chemical products	0.3	0.0	0.0	0.0	0.1	0.3	0.0
Fiber and Cloths	0.0	0.0	0.2	0.0	0.1	0.1	0.0
Metal Products	0.0	0.0	0.2	0.1	1.1	0.3	0.0
Mechanical Machinery	9.0	0.0	40.4	29.7	53.8	62.9	2.5
Electrical Machinery	12.3	0.6	65.8	37.7	31.9	58.0	9.2
Precision instruments	0.9	0.0	8.9	3.5	5.2	10.4	0.7
Country Total	22.5	0.6	115.4	70.9	92.1	131.9	12.3

Data Source: PCTAS, 2011, ITC, Geneva.
 Note: The sector classification is based on Lemoine and Ouhalla-Keseno (2002). Estimation is made at 6-digit HS with bilateral time series data.

Role of Government

- Private initiatives may not be sufficient to drive RVC
- Strategies aiming at reduction of transaction cost
- Creation of favourable business environment required to spur MNC activities in the region
- Congenial policy environment to facilitate FDI flows
- Domestic policy restructuring to support RVC operations- labour laws, trade facilitation, business facilitating services, infrastructure, etc.
- More initiative for JVs in the region to promote RVC

Thank you

WORKING SESSION V

STRATEGIES FOR MEETING THE CHALLENGES OF FOOD SECURITY

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Brunei Darussalam
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Food Security In Brunei Darussalam: The Issues, Challenges and Way Forward

- Haji Ismail Bin Haji




ASEAN-India Network of Think-Tank (AINTT)
 7-8 August 2012

FOOD SECURITY IN BRUNEI DARUSSALAM: The Issues, Challenges and Way Forward

Dato Dr Haji Ismail bin Haji Duraman
 Executive Director
 CSPS

- ### Discussion in Brief
1. What is Food Security (FS)?
 2. What is 'Food Insecurity'?
 3. Challenges with FS
 4. His Majesty's Royal Address
 5. FS in Brunei
 6. Objectives of FS in Brunei
 7. The Way Forward

Food Security

Defined by World Food Summit, 1996:
 Food Security is **"when all people at all times have access to sufficient, safe, nutritious food to maintain a healthy and active life"**

- a. Food Availability
- b. Food Accessibility
- c. Food Use (Utilisation)

Food Insecurity

Food insecurity exists when people are **undernourished** as a result of the physical unavailability of food, their lack of social or economic access to adequate food, and/or inadequate food use.

- ### Some Challenges
1. Population Growth
 2. Financial Crisis
 3. Lifestyle Change
 4. Demand of Biofuels
 5. Scarcity in Water and Land
 6. Climate Change
 7. Slow Productivity

- ### Brunei: Fast Facts and
- Capital: Bandar Seri Begawan
 - Population: 422, 700 people (JPKE, 2011)
 - Area: 5765 sq. km (2226 sq. mi)
 - Export: Oil & Gas
 - Language: Malay (official) & English
 - Ethnic Composition: Malay (70%), Chinese (20%), Others (10%)
 - Government: Constitutional (Prime Minister)
 - Independence: 1 Jan 1984 (from UK)
 - Religion: Islam (90%)

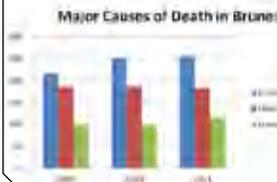
His Majesty's Royal Address

"...if a rice producing country that already has capability to achieve 70% of its domestic rice requirement is still striving to formulate policies to achieve 100% self-sufficiency, why is that we only achieving at 3.12% not exerting enough to increase our national rice production? If I may recall, I have been emphasizing on this matter for the past years. It is most appropriate now that we should have our own strategic plan and national agriculture policy, amongst other things, that will guarantee national food security as one of its key strategies..."

FS in Brunei

1. Political Stability

Security in terms of political stability between importing and exporting countries



Local Rice Production



2. Imbalanced Diet

Food is always available. On the other hand, people in Brunei is "over-nourished"

Objectives of FS in Brunei

1. To ensure foods are always *available*, *accessible*, *affordable* and safe for everyone
2. To *reduce* the dependency on import and to *increase* the local food production
3. *Coordinate* different policies by different agencies to promote FS

1. To ensure food is always available, accessible, affordable and safe for everyone

- ✓ Local production
- ✓ Import from overseas
- ✓ Relevant authorities to deal with *policies* using their functions & role

2. To reduce the dependency on import and to increase the local food production

- ✓ Increase the agricultural *productivity* and promote the local population in farming
- ✓ Invest and implement in *infrastructure* in agriculture
- ✓ Provide *assistance* to farmers in all concepts of farming by relevant agencies

3. Coordinate different policies by different agencies to promote FS

- ✓ Department of Economic Planning and Development to control and monitor *prices* of food
- ✓ Ministry of Health to ensure *safe* and healthy nutrition/diet
- ✓ Ministry of Religious Affair on *Halal* Certification
- ✓ *Economic* interests
- ✓ Development *community* on issues related to poverty
- ✓ *Research* and development
- ✓ *Government* roles and function/fiscal policy



The Way Forward

- Research and development
- Training and manpower
- Education
- Infrastructure
- Marketing the use of technology in farming
- Campaign for balancing the consumption of food and lifestyle
- Maintain and enhance trade relations with partner committees

THANK YOU!

Food Security in Thailand

- Somchai Ratanakomut

Food Security in Thailand

Somchai Ratanakomut
(ratanakomut@yahoo.com)

Introduction

- Food security has long been important agenda for East Asia
- Emergency Food Aid: Rice
- Threat:
 - Land Utilization: food vs. energy
 - Climate Change: water resource issue

Trends

- Exports
- Land Use, production areas
- Farm Mechanization: Harvester & Thresher
- Intensive or Extensive farming

Export Products

- Rice = No.1
- Cassava = No.1
- Sugar = No.1
- Chicken = No.1

Table 1. Paddy Production (Millions of tonnes)

Year	01/02	02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11
First Crop	22.4	21.6	23.1	22.7	23.5	22.8	23.3	23.2	23.8	24.3
Second Crop	5.6	6.4	6.3	5.9	6.8	6.8	8.8	8.4	8.9	9.4
Total	28.0	28.0	29.4	28.6	30.3	29.6	32.1	31.7	32.6	33.7

Source: Thailand's Office of Agricultural Economics

Food Security: 3 Aspects

- Availability
- Accessibility
- Utilization

Availability

- Decision Challenge! Energy or Food?
- Prices and Supply Response
- Lower crop yield
- Productivity Improvement
- Farm Mechanization
- Small-land-holder

Accessibility

- Logistics
- Warehousing
- Expensive food in urban areas

Utilization

- Population Pressure
- Consumption Pattern
- Poverty Incidents
- Income Distribution

Questions-Intervention

- Is buffer stock an answer?
- Source of funds
- Price mechanism?
- Cob web
- Contract Farming ?

Market?

- Market Structure
- Market Failure
- Government Failure
- Regional Cooperation

Coverage

- Rice
- Maize
- Soy Bean
- Cassava
- Sugar Cane
- Oil Palm

Thailand's Position

- Increase Agricultural Productivity
- Bio-fuel Development (palm oil)
- Self sufficient and Exporter
- Participate with AIFS (ASEAN Integrated Food Security Policy Framework) and SP-FS (Strategic Plan of Action)
- ASEAN+3 Emergency Rice Reserves

AIFS (ASEAN Integrated Food Security Policy Framework)

- Emergency
- Trade
- Information
- Innovation and Investment

*Famines are not caused by a lack of food
but a bad governance*

Thank you

Policy Coordination for Food Security: Case of the ASEAN Rice Trade Forum

- Roehlano M. Briones

Policy Coordination for Food Security

Case of the ASEAN Rice Trade Forum

Roehlano M. Briones, Senior Research Fellow
Philippine Institute for Development Studies



What to expect?

- Rice market and trade policies
- Role of trade policies in price shocks
- Coordinating trade policies
- Case of ASEAN Rice Trade Forum
- Prospects for the Rice Trade Forum



Rice Market and Trade Policies

- Rice – most important staple food crop in Asia
- Worldwide: in 2008-2010, about 452 million t of rice produced
- Total world exports: 30.4 million t (about 7%); low compared to maize (11%), wheat (20%)
- Strong government intervention in markets
- Rice – a *political* commodity



Rice Market and Trade Policies

In the case of ASEAN:

- Government import monopoly: Indonesia (BULOG), Philippines (NFA), Malaysia (BERNAS)
- Government export regulation: Vietnam (VFA)
- Government domestic intervention: Thailand (Paddy mortgage; Public Warehouse Corporation)



Rice Price Crises

- Previous food crises, 1972-1974: related to calamity (El Nino)
- Recent crisis, 2008: no calamity – “artificial scarcity” in world market (Dawe and Slayton, 2010)
- At individual level: hoarding (Timmer, 2010)
- Big factor may have been trade policy (Headey, 2010)



Case of 2008 Rice Price Crisis

- Export shocks contribute 61% increase of world rice price
- Import shocks added another 65%
- Combined increase (126%) is within the range of actual price increases in Thai rice for July 2007 to June 2008



Role of Trade Policies in Price Shocks

- Vietnam, India place partial restrictions on exports, owing to concerns about domestic food prices: Sep–Oct, 2007;
- Vietnam bans export sales, citing cold weather in Red River delta (Slayton and Dawe, 2009): Feb, 2008
- Egypt restricts exports, China imposes 10% export tax and imposes VAT: Jan, 2008
- Philippines purchases annual import quota over the period Jan–April, 2008; pays \$700 per t for the 11 Mar tender, and \$1,200 per t for the 17 April tender
- Saudi Arabia raises imports from Thailand by 90% within the Q1 of 2008; Iran orders 800,000 t of Thai rice in Jan–Feb, 2008 owing to drought

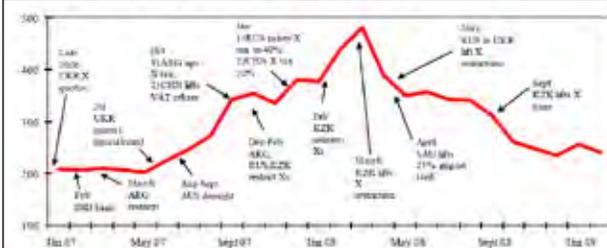


Export Restrictions Since 2007

Argentina	Wheat, maize, soybeans, sunflower seeds	Tax (of valorem), Tax (variable), Quota, Ban
China	Rice, wheat, maize, flour	Tax (of valorem), Quota, license
India	a) Basmati rice b) Ordinary rice c) Wheat	a) MEP, Tax (specific), STE b) Ban, MEP, STE c) Ban, Quota, STE
Egypt	Rice	Tax (specific), Quota, Ban
Pakistan	a) Rice (ordinary and basmati) b) Wheat	a) MEP b) Tax (of valorem), Quota, Ban
Russia	a) Wheat, maize, barley, flour b) Rapeseed	a) Tax (of valorem), Ban b) Tax (of valorem)
Ukraine	Wheat, maize, barley	Quota
Vietnam	Rice	MEP, Quota, Ban, Tax (variable), STE

Source: Sharma (2011)

Role of Trade Policies in Price Shocks: Case of Wheat



Source: Sharma (2011)



Coordinating Trade policies: The collective action problem

- Suppose crop loss provokes insulating policies
- Simultaneous action ineffective, amplifies volatility – collective action problem
- The effect of a shock on world price can be amplified **nearly seven-fold** (under plausible short run elasticities)
- In 2006–8: insulating policies accounted for 45% of the increase in the international rice price, and 30% for the international wheat price.

Source: Anderson and Martin (2012)



Information and Collective Action

- Unilateral action typically proceeds without proper information about:
 - Actions of other players in the market
 - Status and conditions of supply, demand, and stocks in the market
- Policy coordination typically involves compiling and evaluating information – a link also made in G20 Report (2011)



WTO Disciplines

- Article 11: no export ban on foodstuffs, except for temporary relief given “critical shortage”
- Article 12: implementer must provide due notice to Committee on Agriculture, and consult with affected importing Member upon request
- Applies to developed country members, and developing country members who are net food exporters of the concerned foodstuff
- Ineffective in checking the practice



Case of ASEAN

- If not multilateral, perhaps regional?
- ASEAN
 - In 1979: ASEAN Food Security Reserve Agreement
 - Set up ASEAN Emergency Rice Reserve (87,000 t)
 - Organized ASEAN Food Security Reserve Board (AFSRB)
 - In 2009: Summit approved ASEAN Integrated Food Security (AIFS) framework and Strategic Plan of Action on Food Security (SPA-FS: 2009-2013)



Components of the Integrated Food Security Framework

1. Emergency short-term relief
 - ASEAN Plus Three Emergency Rice Reserves (APTERR)
2. Sustainable food trade
3. Food security information
 - ASEAN Food Security Information System (AFSIS)
4. Agricultural innovation



Role of AFSRB in SPA-FS

- Reinforce the AFSRB in compilation, management and dissemination of statistics and information on food and food security as a basis for effective planning of food production and trade within the region (Cpt 1)
- Review and analyse international/regional trade information, including prices, quantities traded, distribution and logistics (Cpt 2)



AFSRB and Policy Coordination

- The assigned tasks appear consistent with information and policy coordination
- Organized the first ASEAN Rice Trade Forum on pilot basis
- Attendance: AFSRB, participants from academe, donor community, civil society
- Supported by Asian Development Bank

Siem Reap, Cambodia, 19-20 June 2012
 (<http://www.adb.org/news/press/asean-rice-trade-forum>)



Objectives of Rice Trade Forum

- At the end of the meeting participants will have:
- shared and analyzed rice market information
 - identified areas of cooperation and policy coordination to mitigate or avoid extreme rice price volatility
 - determined long-term and strategic policy reforms for the sustained development of regional rice trade
 - tested and discussed the business processes and arrangements involved in organizing a rice trade forum



Agenda of the Rice Trade Forum

- Rice market situation and outlook
- Extreme price volatility and trade
- Calamity, price volatility, and emergency rice reserves
- Approaches to address price risk



Prospects for the Rice Trade Forum

- Pilot still on-going
- If successful: permanent function of AFSRB
- Forum is venue to elicit feedback from, disseminate information to multiple stakeholders



Prospects for the Rice Trade Forum

- Policy coordination must grapple with balance of collective action with sovereignty
- Binding disciplines entail protracted negotiation
- In the interim: process of multi-sectoral consultation and information exchange at international level – Rice Trade Forum
- Should innovate mechanism to convene quickly in the event of imminent food crisis



Prospects for the Rice Trade Forum

- Consultations should be broadened to cover major market players beyond ASEAN, e.g. India
- Progress to date:
 - AFSRB interested to continue with pilot
 - Continuation would involve perhaps another meeting, and capacity building activities for AFSRB and Secretariat re policy advice, surveillance
- Not firmed up yet, but all good ideas have to start somewhere...



Strategies to Meet the Challenges of Food Security in Myanmar

- Myint Thuang

The Government of the Union of Myanmar

Strategies to Meet the Challenges of Food Security in Myanmar

Prof. Myint Thuang
Former Rector
Yezin Agricultural University



Country Profile

Land Area	- 676,756 sq km
Population	
Whole country	- 59.13 mil
Population growth	- 1.52 %
Urban Population	- 17.894%
Population density	- 88 per sq kilometer
Social indicators	
Life Expectancy (years)	- 61(male), 64 (female)
Adult Literacy Rate(%)	- 88.7 (male), 79.5 (female)
Infant Mortality Rate per 1000 live births	- 62.1(Urban), 65.0 (rural)
Population with safety water supply	- 71.6%

Land Utilization

in 2009-2010

Categories	Million ha
Net Sown Area	11.98
Fallow land	0.24
Cultivable Waste land	5.61
Reserved Forests	16.90
Other forests	16.25
Other	16.68
Total	67.66

GDP

GDP in 2009-10 (at 2000-01 constant price)

	(Kyats in billion)
Goods	9881.70
- Agriculture	6038.26
- Livestock & Fishery	1170.60
- Forestry	83.40
2. Services	2308.60
3. Trade	3361.20
4. GDP	15551.50

Agricultural policies

Policies

- to allow freedom of choice in agricultural production;
- to expand agricultural land & to safeguard the rights of farmers;
- to encourage the participation of private sector in the commercial production of seasonal and perennial crops & distribution of farm machineries and other inputs.

Objectives

- Prior to fulfill the needs of local consumption;
- Export of more surplus of agricultural products for the increase of foreign exchange earnings; and
- Assistance to rural development through agricultural development.

Strategies

- Development of new agriculture land;
- Provision of sufficient irrigation water;
- Provision and support for agricultural mechanization;
- Adoption of improved agro-techniques; and
- Development and utilization of improved varieties.

Cropping intensity

Year	Net Sown area (Million ha)	Total Sown area (Million ha)	Cropping intensity (%)
2002-03	10.82	16.15	149
2003-04	11.04	16.62	150
2004-05	11.42	17.43	153
2005-06	11.93	16.75	157
2006-07	12.61	20.45	162
2007-08	11.87	22.12	186
2008-09	13.49	22.96	170
2009-2010	13.64	23.36	171

Irrigation Network

Number of Dam & Reservoir (February 2010) - 231
 Number of pump irrigation - 322

Year	Net Sown areas (million ha)	Irrigated areas (million ha)	Percent
2002-03	10.82	1.87	17.3
2003-04	11.04	1.96	17.7
2004-05	11.42	1.93	16.9
2005-06	12.61	2.25	17.8
2006-07	12.55	2.43	17.8
2007-08	13.35	2.43	17.0
2008-09	13.49	2.27	16.9
2009-2010	13.64	2.33	17.1

Irrigation / Dam Project	Number	Beneficial Area (Acre)
Before 1988	138	1336199(540,752 ha.)
After 1988 projects (up to end Feb 2010)	231	2827076(1,122,101 ha.)
Pumping Projects	Number	Beneficial Area (Acre)
Pumping irrigation from rivers	322	467028 (189,080 ha.)
Electric-pumping	131	351830
Diesel-pumping	191	115198
Underground water for agriculture	8012	98335 (39,796 ha.)
Deep Tube wells	5033	
Shallow Tube wells	2979	

Major food crops in Myanmar

Sr. No.	Categories	Sown area ('000 ha)	Production ('000 mt)	Sown area (%)
1	Cereals	8,908	33,950	38.80
2	Oil seeds crops	3,549	3,118	15.46
3	Pulses	4,277	3,269	18.63
4	Culinary crops	262	1,904	1.14
5	Vegetables	508		2.21
6	Others	5,457		23.76
	TOTAL	22,961		100.00

Livestock & Fishery in Myanmar

Number of livestock (2007-08 figures)

Buffalo 2.84 million Nos.
 Cattle 12.63 million Nos.
 Sheep & goats 2.80 million Nos.
 Pigs 6.90 million Nos.
 Chicken 107.10 million Nos.
 Ducks 11.11 million Nos.
 Other fowls 1.30 million Nos.

Productions

Meat 1.40 million mt (self sufficiency 222%)
 Eggs 5432 million Nos (self sufficiency 141%)
 Fresh milk 1.2 million mt (self sufficiency 70%)
 Fish 3.1 million mt (self sufficiency 367%)

UNDERSTAND WHAT FOOD SECURITY REALLY MEANS

"...When all people, at all times, have physical, social, and economic access to sufficient, safe, and nutritious food that meets their dietary needs and food preferences for an active and healthy life"



Source: FAO, 2004

DECIDE WHICH ASPECTS OF THE FOOD SECURITY CHALLENGE MERIT MOST ATTENTION/INVESTMENT:

- Availability = overall ability of the agricultural system to meet food demand
- Access = by individuals to adequate resources (entitlements) to acquire appropriate foods for a nutritious diet
- Utilization = safety, quality and nutritional aspects of food products
- Stability = individuals at high risk of temporarily or permanently losing their access to the resources needed to consume adequate food

Source: FAO, 2004

Food Security Situation in Myanmar

Self sufficiency status of major food items in Myanmar

Sr. No.	Crop	Sown area (000 ha)	Production (000 mt)	Utilization (000 mt)	Surplus (000 mt)	Self sufficiency (%)
1	Paddy	8,094	32,573	19,237	13,336 (6.43 mmt milled rice equivalent)	169
2	Oil crops	3,549	3,118	572 (Oil)	329 (Oil)	157
3	Pulses	4,277	5,269	1,026	4,243	513
4	Culinary crops	262	1,904	907	997	210

Export data of some commodities from border post

Name of crops	2007-08
• Rice & rice products	358,000 MT
• Pulses (peas and beans)	1141,000 MT
• Yellow corn	156,000 MT

Food Security in Myanmar

- Myanmar accomplished surplus production of food. But due to the geographical differences, there are pockets of food deficit areas. The regional demand and supply analysis indicates the rice deficit areas in some parts of central dry zone and Chin State.

Formation of Committees at different level for food security

At National Level

- National Food Security Committee
- Rural Development Support Committee
- National Disaster Preparedness Central Committee

At Regional Level / District/ Township

Agricultural Coordinating Committee

- Representatives from departments / enterprises under MOA (MAS, IO, WRD, MADB, SLID, AMD, MIDE)
- Representative from
 - General Administrative Department
 - Livestock Breeding and Veterinary Department
 - Fishery Department
 - Forestry Department
 - Myanmar Agricultural Practices Training
 - Electric Power Department
 - Water Resource & Improvement of River system Department

Strategies for food security

- A. Two alternative ways to boost crop production**
 - Vertical expansion;
 - Horizontal expansion.
- B. Land resources potential**
 - Only 60% of total cultivable land of 17 million ha were cultivated;
 - Over 6 million ha of cultivable land is potential for expansion.
- C. Water resources potential**
 - Amount of total water flow annually - 870 million acre feet
 - Only 6% of total water resources are utilized.
 - More room to exploit water resources in Myanmar.
- D. Highly potential to improve productivity**
 - By providing high quality seed;
 - By providing chemical fertilizers and other inputs;
 - By improving infrastructure and irrigation facilities.

Boring Triangular Joint Tube Wells to Irrigate Rice Fields due to Prolong Drought



Key Policy Strategies for Sustainable Agriculture and Food Security in Myanmar stated at the World Summit for Food Security held during November 2009 in Rome that....

- Improving agricultural financing, trade and marketing of food and agriculture commodities
- Fostering integrated and sustainable natural resources management with emphasis on promoting efficient land and water utilization
- Improving risk management and spreading mechanism associated with natural and man made disasters through diversifying livelihood, developing social safety nets and support systems

Cont'd.

- Encouraging private sector participation and building partnership with local, regional, and global development partners
- Developing adaptation and mitigation strategies for climate change through promoting good agricultural practices and technology as well as accessing water for greening in the dryer part of the country
- Strengthening institutional capacity and overall human resources development for agricultural sector competitiveness and
- Strengthening agricultural research, education and extension systems

- Encouraging 'Leading Companies' to spear-head and drive the development of comprehensive and more inclusive supply chains.
- These leading companies a consortium/company, each made up of around 50 participants/businessmen/share-holders in the selected production center of the various commodities.
- Example - Ayeyar Hinthar Group as a Leading company driving a newly established company/consortium, Khitayar Hinthar centered around Pyay and involved in 'seed to shelf' business activities for rice as well as pulses and beans, linking Pyay in West Bago to domestic and overseas markets via the major distribution centers and ports.

Future Direction

- Medium term priority framework for food security in Myanmar is being formulated with the assistance of FAO.
- Strengthening of Food Security information system among Asian countries will be carried out.
- Myanmar as an ASEAN member countries, welcomes the strategic Plan of Action focusing on food security, endorsed by the 30th AMAF Meeting held in October 2008 in Hanoi, Viet Nam.
- Myanmar would like to call for accelerating cooperation on agricultural sector development not only with member countries, but also with neighbouring countries and dialogue partners.
- Myanmar would like to participate any activities on regional food security programmes.

THANK YOU

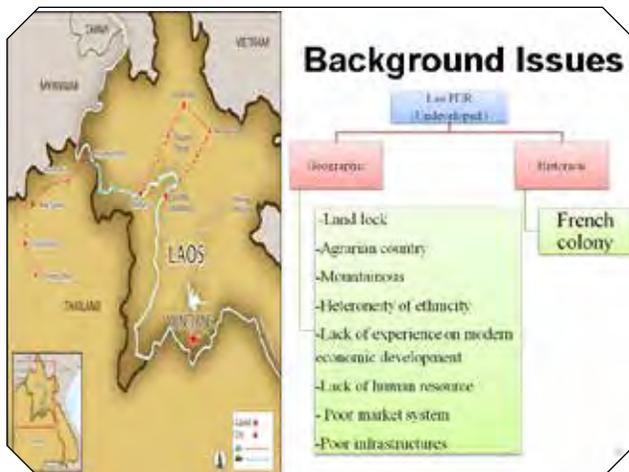
Food Security Policies : Experience from Lao PDR

- Sombounmy Phomtavong



Contents

1. Country background
2. Lao's Economic Development and Rural Poverty Reduction
3. Food Security Policies and The Challenging



Country Background

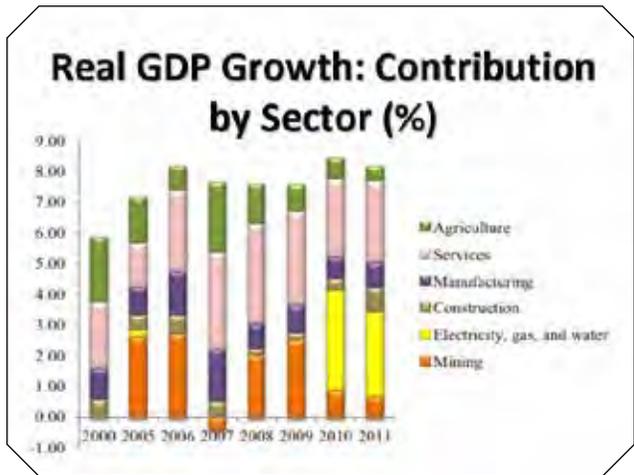
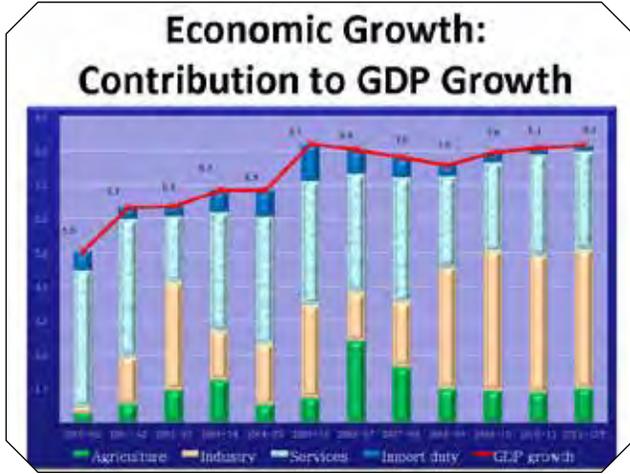
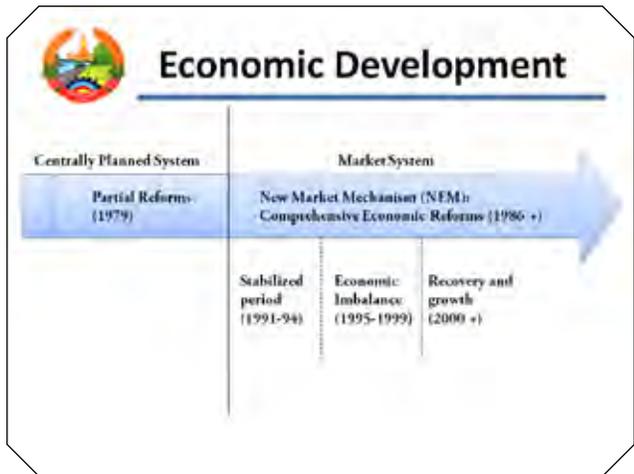
- ❖ A land-lock country (236,800 km²),
- ❖ Low population density (total population 6.4 m),
- ❖ 49 ethnic groups: 68% are Lao-loum (or lowland Lao), 22% Lao-theung (or slope dwellers) and 10% Lao-soung, (or mountain dwellers)
- ❖ The country predominantly mountainous (2/3 of country area).

Country Background

- ✦ Nearly 80% living in rural area, depends on farming and the use of natural resources for their livelihoods.
- ✦ The agricultural sector provides employment to 80% of the work force (but most are self-employ or unpaid family worker).

Country Background

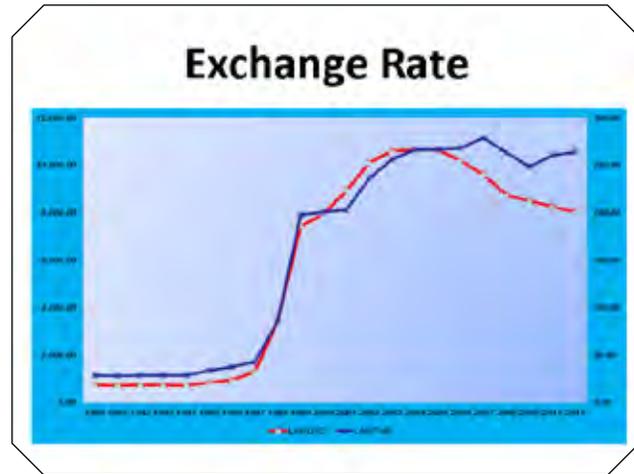
- The characteristic of agricultural sector:
- ✦ Low productivity and low level of input use (improved variety and fertilizers)
 - ✦ Traditional production systems.



FDI by Sectors, 2006-2011

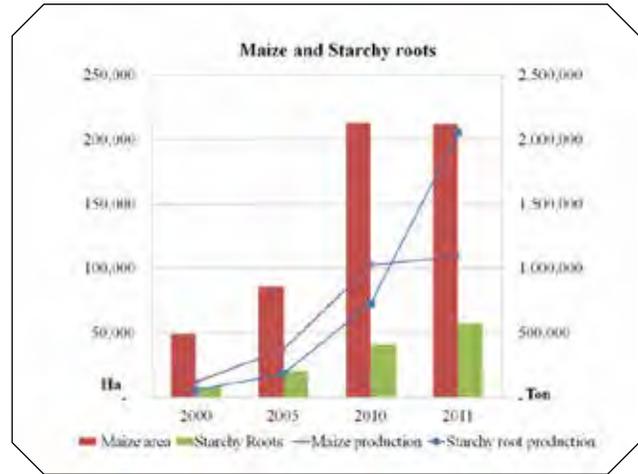
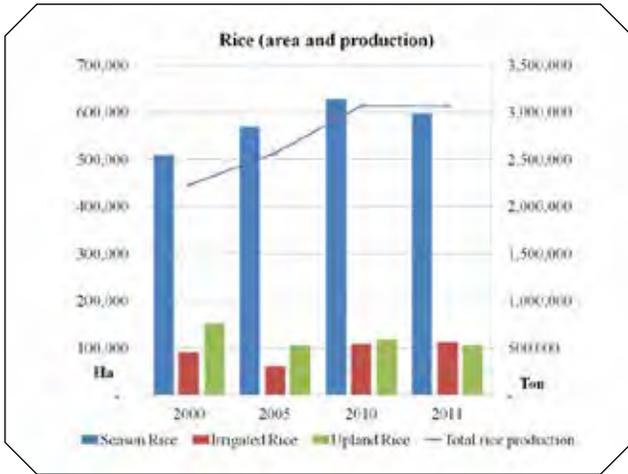
Sectors	Projects	Value (US\$)
1 Electricity Generation	29	3,457,518,585
2 Agriculture	178	3,315,981,333
3 Mining	170	3,064,708,546
4 Industry & Handicraft	229	1,404,776,531
5 Service	235	1,208,311,568
6 Construction	40	533,240,077
7 Trading	126	231,929,930
8 Banking	6	193,209,253
9 Hotel & Restaurant	66	191,130,677
10 Wood Industry	18	158,243,600
11 Telecom	20	92,600,744
12 Consultancies	63	35,395,888
13 Garment	23	22,714,920
TOTAL	1,203	13,909,761,652

Note: Approved Value (US\$)



Economic Development

→ GoI tried to implement various rural development policies for poverty reduction. But policies have not been so effective (upland areas).



Food Security Policies and the Challenges

- ✦ National nutrition policy (Ministry of Health, approved 2008)
- ✦ The National Growth and Poverty Eradication Strategy of 2004 (NGPES)
- ✦ The Sixth and Seventh, National Socio Economic Development Plan (2006-2010 and 2011-2015)



**Thank you for
your attention**

Strategies for Meeting Challenges of Food Security

- I. N. Mukherji

Strategies for Meeting Challenges of Food Security

Presented at Round Table on
ASEAN-India Network of Think Tanks

I. N. Mukherji

Senior Consultant
Research and Information System for
Developing Countries, New Delhi
7-8 August 2012

- World Food Price Index, having remained subdued since early 1990s, showed an upward trend from 2003, peaking in 2008.
 - A sharp decline since then was short-lived as the index marked a steep increase in 2010 and 2011.
 - Between 2011 and 2012 decline has set in, but the index remains twice as high as between 2002-04.
- Source: FAO, Food Outlook, May 2012



- Looking more closely at the trend in food price index in more recent years, it will be seen that the same having declined sharply in 2008, increased sharply during 2009 and 2010.

- Since 2011 a mild decline has set in, but the index remained at almost twice the level prevailing between 2002-2004.

Source: FAO, Food Outlook, May 2012



- Food-specific commodity price indices show that having peaked in the first quarter of 2011, sugar price indices declined till the second quarter of 2012.

- Over the same period while price indices of dairy and cereal products show mildly declining trend, the same for oil and fats and meat products remain stable. The indices remain at around twice the level prevailing in 2002-04.

Source: FAO, Food Outlook, May 2012



Food Scenario in India

- With the launching of major reforms in 1991, India has grown out of a period of acute shortages and heavy dependence on food aid to self reliance in food at the national level.
- Today India has emerged as the largest producer of milk, second largest producer of fruits and vegetables, paddy rice, sugarcane, wheat, groundnuts and certain fresh vegetables.
- In 2011-12 India achieved record grain production of 257 MT. Today India is sitting on grain reserves of around 80 MT in its central reserve.

Food Scenario in India (contd.)

- In the current year however, agricultural prospects appear to be gloomy. Early August this year the Indian government confirmed the first drought in three years as monsoon rains are likely to be less than 90 per cent of the long term average. The cultivated acreage is expected to be down by 21 per cent.
- Of particular concern is fall in acreage under pulses and oilseeds – the two products on which India is largely import-dependent. This could raise prices of essential staples, pulses and edible oils affecting the poor adversely unless prompt steps are taken to distribute cereals from central pools and to import in adequate measure, pulses and edible oils.

Food Scenario in India (contd)

- Notwithstanding the prevailing drought conditions, it is estimated that the burgeoning food stocks available with the government in its central pool give ample opportunity not only to meet the domestic demand, but provide ample scope for exports. This is the reason why the Indian Government has largely freed its exports of cereals following which considerable exports have taken place, making India a large player in the international grains (particularly rice) market.
- The following slide gives the estimates.

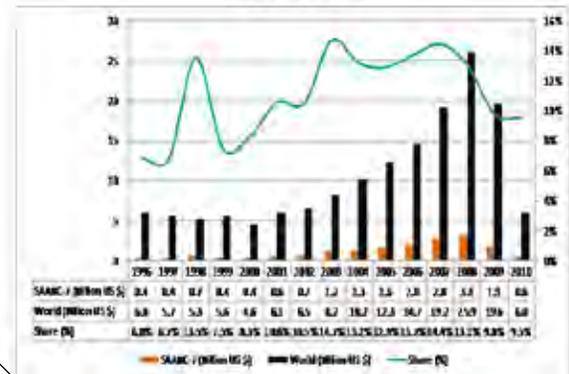
Exportable Commodities (2012)			Import Requirements (2012)		
Items	Quantity (Million Tonnes)	Estimated Value (US\$Billion)	Items	Quantity (Million Tonnes)	Estimated Value (US\$Billion)
Rice	7 (5 Non-Basmati), 2 Basmati	4			
Wheat	7 (2 Private + 5 Central Pool)	2.1	Pulses	4	2.5
Sugar	4	2.4	Edible Oil	9	10
Corn	2	0.6			
Oilseeds	6	3			
	Total: 12.10				Total: 12.90

Source: Estimates by Tejender Narang, Economic Times, 30 July 2012.

Why Food Security?

- Thus the issue of food security in India does not arise from insufficient availability (at the national level) since the country is net exporter of food. Surpluses within agriculture on account of cereals enables the country to finance its agricultural products in which it is import-dependent, viz. pulses and oilseeds. The main problem the country faces is to provide its vast marginalized population accessibility and assimilation of sufficient food.
- With nearly 43 percent of children under the age of 5 being underweight and 50 percent of pregnant women being anemic, the nutritional security of children and women is a matter for serious concern.

Intra-SAARC Exports of Agricultural Products



Number of Agricultural Products on SAFTA Sensitive Lists

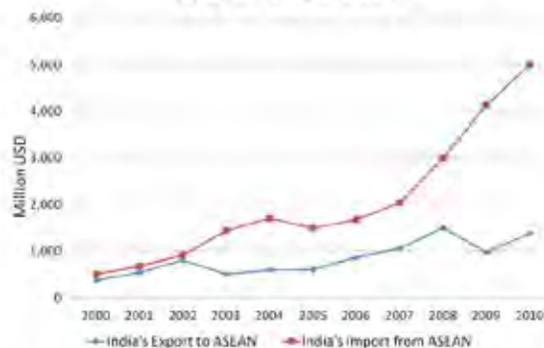
	NLDCs			LDCs		
	Ag Products	Total Sensitive List	% of Total	Ag Products	Total Sensitive List	% of Total
Bangladesh	151	1254	12.0%	151	1449	10.4%
India	399	840	47.6%	25	25	100.0%
Maldives	101	601	16.8%	101	601	16.8%
Nepal	357	1295	27.6%	357	1257	28.4%
Pakistan	145	1149	12.6%	145	1169	12.4%
Sri Lanka	482	1043	46.2%	482	1343	35.9%

Source: Compiled from SAARC Secretariat
 Note: India drastically brought down its Sensitive List for LDCs to 25 products, vide customs notification No. 95/2011, dated 9 November 2011.

Joint Action for Food Security

- SAFTA does not mention any collective measure for food security.
- However, an Agreement on establishing the SAARC Food Bank was signed in New Delhi on April 3, 2007.
- The SAARC Food Bank has two objectives; (a) to act as a regional food security reserve for the SAARC member countries during normal times, food shortages and emergencies; and (b) to provide regional support to national food security efforts, foster inter-country partnerships and regional integration, and tackle regional food shortages through collective action.
- Under the agreement, the food bank has been authorised to start functioning with a total reserve of 241,580 tonnes of food grains, of which India, Pakistan, Bangladesh, Nepal, Sri Lanka, Afghanistan, Bhutan and Maldives are to contribute 153,000 tonnes, 40,000 tonnes, 40,000 tonnes, 4,000 tonnes, 4,000 tonnes, 1,420 tonnes, 200 tonnes and 180 tonnes respectively.

India's Trade in Agro-products with ASEAN



Policy Interventions

- Foodgrains
- Food Security Bill submitted to Parliament which calls for creating legal entitlement to subsidized grain to 63.5 percent of the population with an annual cost of US\$ 20 billion starting 2012. An additional US\$ 70 million to assist agricultural production, particularly storage and transportation infrastructure.
- Rice: Minimum export price of basmati rice cut by US\$ 200 (to US\$ 700).
- Gave official permission for export of non-basmati rice.

Policy Interventions

- Permitted export (including food aid by State entities) through India-Bangladesh and India-Nepal border on non-EDI Land Customs Stations. Export to Maldives on Government to Government basis.
- Raised allotments to bringing New Green Revolution in Eastern India by US\$ 115 Mn. to US\$ 192 Mn. Budgetary support included provision for increasing storage, irrigation and greater credit disbursement.
- Palm oil: Import duty brought down drastically in 2009-10 to zero for crude palm oil and refined palm oil to balance hike in prices.

WORKING SESSION VI

MEETING THE CHALLENGES OF CLIMATE CHANGE

List of Presentations in Session-VI

- 1. Meeting the Challenges of Climate Change: The Role of Civil Society..... 229**
Rahimah Abdulrahim, Executive Director, The Habibie Center, Jakarta
- 2. Meeting Challenges of Climate Change through Green Growth Path 232**
Vu Xuan Nguyet Hong, Vice President, Central Institute for Economic Management (CIEM), Ministry of Planning and Investment, Government of Vietnam, Hanoi
- 3. Climate Change: An Indian Perspective 235**
Kasturi Das, Consultant, RIS

Meeting the Challenges of Climate Change: The Role of Civil Society

- Rahimah Abdulrahim

Meeting the Challenges of Climate Change: The Role of Civil Society

Rahimah Abdulrahim
Executive Director, The Habibie Center

1st Roundtable of ASEAN India Network of Think Tanks
7-8 August 2012

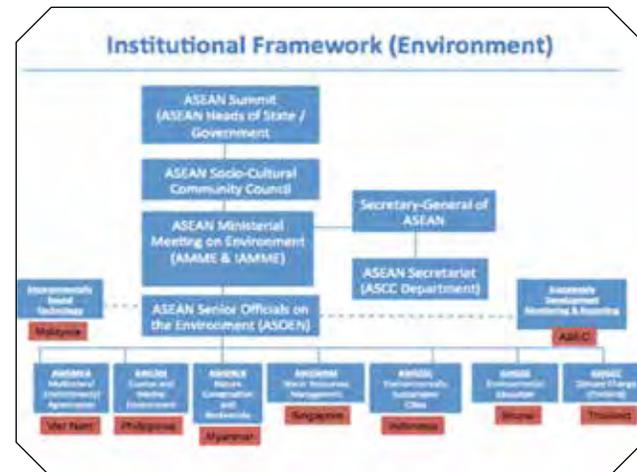



ASEAN Climate Change Initiative (ACCI)

- Enforced by ASEAN Environment Ministers and implemented by ASEAN Working Group on Climate Change (AWGCC)
- Envisaged to be a consultative platform to further strengthen regional coordination and cooperation in addressing climate change, and to undertake concrete actions to respond to its adverse impacts.
- Scope of collaboration will include:
 - policy and strategy formulation;
 - information sharing;
 - capacity building;
 - technology transfer.

ASEAN Climate Change Alphabet Soup

AWGEE	AWGMEA	AIESC
AWGCME	ACCI	AWGNCB
AWGESC	AEEAP	ACB
AWGWRM	ASMC	AFSPC



ASEAN - India Green Fund

- ✦ announced during 6th ASEAN-India Summit in November 2007
- ✦ setup in 2010 with an initial contribution of US\$ 5 million to support cooperative pilot projects between ASEAN and India for promotion of technologies aimed at promoting adaptation to and mitigation of climate change

Climate Change Perspectives

- ✦ Climate Change as a policy issue - Politics
- ✦ Climate Change as a market driven issue - economics - e.g. green economy
- ✦ Climate Change as a cultural and behavioral issue -- society, awareness, fear

Balancing Act or Trade-Offs?

- ✦ Income vs Environment
- ✦ Enhancing Connectivity vs Reducing Carbon footprints
- ✦ Development of SMEs vs Sustainable Consumption and Production

Differing Positions and Interests

- ✦ Within ASEAN - no common position, no common voice
- ✦ Climate change consideration is not yet a major driver of development in the region

Civil Society: where do we fit in?

Role of Civil Society

- ✦ Civil society has a vital role to play in promoting actions to tackle climate change.
- ✦ Concerted efforts of the Public sector, Private Sectors with CSOs to push the climate change agenda beyond just politics.
- ✦ Pushing the agenda to bring education and awareness of the urgency for action

Bridging the Policy Disconnect

- ⇒ Network of Think-Tanks
- ⇒ Track 2 dialogues
- ⇒ Cross-sectoral approach
- ⇒ Synchronizing existing policies with current realities

Moving From Talk to Action

- When it comes to addressing the challenges of climate change...

is the "ASEAN Way" the way to go?

what do we, as a network of Think Tanks, prepared to do?



Meeting Challenges of Climate Change through Green Growth Path

- Vu Xuan Nguyet Hong

Meeting Challenges of Climate Change through Green Growth Path

Vu Xuan Nguyet Hong

Central Institute for Economic Management
Vietnam

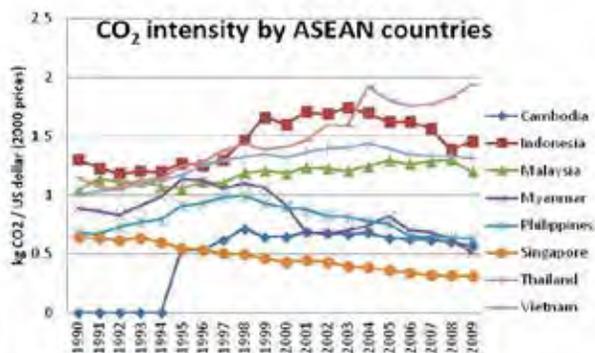
Presentation at First Round Table of ASEAN-India
Network of Think-Tanks (AINTT)
7-8 August 2012, New Delhi

Presentation Contents

- Vulnerability of ASEAN to climate change
- Institutional and Policy Framework of ASEAN to Meet Challenges of Climate Change.
- Green growth - a proactive policy option to meet challenges of climate change
- Possible ASEAN and ASEAN – India cooperation on GG

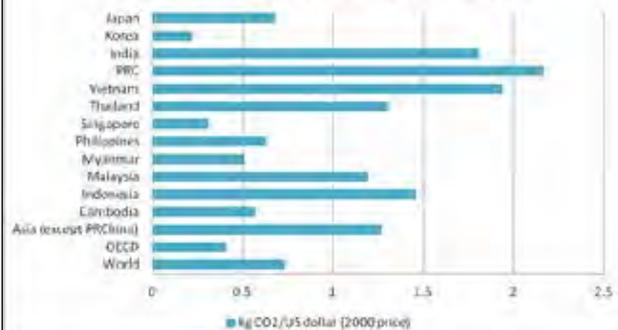
I. Vulnerability of ASEAN Countries to Climate Change

- ASEAN: Rapid economic growth, but relatively unsustainable (*natural resource based, rapid increase of energy use and CO2 emission intensity*) Slide 5
 - ASEAN is one of most vulnerable regions to climate change.
 - Recent study used GIS technique to build up vulnerability map of ASEAN: Slide 6
 - Multiple CC related hazard map;
 - Population density map;
 - Adaptive capacity map.
 - Overall vulnerability map
- The Philippines, Laos, Cambodia & some parts of VN, Indonesia, Thailand and Malaysia are most vulnerable to CC.



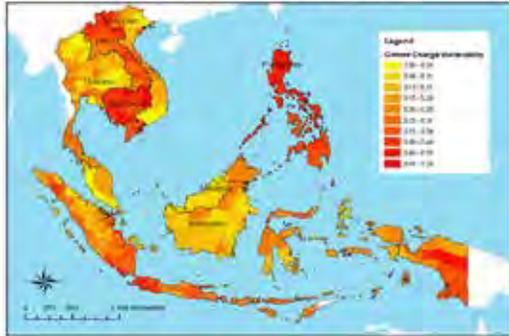
Source: IEA, 2011

CO2 emission per constant GDP in 2009



Source: IEA, 2011

Climate Change Vulnerability Map for South East Asia



Source: Arief Ashary Yusuf & Harmanita S. Fransisco, January 2009

II. Institutional and Policy Framework of ASEAN to Meet Challenges of Climate Change

- Several institutional and policy frameworks were formulated at ASEAN regional and national level.
- At ASEAN's regional level
 - ASEAN declaration on Sustainable Development at the 13th ASEAN Summit in 2007.
 - Singapore Declaration on Climate change, Energy and the Environment in 2007
 - Singapore Resolution on Environmental Sustainability and Climate in 2009
 - ASEAN socio-cultural community (ASCC) Blueprint
 - ASEAN Climate Change Initiative ACCI
 - ASEAN and ROW

August 7-8, 2012

- At national level
 - National Council on Climate Change (all countries) /provincial CCCOs in VN;
 - Climate change adaptation action plan/programs (VN-2008, Singapore -2008 CPC, Thailand- 2008, Malaysia -2009, Brunei 2008...);
 - Climate change strategies (Vietnam 2011, Singapore 2008, Thailand 2010...);
- But,...current CC responses of ASEAN mostly are reactive and anticipatory biased; relied on external resources; issue of implementation & monitoring capacity
- Need a more proactive way to deal with challenges of climate change ...

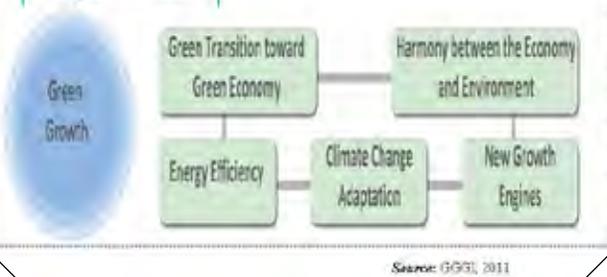
III. Green Growth - a Proactive Development Policy Option to Meet Challenges of Climate Change

What is it all about?

- Expressed with different terms
- Defined by different ways
- In short: GG means "the growth achieved by saving and using energy and resource effectively to reduce climate change and damage to the environment"
- For ASEAN, GG allows them to skip from "development first, clean up later" to the new "act wise" development path. (to achieve at the same time economic growth and environmental sustainability).
- Close link between GG and CC

The Inter-relation Between Green Growth Path and Climate Change adaptation

Conceptual Framework



Policy Focused Directions of Green Growth



• Green Growth practices in ASEAN:

- Vietnam: Green Growth (GG) Strategy for the period 2011-2020 and the vision of 2030
- Indonesia, Cambodia are in process of GG strategy formulation;
- Other ASEAN countries are considering to implement...

• Challenges for ASEAN on GG now:

- Not yet a regional institutional and policy framework on GG;
- Most important: effective implementation of GG policy/strategy

IV. Possible ASEAN and ASEAN– India cooperation on Green Growth

Needs for Cooperation within ASEAN

- Promote cooperation in investment and trade in low-carbon technologies.
- Develop a regional carbon market to support financing for GG process.
- Ensure coordination of national policies among ASEAN.
- Accelerate policy networking and capacity building on GG policies and innovations.
- Establish a regional institutional framework on GG for ASEAN.

Possible Cooperation Between ASEAN and India

- Dialogue between ASEAN and India to exchange views, perceptions on green growth policies
- Exchange of good practices on green growth in India and ASEAN
- Promote green and low-carbon products trade between ASEAN and India under AIFTA
- Technology transfer , R&D cooperation on green solutions...

Climate Change: An Indian Perspective

- Kasturi Das

Climate Change: An Indian Perspective

Kasturi Das

Contact: kasturidas@risa.org.in

First Round Table on ASEAN-India Network of
Think-Tanks
New Delhi, 8 August 2012

Global Warming Potential and Lifetime of Select GHGs

GHG	Lifetime (yrs)	GWP time horizon (yrs)		
		20	100	500
Methane	12	72	25	7.6
Nitrous oxide	114	289	298	153
HFC-23 (Hydrofluorocarbon)	270	12,000	14,800	12,200
Sulfur hexafluoride	3200	16,300	22,800	32,600

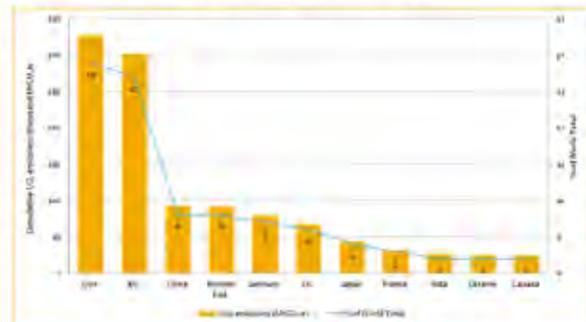
Source: IPCC (AR4)

Cumulative CO₂ Emissions (1850-2005)

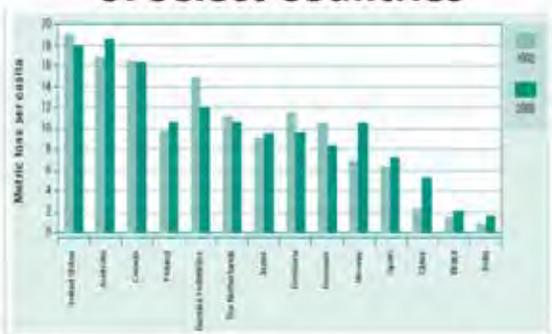
Country/Bloc	Cumulative CO ₂ emissions (MtCO ₂ e)		% of World CO ₂ emissions		Per capita cumulative emissions (MtCO ₂ e)	
	Total	Rank	Total	Rank	Total	Rank
USA	327591.5	1	29		1087.3	3
EU	301530.6	2	27		609.5	12
China	92993	3	8		70.6	90
Russian Fed.	91430.4	4	8		643.4	10
Germany	79535	5	7		966.8	6
UK	67688.5	6	6		1109.6	2
Japan	43122.2	7	4		337.5	36
France	31896.7	8	3		515	22
India	26088.5	9	2		23.2	224
Ukraine	24792.5	10	2		533.1	20
Canada	24583.5	11	2		745.5	8

Source: Climate Analysis Indicators Tool (CAIT) Version 3.0 (Washington, DC: World Resources Institute)

Cumulative CO₂ Emissions (1850-2005)



Per-Capita CO₂ Emissions of Select Countries



Source: Economic Survey 2011-12, Government of India

Most Vulnerable Regions

- The Arctic, because of the impacts of high rates of projected warming on natural systems and human communities;
- Africa, because of low adaptive capacity and projected climate change impacts;
- Small islands, where there is high exposure of population and infrastructure to projected climate change impacts;
- Asian and African mega deltas, due to large populations and high exposure to sea level rise, storm surges and river flooding.

Eight National Missions Included in the National Action Plan of India

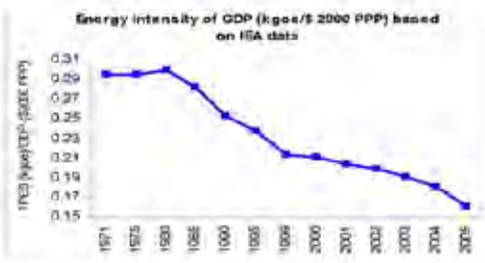
Mission	Objective	Responsible Entity
National Solar Mission	• 20,000 MW of solar power by 2020	Ministry of New & Renewable Energy
National Mission for Enhanced Energy Efficiency	• 10,000 MW of EE savings by 2020	Ministry of Power
National Mission for Sustainable Habitat	• EE in residential and commercial buildings, public transport, solid waste management	Ministry of Urban Development
National Water Mission	• Water conservation, river basin management	Ministry of Water Resources
National Mission for Sustaining the Himalayan Ecosystem	• Conservation and adaptation practices, glacial monitoring	Ministry of Science & Technology
National Mission for a Green India	• 6 m m increase of afforestation over degraded forest lands by the end of 12 th Plan	Ministry of Environment & Forests
National Mission for Sustainable Agriculture	• Drought proofing, risk management, agricultural research	Ministry of Agriculture
National Mission on Strategic Knowledge for Climate Change	• Vulnerability assessment, Research & observation, data management	Ministry of Science & Technology

■ Missions focused on 'Mitigation' ■ Missions focused on 'Adaptation'

Select other 'Critical Initiatives

Type	Initiatives
Energy Efficiency in Power Generation	• Super critical technologies
	• Integrated Gasification Combined Cycle (IGCC) Technology
	• Natural Gas based Power Plants
	• Closed Cycle Three Stage Nuclear Power Programme
	• Efficient Transmission and Distribution
	• Hydropower
Other Renewable Energy Technologies Programmes	• RETs for power generation
	• Biomass based power generation technologies
	• Small scale Hydropower
	• Wind Energy
Disaster Management Response to Extreme Climate Events	• Grid connected systems
	• RETs for transportation and industrial fuel
	• Reducing risk to infrastructure through better design
	• Strengthening communication networks and disaster management facilities

Energy Intensity of India's GDP



Regional Cooperation Initiatives involving the ASEAN and India



Under ASEAN Regional Forum (ARF)

- The ASEAN Regional Forum has been deliberating on the security implications of climate change.
- Several seminars have been organized by ARF.
- It has been highlighted that climate change presents complex non-traditional threats to security, such as, food, health, energy and water security and human rights.
- It has been pointed out that climate change poses trans-boundary threats including forced migration and water management challenges.
- Concerns have been expressed that the existing instruments of security may not be sufficient to address these threats.

ASEAN and Climate Change: The Cebu Declaration

- The 12th ASEAN Summit and the Second East Asia Summit held in January 2007 in Cebu, Philippines marked a significant step forward on the issues of climate change.
- In the Cebu Declaration on East Asian Energy Security, the sixteen countries of the ASEAN-Plus Six pledged to work closely together to mitigate GHGs through effective policies and measures.
- The parties emphasized voluntary measures that involve the private sector involvement and the introduction of more efficient and innovative technologies.

ASEAN and Climate Change: The Singapore Declaration

- At the 13th ASEAN Summit held in Singapore in November 2007, the Agenda was "Energy, Environment, Climate Change and Sustainable Development".
- During that time, the Singapore Declaration was signed by ASEAN Plus Six.
- Collectively, the statements show parties' recognition of the need to tackle the issues of climate change, energy security and other environmental and health issues.
- The Singapore Declaration aims, among other things, to deepen understanding of the S-E Asian region's vulnerability to climate change and to implement appropriate mitigation and adaptation measures.
- The measures include intensifying ongoing operations to improve energy efficiency and the use of cleaner energy, promoting cooperation in afforestation and reforestation, and continuing support and initiatives under the UNFCCC.

ASEAN-India Collaboration

- During the 6th India-ASEAN Summit held in Singapore in November 2007, the Indian PM Dr. Manmohan Singh proposed the setting up of an India-ASEAN Network on Climate Change that would pool and share expertise, exchange best practices and submit recommendations for common positions taking into account national priorities.
- To give a boost to this cooperation, he further proposed to set up an India-ASEAN Green Fund with an initial contribution of USD 5 million for pilot projects to promote adaptation and mitigation technologies, which was set up in 2010.

Lot More Remains to Be Done!

- Notwithstanding some such initiatives, it may be said that regional cooperation on climate change between ASEAN and India has yet to take-off.
- ASEAN-India collaboration on climate change can go a long way in helping all these countries to confront the challenges posed by this trans-boundary environmental problem much more effectively.

WORKING SESSION VII

COOPERATION IN BIODIVERSITY AND TRADITIONAL MEDICINES

List of Presentations in Session-VII

1. **Biodiversity Conservation: Issues for ASEAN and India**.....241
Biswajit Dhar, Director-General, RIS
2. **Cooperation in Biodiversity and Traditional Medicine**243
Sachin Chaturvedi, Senior Fellow, RIS

Biodiversity Conservation: Issues for ASEAN and India

- Biswajit Dhar

Biodiversity Conservation: Issues for ASEAN and India

Dr. Biswajit Dhar
Director-General
Research and Information System for
Developing Countries
New Delhi

Importance of Biodiversity

- Biodiversity – the web of life
 - Biodiversity provides a large number of goods and services that sustain our lives
- Nature's products support such diverse industries as agriculture, pharmaceuticals, pulp and paper, construction and waste treatment
 - Some estimates show that more than 60% of modern medicines are derived from natural products
 - Most of these products use the rich stock of traditional knowledge that are held by local communities
- Biodiversity directly supports livelihoods of a significant proportion of populations in many of our countries
- Lesser appreciated importance of biodiversity is the support it provides to climate mitigation efforts by supporting sustainable lifestyles

Importance of Biodiversity for ASEAN and India

- ASEAN occupies only three per cent of the earth's total surface but contains 18% of the plant and animal species
- India occupies only 2.4% of the earth's total surface but is home to approximately 8% of the total number of known species
- Three members of ASEAN, Indonesia, Malaysia and the Philippines, along with India are among the 17 identified megadiverse countries

Imperatives for Conserving Biodiversity

- Biodiversity was considered common heritage of mankind leading to overexploitation
- Countries providing raw material for developing useful products therefore never got any benefits from commercialisation of products based on genetic resources
 - Traditional knowledge associated with the genetic resources was being misappropriated through the grant of erroneous patents
- International efforts culminated in the adoption of the Convention on Biological Diversity at the end of the 1992 Earth Summit, which provides a framework to regulate access to biodiversity to ensure its sustainable use

Key Elements of the Convention on Biological Diversity (CBD)

- **Objectives of the CBD**
 - Conservation of biological diversity
 - Sustainable use of its components
 - Fair and equitable sharing of the benefits arising out of the utilization of genetic resources, by appropriate access to genetic resources
 - By appropriate transfer of relevant technologies
 - By appropriate funding
- **Principles of the CBD**
 - States have
 - Sovereign right to exploit their own resources pursuant to their own environmental policies
 - Responsibility to ensure that activities within their jurisdiction or control do not cause damage to the environment of other States or of areas beyond the limits of national jurisdiction.

Why Implement the CBD?

- Ensure sustainable use of genetic resources through a legal regime that monitors access to genetic resources and provides for sharing of benefits arising from the use of the resources
- Existing regime of intellectual rights recognises advances in the formal innovation system, but does little to protect traditional knowledge
 - Firms engaged in innovations based on genetic resources are able to "free-ride" at the expense of the countries providing the resources and the communities that have held the knowledge over generations
- To put in place a regime on "access and benefit sharing" to ensure that the providers of genetic resources and traditional knowledge are rewarded
 - In order to be effective, the regime must be able to prevent transboundary cases of illegal use of genetic resources and traditional knowledge

Negotiations on Access and Benefit Sharing

- Access and Benefit Sharing (ABS) negotiations began formally in 2005
- Nagoya Protocol on ABS adopted at CoP-10 to CBD held in Nagoya, Japan in October, 2010
- Adoption of Nagoya Protocol after six years of intense and tough negotiations is considered a milestone achievement
- Since the adoption of Kyoto Protocol under UNFCCC in 1997 and Biosafety Protocol under CBD in 2000, Nagoya Protocol is the first international treaty adopted after 10 long years through multilateral negotiations

Nagoya Protocol on Access and Benefit Sharing

- **Objective:** Fair and equitable sharing of benefits arising from utilisation of genetic resources
- Nagoya Protocol establishes clear framework for accessing genetic resources and associated traditional knowledge, and for sharing of benefits arising from their use, through provisions on how researchers and companies can obtain access, and how benefits arising from their use will be shared
- Also sets out obligations for Parties to provide that users of genetic resources within their jurisdiction respect the domestic regulatory framework of Parties from where resource has been accessed
- Benefits to be shared may be monetary or non-monetary

What the Protocol intends to achieve?

- CBD moved away from common heritage of mankind concept to sovereignty because as global commons, biodiversity was perceived at enhanced risk of overexploitation
- Local communities would conserve biodiversity if they have a stake in doing so, and if they derive benefits from their acts of conservation
- While biodiversity is not uniformly distributed across the globe, considering its intrinsic value for the benefit of humanity, a system is necessary that allows for access to genetic resources and sharing of benefits arising from their use
- Nagoya Protocol provides such a framework which is based on principles of equity, justice and fairness

Status of Nagoya Protocol Ratifications

- Nagoya Protocol to enter into force 90 days after its 50th ratification.
- First CoP/MoP to be held concurrently with first CoP scheduled after Protocol's entry into force (Art. 25.6).
- For CoP/MoP-1 to be held with CoP-11 being hosted by India in Hyderabad in October 2012, 50 ratifications were required by 10th July, 2012
- At the closure of signing date, 92 signatures, and as on date five ratifications (Gabon, Rwanda, Jordan, the Seychelles and Mexico)

Implementation of Nagoya Protocol: The Challenges

- Operational aspects of the Nagoya Protocol is yet not clear
- Compliance regime for the users of genetic resources is mired in differences between the providers and users of the resources
- Interests of the providers of genetic resources critically hinges on whether the products using genetic resources (the derivatives) are included in the benefit sharing mechanism

Cooperation between India and ASEAN

- Project for collaboration on Bio-Diversity between the ASEAN Centre for Biodiversity and the National Biodiversity Authority in India – outcome of the 10th ASEAN-India Ministerial Meeting in Phnom Penh on 11 July, 2012
- Sharing of experiences of Development of domestic best implementing the key provisions of the CBD and the Nagoya Protocol
 - India is one of the first countries to have put a biodiversity law on its statute books
- Coordinating positions in the on-going negotiations in the context of implementation of the Nagoya Protocol
 - How to ensure that the regime is beneficial to both the providers and users of the genetic resources
- Tracking cases misappropriation of traditional knowledge
 - India has developed a Traditional Knowledge Digital Library documenting the knowledge that can be used to contest erroneous grant of patents

Cooperation in Biodiversity and Traditional Medicine

- Sachin Chaturvedi

Cooperation in Biodiversity and Traditional Medicine

Sachin Chaturvedi

Senior Fellow, RIS

ASEAN-India Network of Think-Tanks
Organised by RIS
August 8, 2012

Bangkok Declaration on Traditional Medicine ASEAN (September 2009)

- ASEAN Member States possess an abundance of untapped and newly discovered herbal and medicinal plants and other natural resources
- Most widely available and affordable source of health care in ASEAN
- Roadmap for an ASEAN Community (2009-2015)
 - to facilitate research and
 - cross-country exchange of experience in promoting the integration of safe, effective and quality TM
 - Complementary and Alternative Medicine into the national healthcare system

Emerging Areas for Cooperation

- Ministerial meeting and a special meeting between high level officials of Ministry of Environment and Forests, Government of India and the ASEAN Senior Level Officials Forum.
- This is to be preceded by a "Workshop on Capacity Building on the Nagoya Protocol and Access and Benefit Sharing and Traditional Knowledge and Digital Library for ASEAN, East Asian and South Asian countries".
- The National Biodiversity Authority (NBA) has initiated cooperation with ASEAN Centre for Biodiversity (ACB) for 2012-13.

Emerging Areas for Cooperation

- Proposed areas for cooperation are: Capacity development on issues of biodiversity governance, including on biodiversity law.
- India has recently established a Centre for Biodiversity Policy and Law with Norwegian assistance.
- Proposal to establish an India-ASEAN biodiversity science-policy interface initiative
- Strengthening institutional cooperation through establishing institutions on
 - Issues of biodiversity information management (including traditional knowledge associated with genetic resources),
 - Access to genetic resources and benefit sharing (ABS), biosafety and biodiversity law and policy development.

ABS Provisions across ASEAN

Country	Provision	Objective/Agency	Outcome
Philippines	Executive Order (EO) 247 was adopted in 1995	Prescribes the guidelines and procedures for the prospecting of biological and genetic resources	First agreement of this kind in the world
	Free and Prior Informed Consent [FPIC]" Guidelines of 2005	National Commission on Indigenous Peoples	Recognition of the full ownership, control and protection of their cultural and intellectual rights

ABS Provisions across ASEAN

Country	Provision	Objective/Agency	Outcome
Malaysia	One of the pioneers in the ASEAN region in initiating an institutional framework for ABS in 1997	Sarawak State followed by State of Sabah	First State to pass an ABS law
Cambodia	No specific provision so far	Translation of the Nagoya Protocol into the Khmer language	National Assembly discussed Nagoya Protocol.

ABS Provisions across ASEAN

Country	Provision	Objective/Agency	Outcome
Indonesia	In 1982, Indonesia implemented a National Conservation Plan, which underwent subsequent assessments in collaboration with the World Bank in 1993 and 1995.		The plan outlined several action points addressing biodiversity traditional knowledge and ABS.
Vietnam	No specific provision so far	Approval of the Biodiversity Law in 2008 followed by its implementation in 2009.	

Biodiversity Framework in India

- The Biological diversity Act (2002) mandates implementation of the act through decentralized system.
- At the national level it is NBA and at the provincial level the State Biodiversity Boards (SBBs).
- SBBs advice on matters relating to the conservation of biodiversity, sustainable use of its components and equitable sharing of the benefits arising out of the utilization of biological resources.
- Local Level Biodiversity Management committees (BMCs) are responsible for promoting conservation, sustainable use and documentation of biological diversity and chronicling of knowledge relating to biological diversity.

Traditional Medicines

- India's XIIth five year plan envisages greater role for traditional medicine in meeting the national health goals, particularly in schemes like Janani Suraksha Yojana (JSY) scheme and calls for meaningful integration of traditional medicine (AYUSH) on the mainstream health system
- Traditional Knowledge Digital Library (TKDL) has a database of 77000 formulations collected from 14 Unani texts and a large number of Ayurvedic and Siddha formulations.
- Formal linkages with other streams of health care particularly allopathic system

Biological Resources for Collective Gain

- RIS and CASTED are currently exploring the idea of China-India Traditional Health Impact Initiative (CITHII).
- Health Impact Fund provides an alternative mechanisms that rewards the innovators, based on the impact of the innovation and enhances access to drugs.
- HIF is flexible enough to accommodate TM with some changes in its proposed structure.
- In case of traditional medicines payment to 'new medicine' will have to be redesigned while performance indicators, like patient usage data, clinical trial data, etc can be used

Biological Resources for Collective Gain

- While the global demand for TM products is on the increase, there are several challenges exports face:
- Issues like standards, acceptable manufacturing standards,
- Availability of quality raw materials,
- Promoting innovation and furthering the scope of TM in health policy.
- Scientific validation of single/simple formulation for developing herbal drugs, facilitating product development.
- Only limited of medicinal plants tested rigorously through the conventional systems of gathering of evidence viz., randomized controlled trials (RCTs).

Biological Resources for Collective Gain

- Consumption versus conservation of biodiversity issues to be settled
- Valuation of bio-resources should be a guiding factor for exports
- Several thousand species are identified and linked to TM
- Expanding size of the TM industry – 1100 firms in India
- Distribution of their production - not known
- Need for a robust information base and initiatives for improving production possibilities
- Benchmark survey of industries using bio-resources

Biological Resources for Collective Gain

- In the new Round of HS classification in the WCO, India can push the case for expanding the product classification to accommodate more biodiversity products at 6-digit HS
- Countries in the tropical region are a rich in biodiversity, but not global players in traditional medicine
- In collaboration with these countries and other like-minded countries, India can form a strong pressure group in the World Customs Organisation (WCO) for better representation to TM
- Examine possibilities of India bilaterally discussing with these countries to develop a framework to augment trade in the sector
- Biodiversity/product Classification can be integrated

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Dr. Saroj Kumar Mohanty is a Senior Fellow at the Research and Information System for Developing Countries (RIS). As a trade economist, he has researched extensively in the areas of bilateral and regional trading arrangements, South-South cooperation and multilateral trading issues. He is currently working on Asian economic integration, ASEAN, EAS, SAARC, BIMSTEC, CLMV, IORARC, BRICS, IBSA, bilateral trade agreements, global value chain, trade and environment and export-orientation of manufacturing sector in India, etc., among others. His recent assignments include India's bilateral economic engagement with countries like China, Canada, Singapore, Vietnam and Bangladesh and regions like Africa and Latin America. His other research interest includes food security, social sector issues, economic reforms, WTO issues, trade and employment, CGE modeling and productivity analysis. He has directed and coordinated number of studies relating to bilateral and regional FTAs, Global/Regional Value Chain, GSTP and food processing industries in Asia. Previously, he was teaching in the Jawaharlal Nehru University, New Delhi. He has published several papers in both national and international journals. He has long association with number of multilateral organisations including ADB, UNESCAP, UNDP, FAO, European Commission, Commonwealth Secretariat, SAARC Secretariat, etc. He was member of number of Committees, set up by the Government of India, including Joint Study Groups (JSGs) for FTAs, Committee on GATS Negotiations in WTO, and Sub-Committee for the 12th Five Year Plan on Technology Intensity in India's Manufacturing Exports.

I. N. MUKHERJI

Dr. Indra Nath Mukherji is a Senior Consultant at the Research and Information System for Developing Countries (RIS). Before joining RIS, he was Professor of South Asian Studies, and Dean of School of International Studies at the Jawaharlal Nehru University, New Delhi. A gold medalist from Patna University, where he did his Masters in economics in 1964. Later in 1966, he did his Master of Science in Economics and Administration from Loughborough University of Technology (UK) under a scholarship. He subsequently chose teaching as his career, by joining Patna University as lecturer in economics where he taught up to 1971. During the period 1971-2008 he was with the Jawaharlal Nehru University (JNU), New Delhi. During this period, he has served twice as Chairman, Centre for South, Central, Southeast Asian and Southwest Pacific Studies in the School of International Studies and Dean of School of International Studies from 2001-03. He was invited to the Institute of Development Studies (IDS) at the University of Sussex as Visiting Fellow in 1993. He has participated in several national and international conferences. Mukherji's teaching and research interest concerns international trade and development issues, particularly focusing on the South Asian region. He has done research projects for ICSSR, New Delhi; International Development Research Centre (IDRC), Canada; SAARC Network of Researchers; South Asia Network of Economic Research Institutes (SANEI); FAO, UNESCAP, and a number of national and international organisations. He has served as a consultant/ resource person/peer reviewer for UNESCAP, World Bank, Ford Foundation, FICCI and for a number of other Governmental and Non-governmental Organisations. He has authored two books and co-authored and edited several others. He has to his credit more than 90 articles published as chapters in books and as research articles in journals in India and abroad.

SIWAGE DHARMA NEGARA

Dr. Siwage Dharma Negara is a researcher at the Research Center for Economics (P2E-LIPI), Jakarta. He obtained his Ph.D in economics from the University of Melbourne, Australia. He earned undergraduate degree from Gadjah Mada University, Indonesia. His research interests are in the field of macroeconomics modeling and applied econometrics.

POCH KONGCHHENG

Mr. Poch Kongchheng is a researcher at the Economic Institute of Cambodia (EIC), specialised in economic and private sector development, international trade, and monitoring and evaluation (M&E) of the Cambodian economy. He has extensive experience in analysing macroeconomic and development issues of Cambodia. He has engaged significantly in monitoring Cambodia's economic development through contributing to Cambodia Economic Watch (CEW), which is a core publication of EIC. Before joining EIC, he received first-hand experience in international trade and logistics from a well-known logistic company. He holds a Master of Public Policy in Economic Development from the KDI School of Public Policy and Management, Korea.

PRADUMNA B. RANA

Dr. Pradumna B. Rana is an Associate Professor of International Political Economy (IPE) at the S. Rajaratnam School of International Studies (RSIS) of the Nanyang Technological University (NTU), Singapore. He is also the Coordinator of the Master of Science in IPE programme and the Coordinator of Economic Multilateralism and Regionalism Studies at RSIS's Centre for Multilateralism Studies. Previously, he was the Senior Director of the ADB's Office of Regional Economic Integration which spearheaded the ADB's support for Asian economic integration. He obtained his Ph.D from Vanderbilt University where he was a Fulbright Scholar and a Masters in Economics from the Michigan State University and Tribhuvan University. He has authored/edited 15 books, and published over 50 articles in international scholarly journals. Most recently, he edited a book entitled *The Renaissance of Asia: Evolving Economic Relations between South Asia and East Asia* (World Scientific Publishers). He also co-edited books entitled *Pan-Asian Integration: Linking East and South Asia* (Palgrave Macmillan) and *National Strategies for Regional Integration: South and East Asian Case Studies* (Anthem Press).

SOMCHAI RATANAKOMUT

Dr. Somchai Ratanakomut is an Associate Professor of Economics at the School of Management, Shinawatra University, Bangkok. He is also acting Dean of School of Liberal Art of the Shinawatra University. He is also Visiting Associate Professor of Economics of the University of Utah, USA. His specialisation includes Asian economies and economic development. Formerly, he was Associate Professor of Faculty of Economics, Chulalongkorn University, Bangkok. He has Ph.D in economics from University of Utah, USA.

SHYAM SARAN

Ambassador Shyam Saran is a career diplomat born on September 4, 1946. Since joining the Indian Foreign Service in 1970, he has served in several capitals of the world including Beijing, Tokyo and Geneva. He has been India's Ambassador to Myanmar, Indonesia and Nepal and High Commissioner to Mauritius. In the Ministry of External Affairs, New Delhi, he headed the Economic Division and the Multilateral Economic Division and also headed the East Asia Division which handles relations with China and Japan. As a Joint Secretary in the Prime Minister's Office

in 1991/92, he advised the Prime Minister on foreign policy, nuclear and defence related issues. After a career spanning 34 years in the Indian Foreign Service, he was appointed India's Foreign Secretary in 2004 and held that position till his retirement from service in September 2006. Subsequent to his retirement, he was appointed Prime Minister's Special Envoy for Indo-US civil nuclear issues and later as Special Envoy and Chief Negotiator on Climate Change. He has now concluded his assignment in Government and returned to being a private citizen. During his last two assignments, Ambassador Saran served as Prime Minister's personal representative or "Sherpa" at the Gleneagles and St. Petersburg G8+G5 summits and was present at the Toyako and L'Aquila Summits as an advisor on Climate Change issues. He also attended the Pittsburg G-20 summit as a member of the Indian delegation. Currently, Ambassador Saran is Chairman of the National Security Advisory Board under the National Security Council. He serves as Chairman, Research and Information System for Developing Countries (RIS). He is also Senior Fellow with the Centre for Policy Research, a prestigious think-tank which covers a wide range of political, social and economic issues, including foreign policy related issues. He speaks and writes regularly on a variety of subjects. Ambassador Saran is Co-chair on the Indian side on the India-ASEAN Eminent Persons' Group. He is currently serving as an Independent Director on the Boards of Wipro, ONGC (Videsh) and Indian Oil, respectively. He is a member, Board of Trustees of World Wildlife Fund (India). He has recently been appointed as Chancellor of the Garhwal Central University. On January 26, 2011, Ambassador Saran was awarded the Padma Bhushan by the President of India for his contribution to Civil Service. The Padma Bhushan is the third highest national award in the country. Ambassador Saran holds a post-graduate degree in Economics. He speaks Hindi, English and Chinese and is conversant in French.

NG YEEN SEEN

Ms. Ng Yeen Seen is the Senior Vice President/Chief Strategy & Programme Officer at the Asian Strategy and Leadership Institute (ASLI) and the Director at the Centre for Public Policy Studies (CPPS). She is the Programme Director of the World Chinese Economic Forum and was Head of Secretariat of the Malaysia-China Business Council. In 2011-2012, Ms. Yeen Seen was selected as a National Youth Icon by the Ministry of Youth and Sports, Malaysia. She was also appointed to serve on the Technical Committee for the National Wage Council, established by the Ministry of Human Resources, Malaysia. An Accounting graduate of Cardiff University, UK, she holds a postgraduate degree in Education Policy from Warwick University, UK. She was part of the International Visitors Programme observing the Indonesia Legislative Election Campaign in April 2009 and was selected by the Government of Australia to attend a course at the University of Sydney Graduate School of Government, Australia. She is an alumni of the esteemed Korea Foundation's Next Generation Leaders Course 2010, the prestigious International Visiting Leaders Programme (IVLP) to the United States in May 2011 and the JENESYS East Asia Future Leaders Programme of Japan in 2012. Ms. Yeen Seen's experiences involve political analysis, business development, research and policy analysis, strategic communications, spearheading publicity and communications, International Diplomacy and in International Relations. Prior to joining ASLI/CPPS, Ms. Yeen Seen served at the Wawasan Open University and SEDAR Institute, a political think-tank as the Deputy Director-General. Ms. Yeen Seen is a frequent commentator of politics, economics and youth empowerment in national newspapers and often appears on various TV programmes. She has addressed numerous international conferences and is a frequent contributor at many policy roundtable discussions at both the Federal and State levels.

SOMBOUNMY PHOMTAVONG

Dr. Sombounmy Phomtavong is a Senior Researcher at the Development Research Division, National Economic Research Institute (NERI), Ministry of Planning and Investment, Lao PDR. Sombounmy has Doctoral degree in Rural Development Economics from Kyoto University, Japan. He did his Masters in Economics from Kobe University, Japan.

SOK SIPHANA

Dr. Sok Siphana is Chairman of Board of Directors, Cambodia Development Resource Institute (CDRI), Phnom Penh, Cambodia which is Cambodia's oldest and prominent independent research institute. He is a practicing attorney and the Principal at Sok Siphana & Associates, a law and consulting firm specialised in international trade and corporate law in Phnom Penh. He was appointed by the Prime Minister Samdech Decho Hun Sen as Advisor of the Royal Government of Cambodia and Advisor to the Supreme National Economic Council with rank of Minister in August 2009 and November 2011, respectively. During the ASEAN Chair in 2012, he was attached to the Deputy Prime Minister and Minister of Foreign Affairs where he served, among other advisory functions, as Member of the ASEAN Task Force on Substantive Issues, ASEAN India Eminent Person Group Co-Chair, ASEAN Cambodian Sherpa to G20 and High Level Cambodian Representative to G20 Development Working Group. He is also a Convenor of a weekly 30 minutes "Cambodia's Global Dialogue" talk show at South East Asia TV (SEATV). Previously from 1999 to 2005, he served as Secretary of State at the Ministry of Commerce, where he worked extensively on issues related to trade policies and development, commercial legal framework and economic integration. There, he was a negotiator in Cambodia's accession to the World Trade Organization (WTO) in 2003. From October 2005 to July 2009, he served as Director at the International Trade Center (ITC), Geneva. He is holder of a Juris Doctor from Widener University School of Law in Delaware, United States (1992) and a Ph.D from Bond University School of Law in Queensland, Australia (2009).

MYINT THAUNG

Dr. Myint Thaung is former Rector of Yezin Agricultural University, Yangon. He has over three decades of teaching and research experiences in Myanmar. He has a Ph.D degree in Economics. He has written extensively on agriculture science and development.

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Mr. Viengsavang Thipphavong is Deputy Director of Trade Policy Division, Economic Research Institute for Trade (ERIT), Ministry of Industry and Commerce, Lao PDR. He has obtained Masters degree in Development Economics (Advanced) from the Queensland University, Brisbane, Australia.

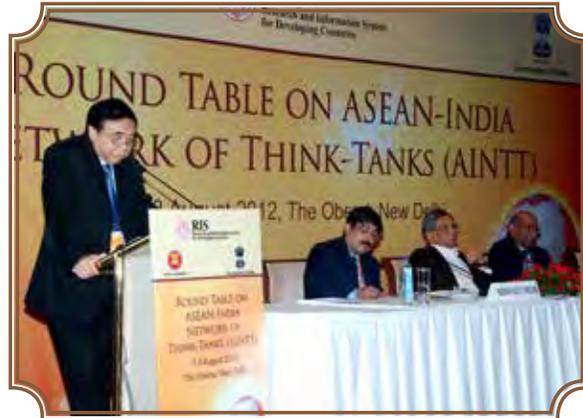
AIDA LICAROS VELASCO

Dr. Aida Licaros Velasco is Associate Professor in Decision Science and Innovation Department and Director of the Center for Business Research and Development, RVR College of Business, De La Salle University, Manila. She did Ph.D in Business Administration from De La Salle University. She has Masters degree on Management of Innovation and Technology, Science and Policy Research Unit, University of Sussex, Brighton, England.

MICHAEL YEOH

Tan Sri Dato' Dr. Michael Yeoh is Co-Founder and CEO of the Asian Strategy and Leadership Institute (ASLI), which is Malaysia's leading independent think-tank and foremost conference organiser that brings together senior government, business and thought leaders in interactive, high-level discussions. He is also Joint Secretary-General of the Malaysia-China Business Council, the ASEAN Business Forum and the Corporate Malaysia Roundtable. He was appointed by the Prime Minister to be a Member of the Advisory Board of the Malaysian Anti-Corruption Commission (MACC) in February 2012 and was also appointed as a Member of the Malaysian Competition Commission in April 2011. He was appointed by the Prime Minister and Government of Malaysia to be Malaysia's Representative (with Ambassadorial status) on the ASEAN High Level Task Force set up by the ASEAN Heads of States and Governments which developed the ASEAN Connectivity Master Plan. Dr. Yeoh's 30-year management career spans over 10 years experience in the financial sector where he was Principal Adviser of several banks and financial institutions. He graduated in Economics and Accounting from Monash University and did his practical accounting training with PricewaterhouseCoopers (PwC) in Melbourne. He has attended the Aresty Institute of Wharton School in USA, the Melbourne Business School and UCLA's Graduate School of Management. He was conferred the Doctorate of Laws Honoris Causa by UK's University of Nottingham. He is Vice-President of Malaysian Institute of Directors; Member of the Institute of Directors, UK; Fellow of the Malaysian Institute of Management; and a Member of the International Institute of Strategic Studies (IISS), London. Tan Sri Yeoh has written several books on Management and Leadership such as Vision and Leadership, Management Strategies for Malaysian Companies, Globalisation and the New South and the Malaysian Chinese. He has been consultant for the World Bank, UNIDO and Nomura Research Institute and has spoken at high level conferences organised by the World Economic Forum (WEF), the Asia Society New York, the China Development Institute and the Confederation of Indian Industry as well as the University of Michigan and Monash University.

GLIMPSES OF THE ROUND TABLE





RIS A Think-Tank of Developing Countries

Research and Information System for Developing Countries (RIS), a New Delhi based autonomous think-tank under the Ministry of External Affairs, Government of India, is an organisation that specialises in policy research on international economic issues and development cooperation. RIS is envisioned as a forum for fostering effective policy dialogue and capacity-building among developing countries on international economic issues.

The focus of the work programme of RIS is to promote South-South Cooperation and assist developing countries in multilateral negotiations in various forums. RIS is engaged in the Track II process of several regional initiatives. RIS is providing analytical support to the Government of India in the negotiations for concluding comprehensive economic cooperation agreements with partner countries. Through its intensive network of policy think-tanks, RIS seeks to strengthen policy coherence on international economic issues.

For more information about RIS and its work programme, please visit its website: www.ris.org.in

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