

South Asia – ASEAN Connectivity

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New Delhi

**ESCAP-AITD Regional Policy Dialogue on
Strengthening Connectivity in Southern Asia**

19-20 November 2014, New Delhi

Growing economic ties between South Asia and Southeast and East Asia

- South Asia's trade with Southeast and East Asia witnessed massive rise:
 - Increased from US\$ 25 billion in 2000 to US\$ 235 billion in 2013, 18% CAGR since 2000
- South Asia oldest trade partner of Southeast / East Asia
 - APTA (Bangkok Agreement of 1975), managed by ESCAP
 - Bangladesh, India and Sri Lanka + Lao PDR, Korea and China
- India's several bilateral FTAs and EPAs
- ASEAN-India FTA, 2010
- RCEP being negotiated
- LDC preferences
- WTO trade facilitation agreement, 2013
- Emerging production networks between South Asia and Southeast and East Asia (e.g. automobiles)
- Rising FDI between South and Southeast and East Asia
- Deeper integration - customs cooperation, ports and shipping links, sharing natural resources, maritime security, a.o

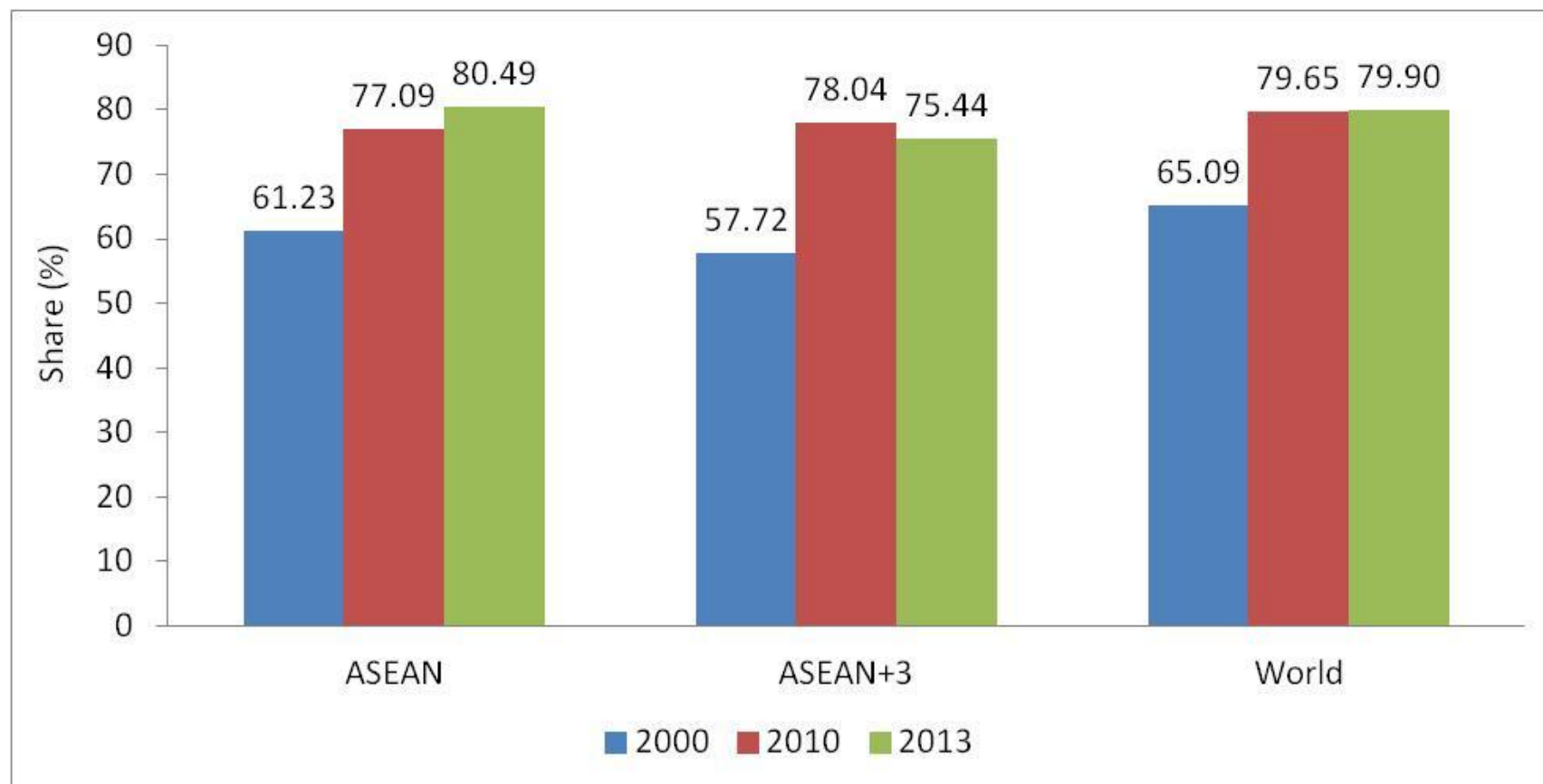
South Asia's trade with ASEAN and ASEAN+3

	Trade with ASEAN (US\$ billion)			Trade with ASEAN+3 (US\$ billion)			Trade share with ASEAN (%)			Trade share with ASEAN+3 (%)		
	2000	2010	2013	2000	2010	2013	2000	2010	2013	2000	2010	2013
India	7.13	52.70	77.49	14.57	138.23	177.17	7.67	9.19	9.94	15.67	24.09	22.72
Pakistan	1.49	6.41	6.68	3.72	18.60	25.08	7.59	9.83	8.30	18.98	28.52	31.16
Sri Lanka	1.24	3.28	4.10	2.80	5.68	9.36	10.18	14.72	12.82	23.02	25.50	29.27
SAARC	11.65	68.37	96.28	25.24	177.12	234.85	8.16	9.49	9.86	17.67	24.59	24.06

Source: DOTS, IMF

India major contributors to SAARC's trade with ASEAN

India's Share in SAARC Trade



Source: Calculated based on IMF DOTS

ASEAN-India trade growing, exponentially

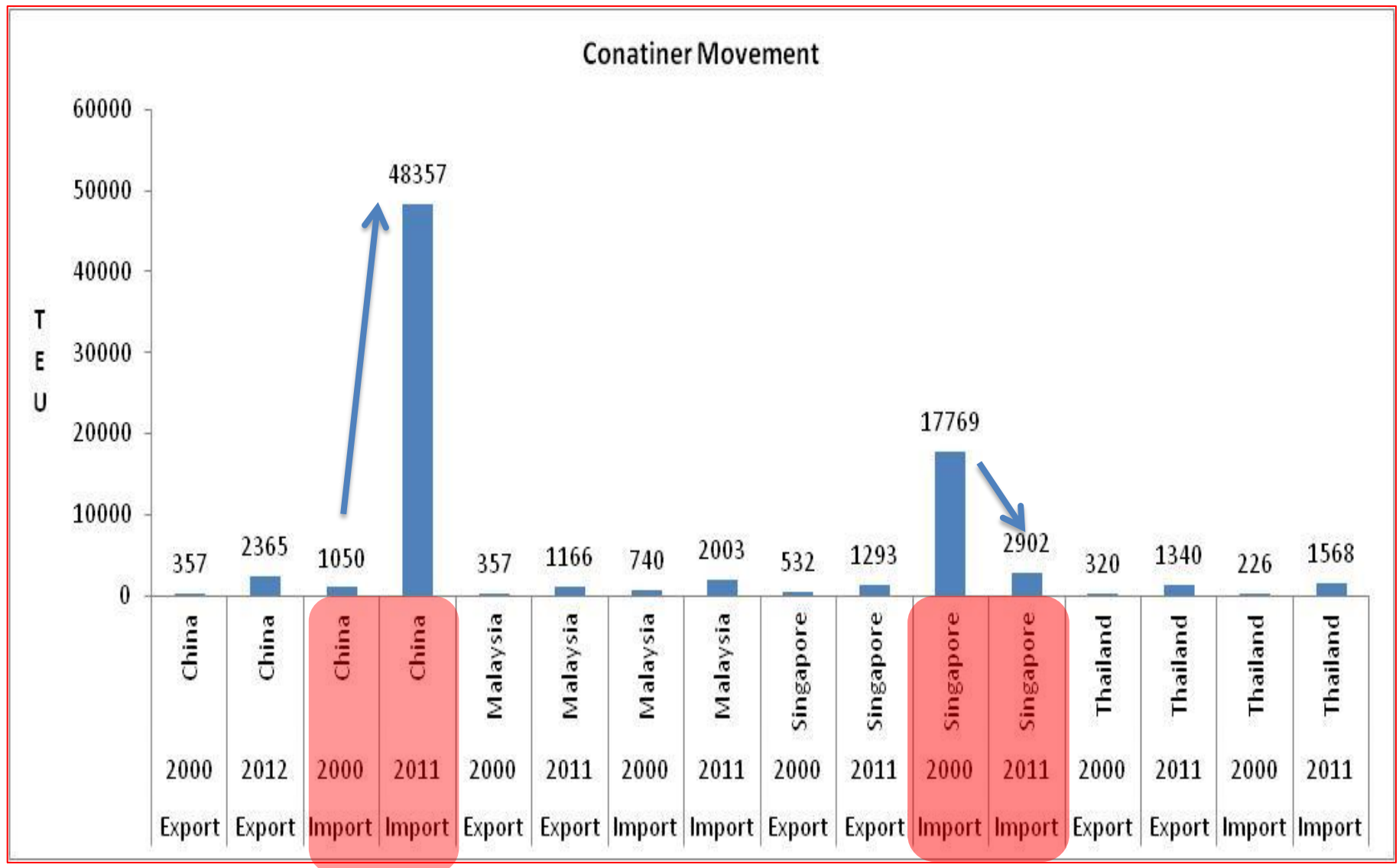
- India's trade with ASEAN growing exponentially, 20% CAGR
 - US\$ 7.13 billion in 2000
 - US\$ 77.49 billion in 2013
- ASEAN as India's partner in 2013
 - 11% export share; 9% import share
- ASEAN-India FTA in goods from 2010, services + investment to be added soon.
- **RCEP a new hope to Asian integration; account for 21% of India's goods export (2013)**
 - Rise in trade in parts and components

Partner	2000	2009	2013	CAGR
	(US\$ billion)			(%)
ASEAN	7.13	41.32	77.49	20.14
ASEAN+3	14.57	101.47	177.17	21.19
World	92.96	422.85	779.91	17.78
ASEAN share* (%)	7.67	9.77	9.94	
ASEAN+3 share* (%)	15.67	24.00	22.72	

*Share in country's total trade

Source: Calculated based on DOTS, IMF

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

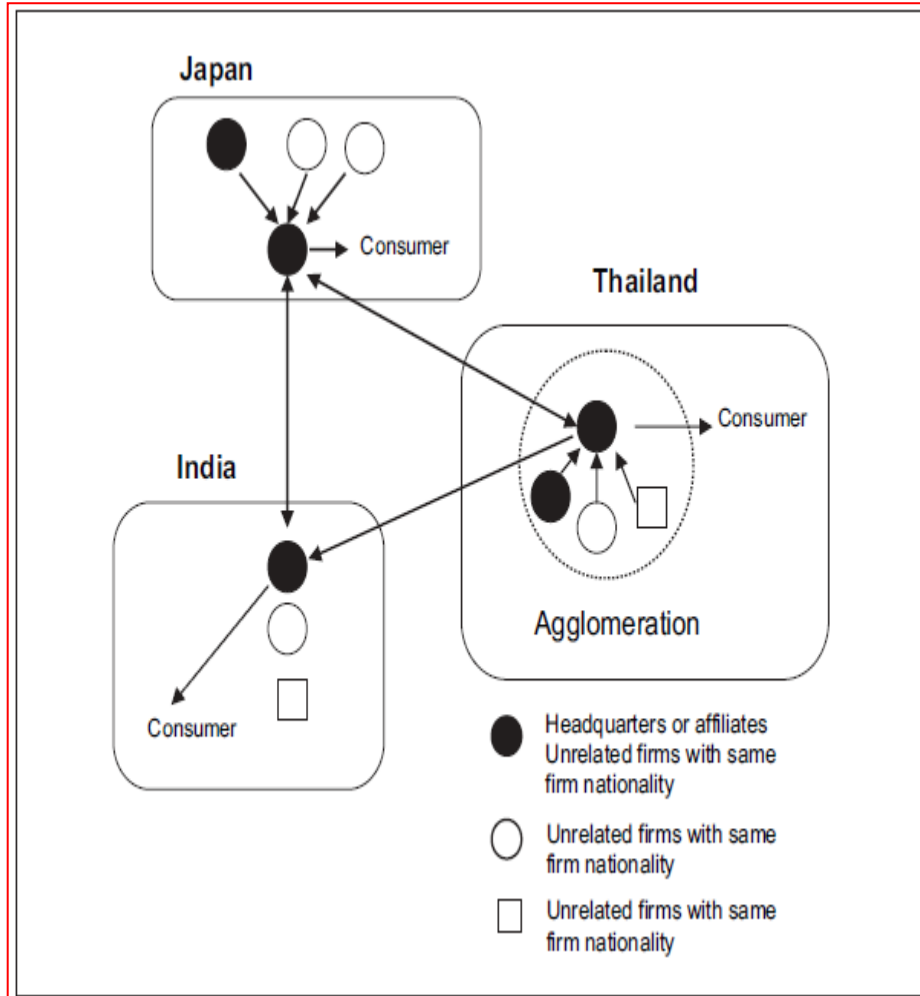


Source: De (2013)

Emerging production networks between India and ASEAN

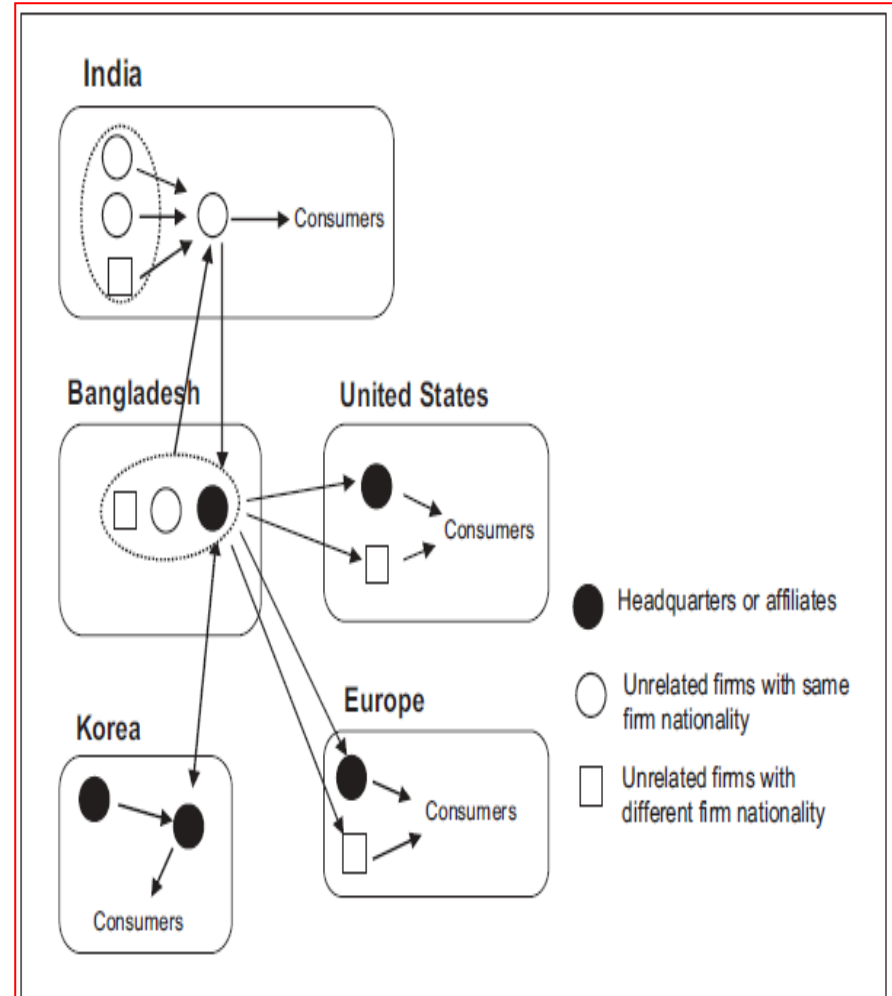
Case: Southeast Asia

India's Import of ACE from Thailand



Case: South Asia

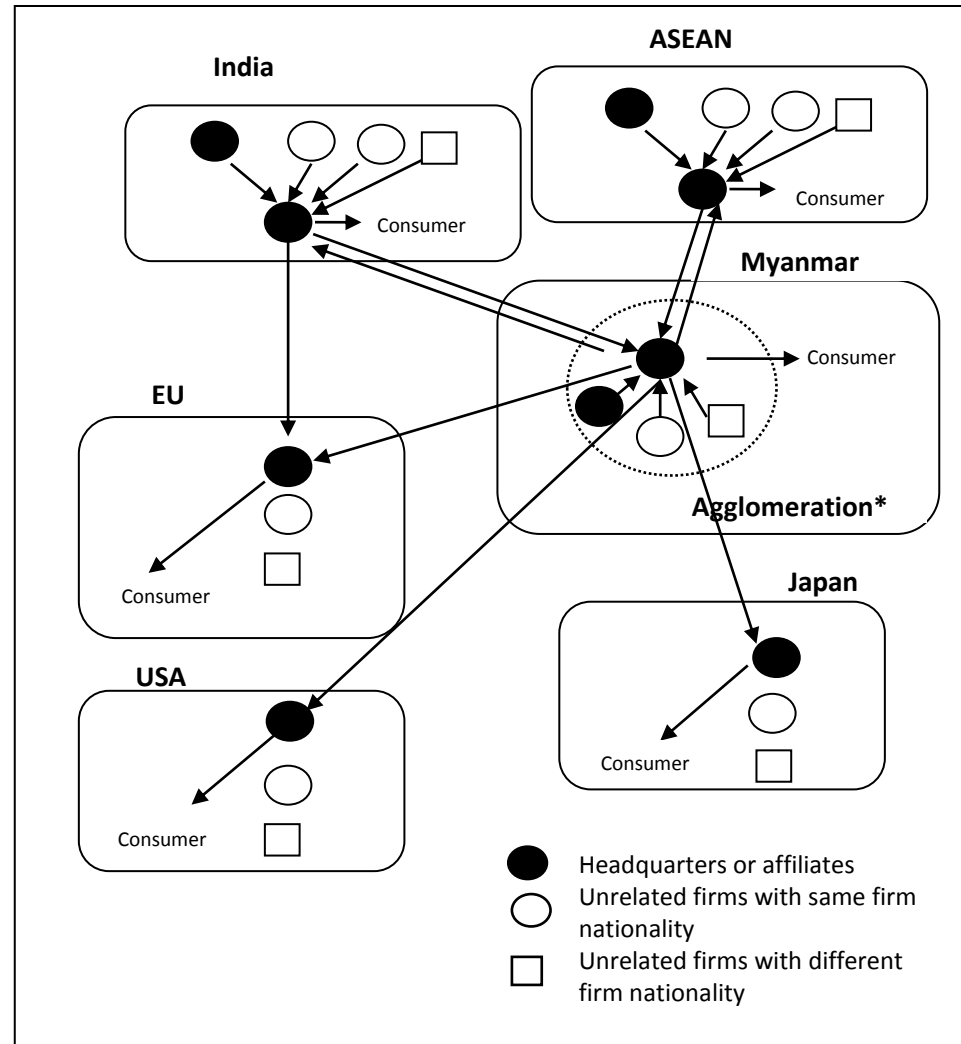
India's Export of Yarn to Bangladesh



Connectivity-induced production networks between India and Southeast Asia

- Potentials in building production networks between India's Northeast and Myanmar in (i) bamboo and wood products, (ii) pharmaceuticals and preparations, (iii) rubber products, (iv) food products, (v) refined petroleum products, (vi) other non-metallic mineral products, (vii) cement, and (viii) garments.
- Networks in services industry between India's Northeast and Myanmar may also take a formal shape (presently conducted informally at a lower scale) in (i) health, (ii) tourism, (iii) education, and (iv) transport and communication.

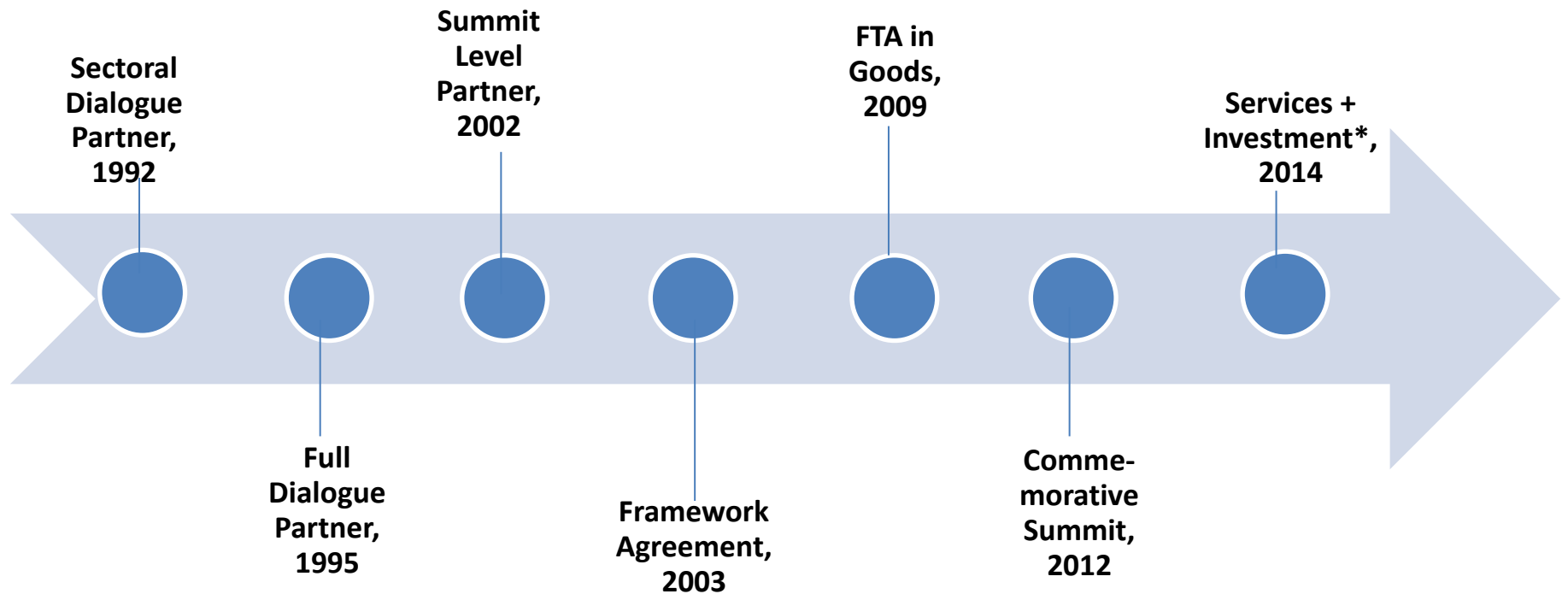
Illustration of Future Production Networks
Scenario between India and Myanmar in RMGs



Source: Drawn based on Kimura (2012)

Major milestones crossed

India – ASEAN Strategic Partnership



*Yet to be implemented

Connectivity is central to ASEAN-India strategic partnership

- ASEAN – India Eminent Persons Group Report 2012
- ASEAN – India Vision Statement 2012
- ASEAN-India Summit 2013
- Two major windows:
 - FTA (software) – e.g. RCEP, Single Window in Customs, a.o.
 - » Paperless trade
 - Connectivity / services links (hardware) – e.g. Trilateral Highway, MIEC, a.o.
 - » Seamless trade
- Connectivity in India on two structures:
 - National connectivity [DMIC, DFC, etc.]
 - Regional connectivity [TH, KMTTP, MIEC, etc.]
- India's regional connectivity with ASEAN follows two axis:
 - North East India [multimodal + intermodal type]
 - Southern India [multimodal]

AIFTA tariff elimination schedule

ASEAN6		CLMV		India	
NT-1	NT-2/SL	NT-1	NT-2/SL	NT-1	NT-2
Jan. 2010-Dec. 2013 (2018**)	Jan. 2010-Dec. 2016 (2019**)	Jan. 2010-Dec. 2018	Jan. 2010-Dec. 2021	Jan. 2010-Dec. 2013(2018**)	Jan. 2010-Dec. 2016 (2019**)

Notes: NT: Normal Track; SL: Sensitive List **To the Philippines

Source: Ministry of Commerce & Industry, Government of India

ASEAN-India engagement, present scenario

ASEAN-India FTA	<ul style="list-style-type: none"> •Working •Services and investment to be added soon 	<ul style="list-style-type: none"> •Bilateral trade: US\$ 80 billion in 2013 (India's export to ASEAN US\$ 35 billion, India's import from ASEAN US\$ 45 billion) •Emerging value chains, slowly •Rising deficit is a matter of concern.
RCEP	<ul style="list-style-type: none"> •Being negotiated 	<ul style="list-style-type: none"> •Target deadline: 2015(?)
Trade facilitation (e.g. Customs cooperation)	<ul style="list-style-type: none"> •Unilateral initiatives •WTO TFA, signed in Bali, 2013 	<ul style="list-style-type: none"> •ASEAN single window under implementation and India's EDI system working already •Inter-linkages must
ASEAN-India transit transport agreement	<ul style="list-style-type: none"> •Proposed 	<ul style="list-style-type: none"> • Target – 2016(?) •India-Myanmar-Thailand taken-up first
ASEAN-India air transport agreement	<ul style="list-style-type: none"> •Proposed 	<ul style="list-style-type: none"> •High imbalance between carriers; major airlines (e.g. SQ or TG) utilise 100% slots
Overland connectivity	<ul style="list-style-type: none"> •Trilateral highway & extension to CLV •Railway link •MIEC 	<ul style="list-style-type: none"> •Ongoing but slow pace •Myanmar to rebuilt Yargi to Monywa •Strong backend linkages must

India's mixed performance in logistics, but impressive improvement in time to trade

Logistics Performance Index

Country	India	
	2007	2012
LPI	3.07	3.12
Customs	2.69	2.70
Infrastructure	2.90	2.91
International shipments	3.08	3.13
Logistics competence	3.27	3.16
Tracking & tracing	3.03	3.14
Timeliness	3.47	3.61

Source: World Bank

Trading across Borders

	India	
	2006	2013
Documents to export (number)	9	9
Time to export (days)	27	16
Cost to export (US\$ per container)	864	1,120
Documents to import (number)	11	11
Time to import (days)	41	20
Cost to import (US\$ per container)	1,324	1,200

Source: World Bank

Recent Development

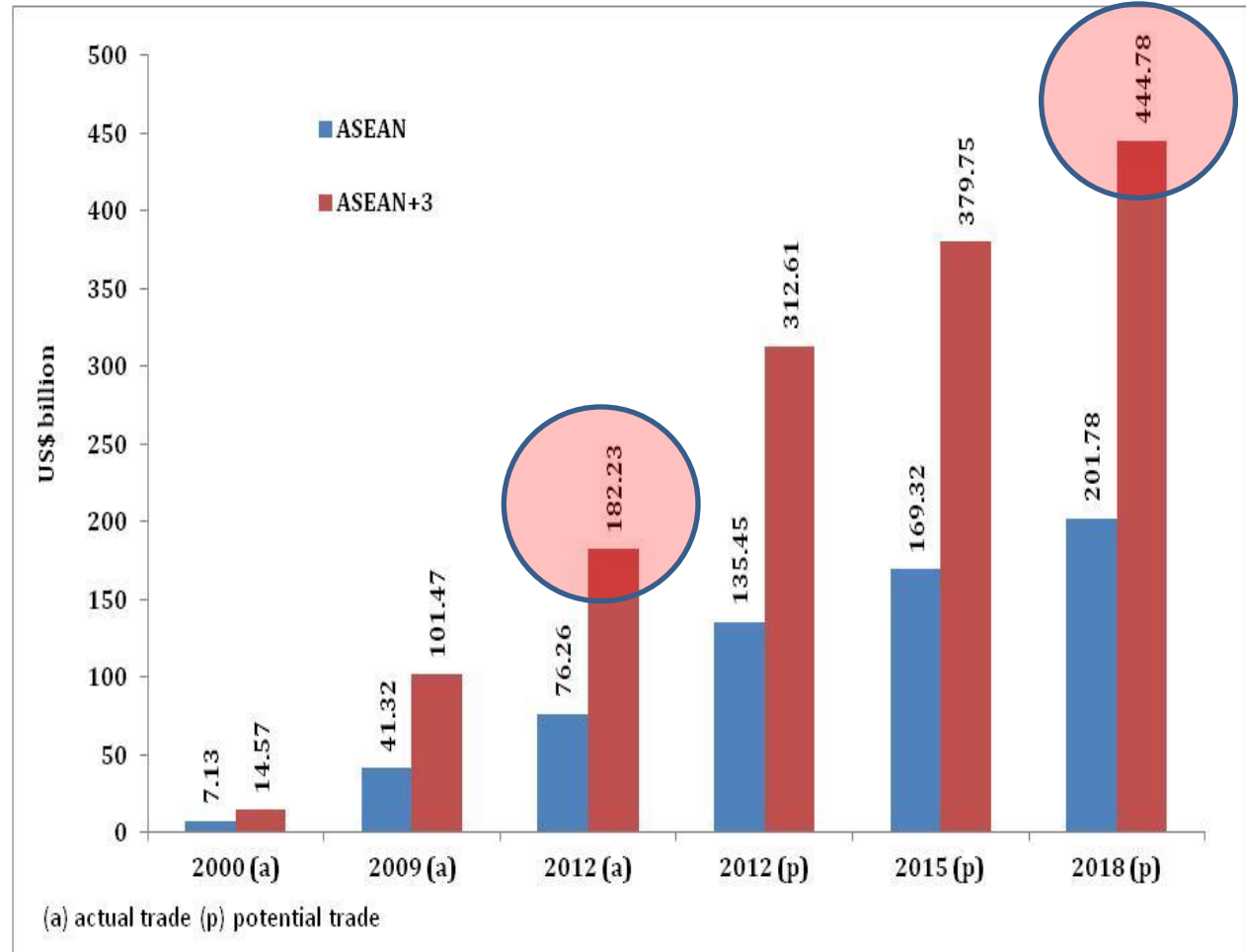
PM's Speech at 12th ASEAN-India Summit, 12 November 2014, NPT, Myanmar

- Improvements in trade policy and environment, and connectivity projects
 - Review of FTA on goods to improve it further and implementation of FTA in services and investment
- RCEP to be inclusive and balanced
- MRAs in education (e.g. Mutual recognition of degrees)
- **SPV (e.g. PDF) to facilitate project financing and implementation**
- **Information highways (i-ways)**
- ASEAN-India solar project, space science, etc.
- Cooperation for disaster risk reduction, response and management
- Cooperation in health, traditional medicine, food security, climate change, environment and forest, skill development, tourism, etc.

Future Scenario of Trade and Barriers

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

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



*Based on an augmented gravity model

Country-wise India's trade potential

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

Source: RIS

ASEAN-India FTA: Comprehensive arrangement offers higher welfare.....

(US\$ million)

Country	Only Trade liberalization involving all countries	Reduction in total trade cost before entering Indian market*			Trade liberalization plus reduction in trade cost before entering Indian market*		
		10%	20%	25%	10% reduction in trade cost	20% reduction in trade cost	25% reduction in trade cost
India	1463.5	224	461	565.9	1686.6	1930.3	2040.2
Malaysia	-67.7	51	96.7	121.3	-18.6	25.4	49.2
Singapore	-59.8	64.8	131.9	167.8	1.6	67.3	102.6
Thailand	-116.6	21.8	42.2	52.5	-99.7	-81.2	-71.7
Cambodia	-1.6	-0.4	-0.7	-0.9	-2.03	-2.4	-2.70
Indonesia	809.7	24	48.3	58.8	881	918.2	934.3
Lao PDR	0.49	-0.04	-0.08	-0.10	0.5	0.5	0.46
Philippines	13.8	0.8	1.6	1.9	11.7	12.7	13.1
Vietnam	147	0.99	1.9	2.4	152	155.4	156.9
Rest of ASEAN	142.2	4.9	9.97	12.4	151	159.6	163.7

*Reduction of export cost from individual ASEAN countries and import cost at the entry point of India
Source: ASEAN-India Development and Cooperation Report 2015, based on Sikdar and Nag (2014)

... and the key barriers to ASEAN-India trade

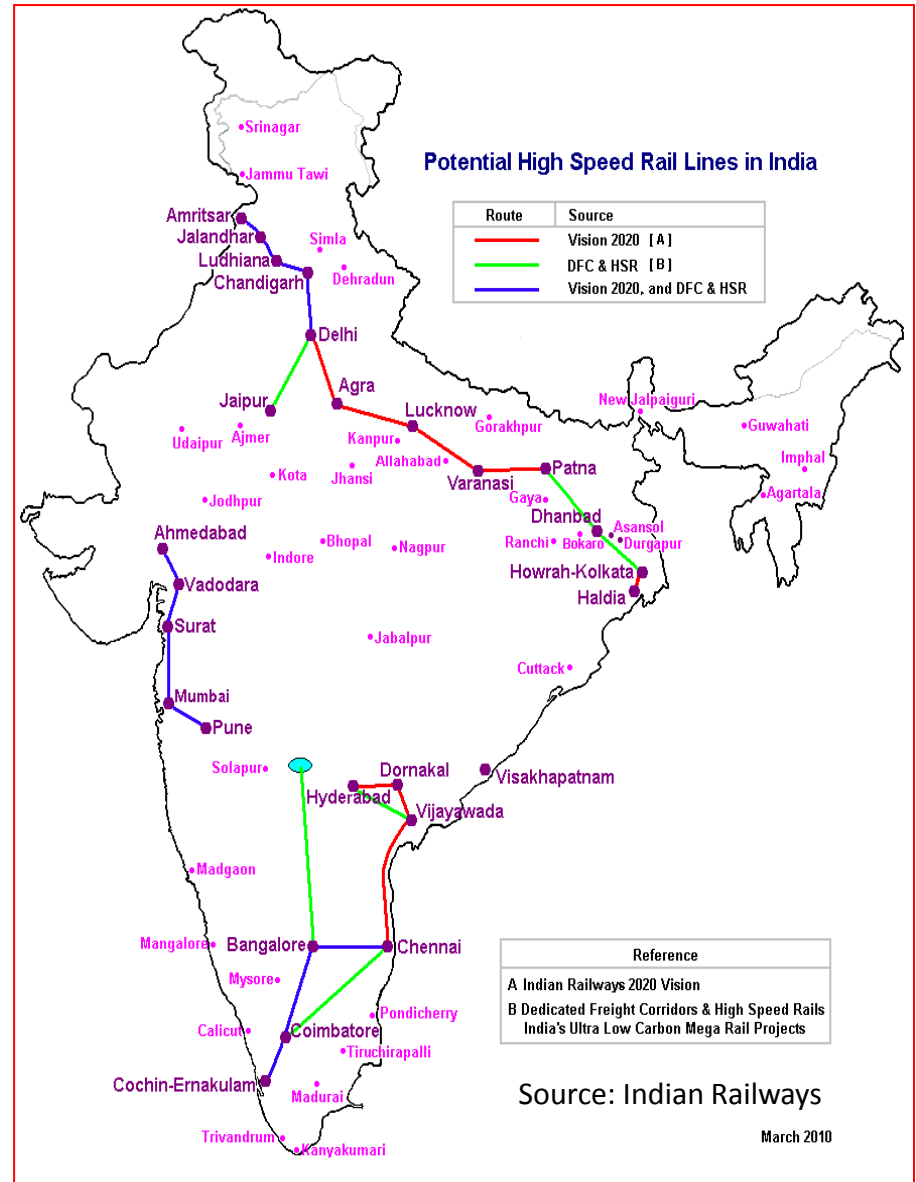
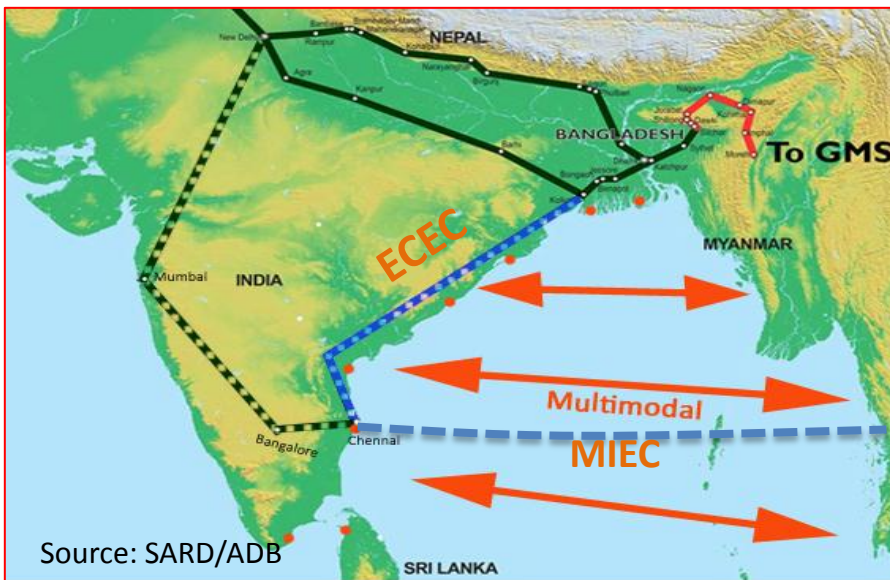
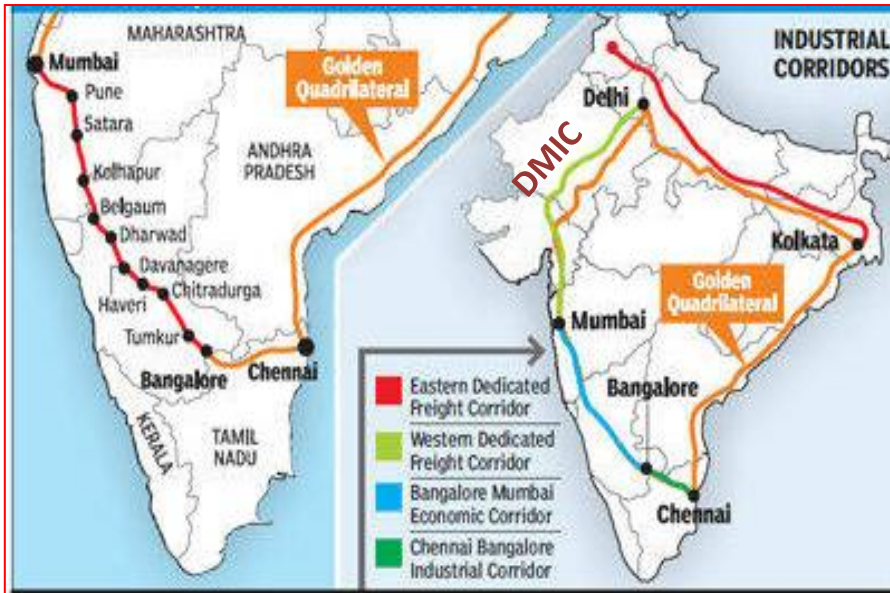
- High NTMs
- Inadequate cross-border infrastructure
- Lack of trade facilitation and absence of regional transit trade
- Poor border infrastructure
 - Positive list for border trade
- Inconsistent and difficult border crossing formalities and procedures
- Restrictive visa regime of ASEAN countries
- Different standards on vehicles and drivers across countries
- Restrictions on entry of motor vehicles
- No MRAs as yet
- Limited banking facilities and transfer of remittance face cumbersome procedures

Connectivity Projects

National corridor projects in India

- National Highway Development Project (NHDP) since middle of 1990s.
 - Golden Quadrilateral (GQ) project (5,846 km of highway; Delhi, Mumbai, Chennai, Kolkata, and Delhi)
 - NS corridor (North-South corridor), which connects Srinagar to Kanniakumari,
 - EW corridor (East-West corridor), which connects Porbandar to Silchar.
- NHDP III, IV, V under implementations (about 11,000 km)
- Delhi-Mumbai Industrial Corridor (DMIC)
- Chennai-Ennore Port Road Connectivity Project
- Chennai-Bangalore-Mumbai Industrial Corridor (CBMIC)
- PRIDe (Peninsular Region Industrial Development) Corridor
- Amritsar - Delhi - Kolkata Industrial Corridor (ADKIC)
- Dedicated Freight Corridors (DFC)
- High Speed Rail Corridor
- ECEC of Asian Development Bank (ADB)*

National corridors, having regional implications



Update of Major Railway Projects in India's Northeast

State	Route (length)	Estd .cost (Rs. crore)	Date of completion
Arunachal Pradesh	Harmuti (Assam) to Nahariagun (33 km)	161	Completed
Meghalaya	Tetelia to Shillong (138 km)	4473	Not fixed. First 30 km by March 2014
Manipur	Jiribam to Imphal (125 km)	3123	March 2018
Mizoram	Bhairabi to Sairang (58 km)	619	March 2015
Nagaland	Dimapur to Kohima (123 km)	850	March 2015
Tripura	Agartala to sabroom (110 km)	813	March 2015

Some important connectivity projects

1. Integrated check posts (ICP): Moreh / Tamu
2. Kaladan Multimodal Transit Transport Project
 - Sitwee SEZ and Port and IWT
3. India – Myanmar – Thailand Trilateral Highway and further extension to Cambodia, Lao PDR and Vietnam
 - The new corridor: India-Myanmar-Lao PDR-Viet Nam-Cambodia
4. Rih – Tidim Road in Myanmar
5. Delhi – Hanoi Railway Link
6. Imphal – Mandalay bus and air services
7. Mekong – India Economic Corridor
8. India – ASEAN open sky for cargo*
9. India – ASEAN ocean shipping network*
10. India – ASEAN gas and oil pipeline*
11. India – ASEAN ICT link = **i-ways?**
12. Financing SPV

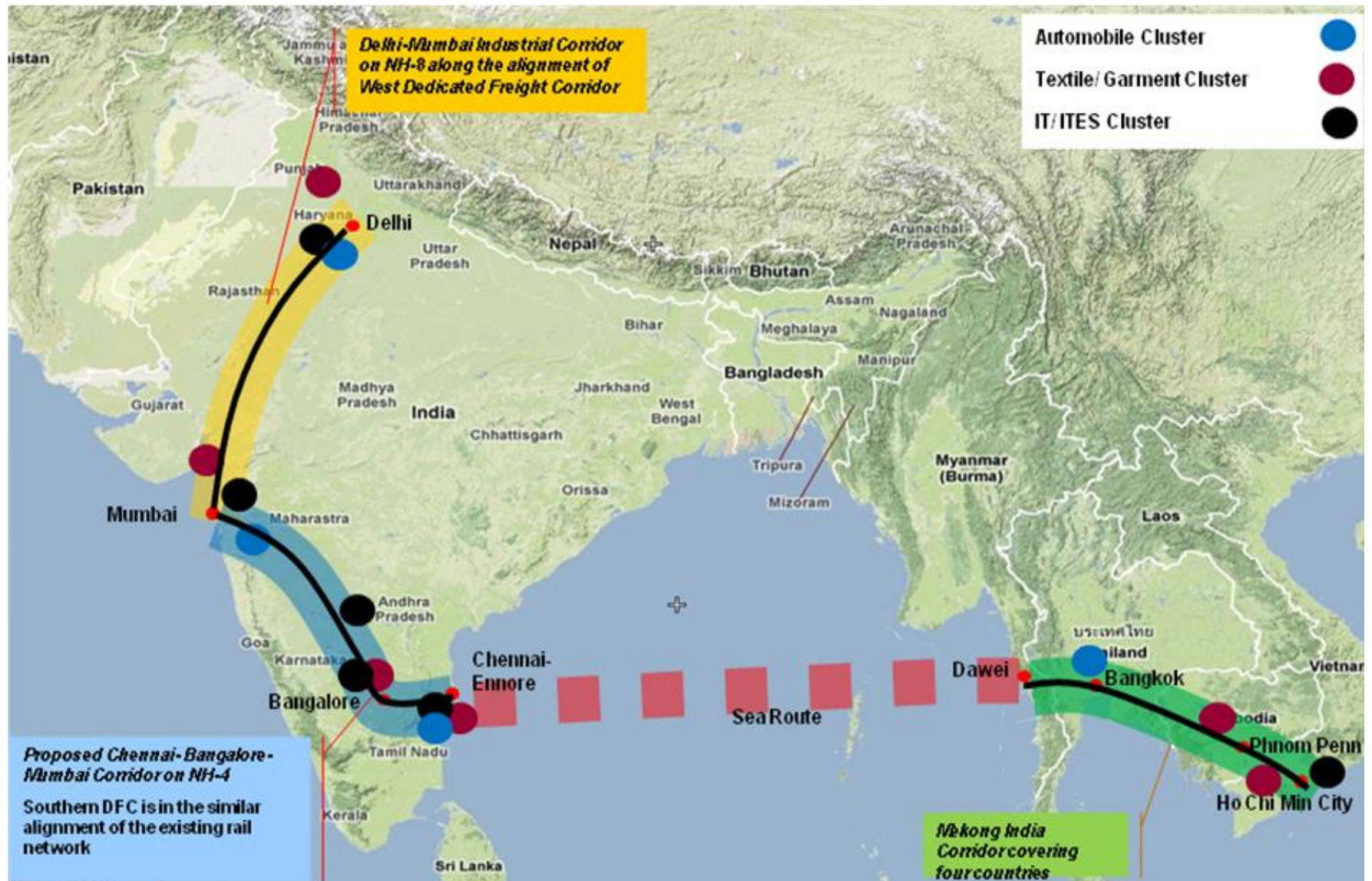
Mekong – India Economic Corridor (MIEC)

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

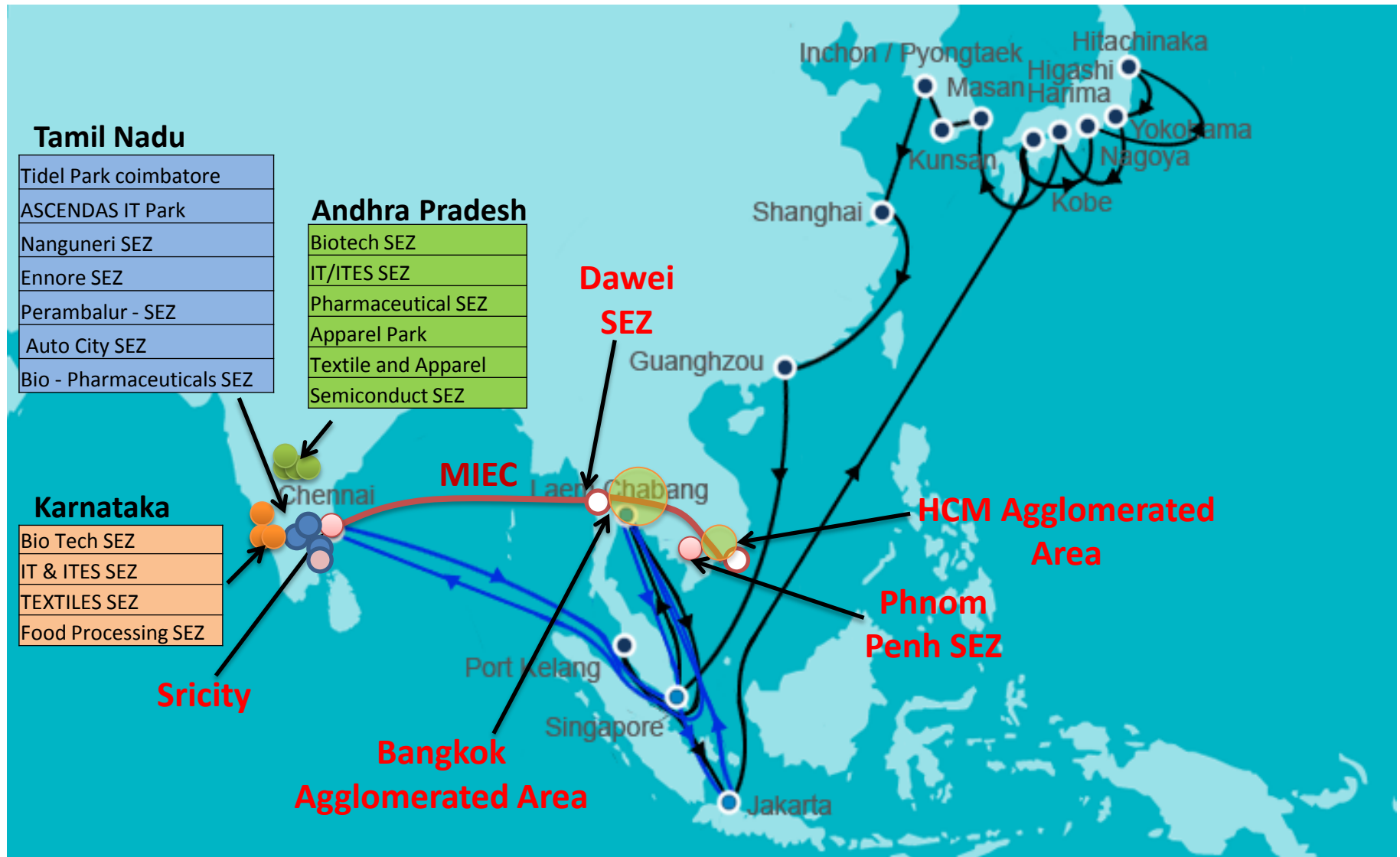


Source: ERIA

MIEC alignment and linking industries

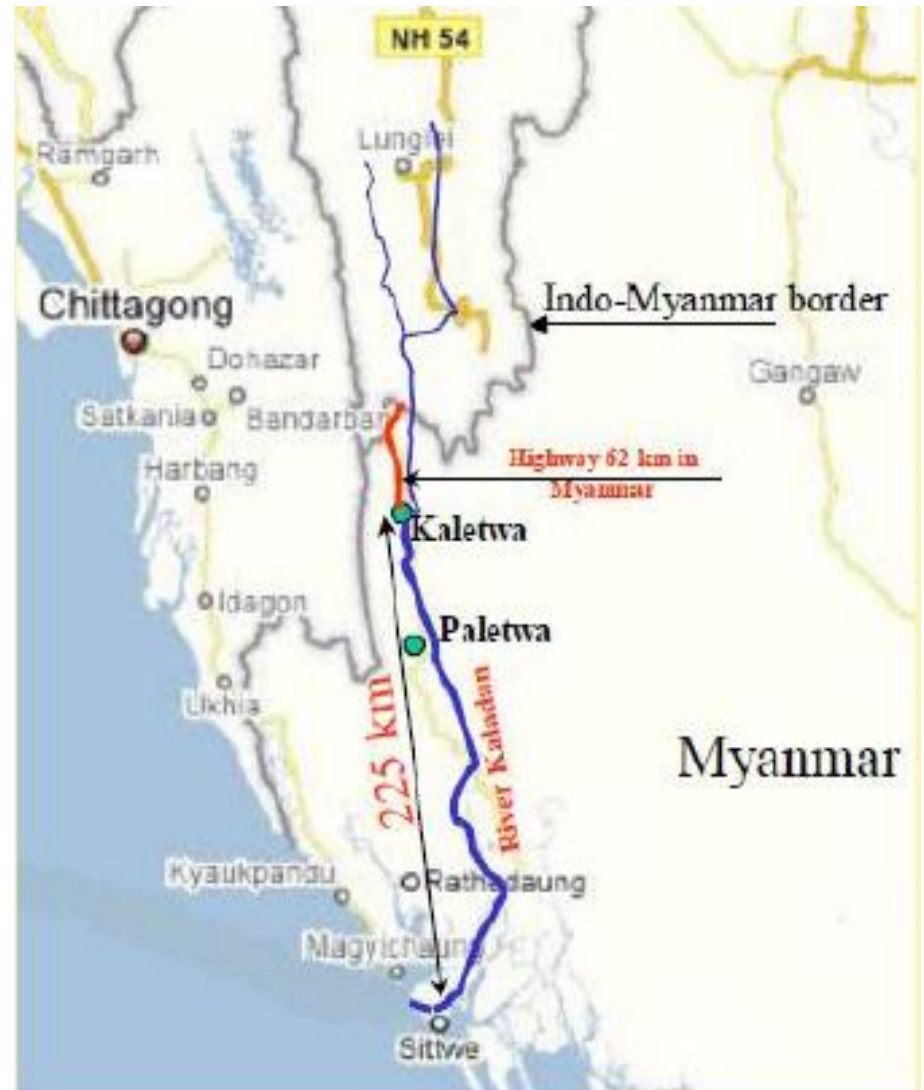


MIEC – Connecting industrial space



Kaladan project

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

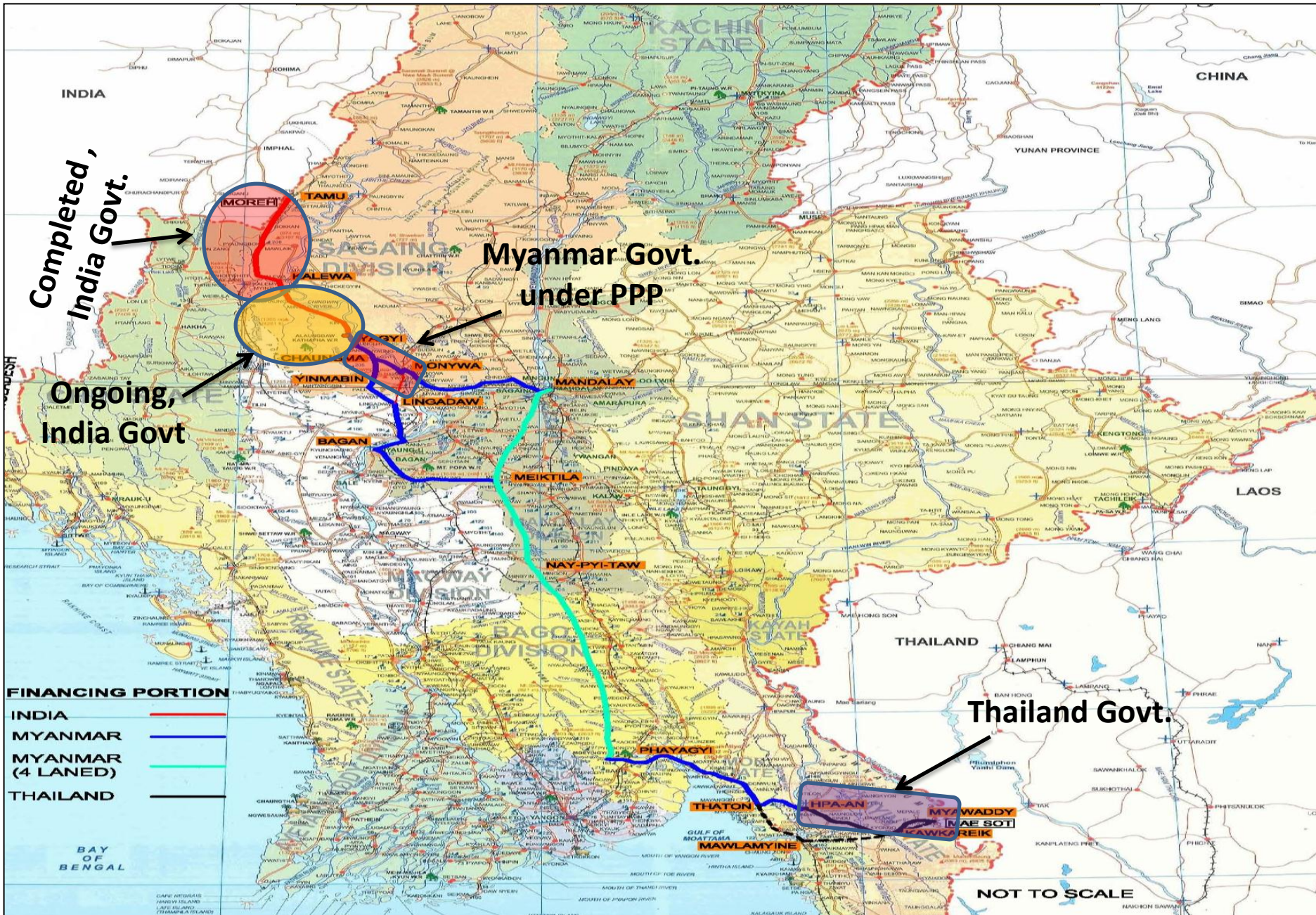




India – Myanmar-Thailand Trilateral Highway

- Highway links Moreh (in India) with Mae Sot (in Thailand) through Mandalay (in Myanmar)
- The alignment of this trilateral highway falls within the AH 1 and 2, being pursued by UNESCAP.
- Border Roads Organisation (BRO) upgraded the Tamu-Kalewa-Kalemyo (TKK) road (160 km) in Myanmar at a cost of about US\$ 27.28 million.
- Government of India is also responsible for upkeep of the TKK road.
- Development of new roads between Kalewa to Yargi ongoing
- Rehabilitation/ reconstruction of weak or distressed bridges
- The target deadline of opening the highway is 2016

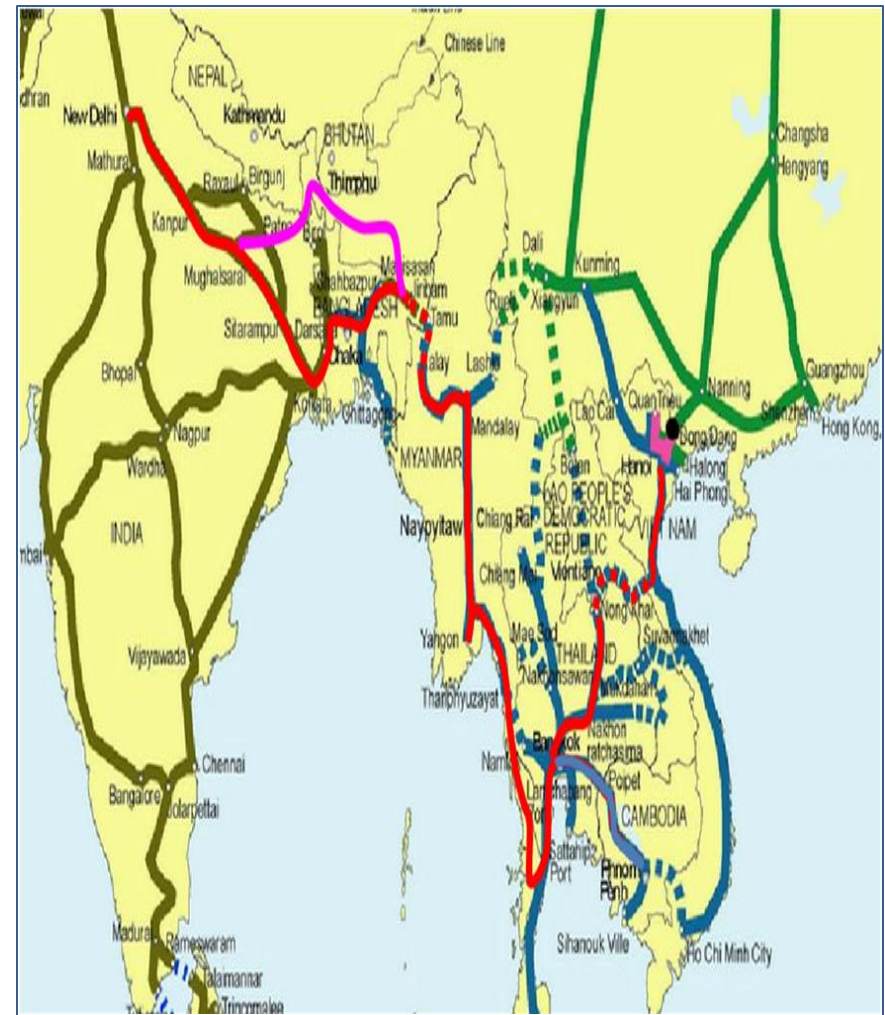
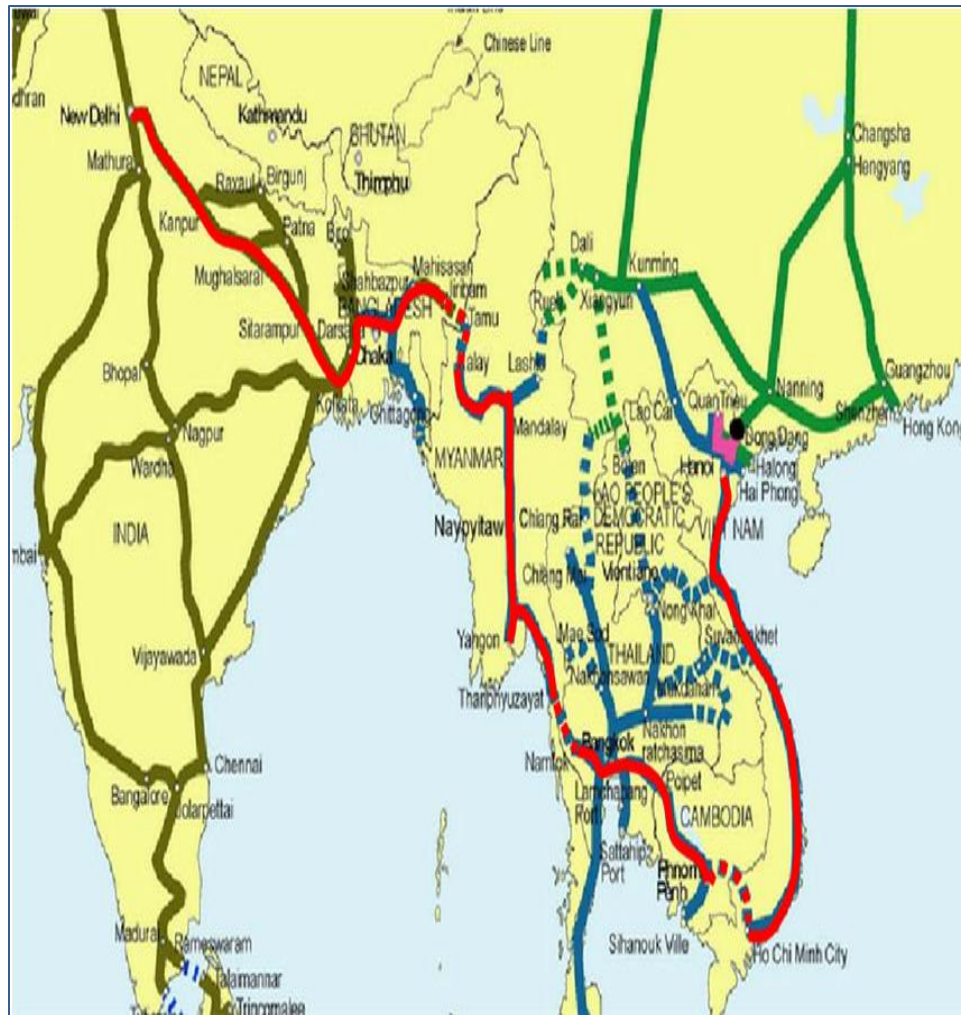
Trilateral Highway Alignment



Delhi – Hanoi Railway Link

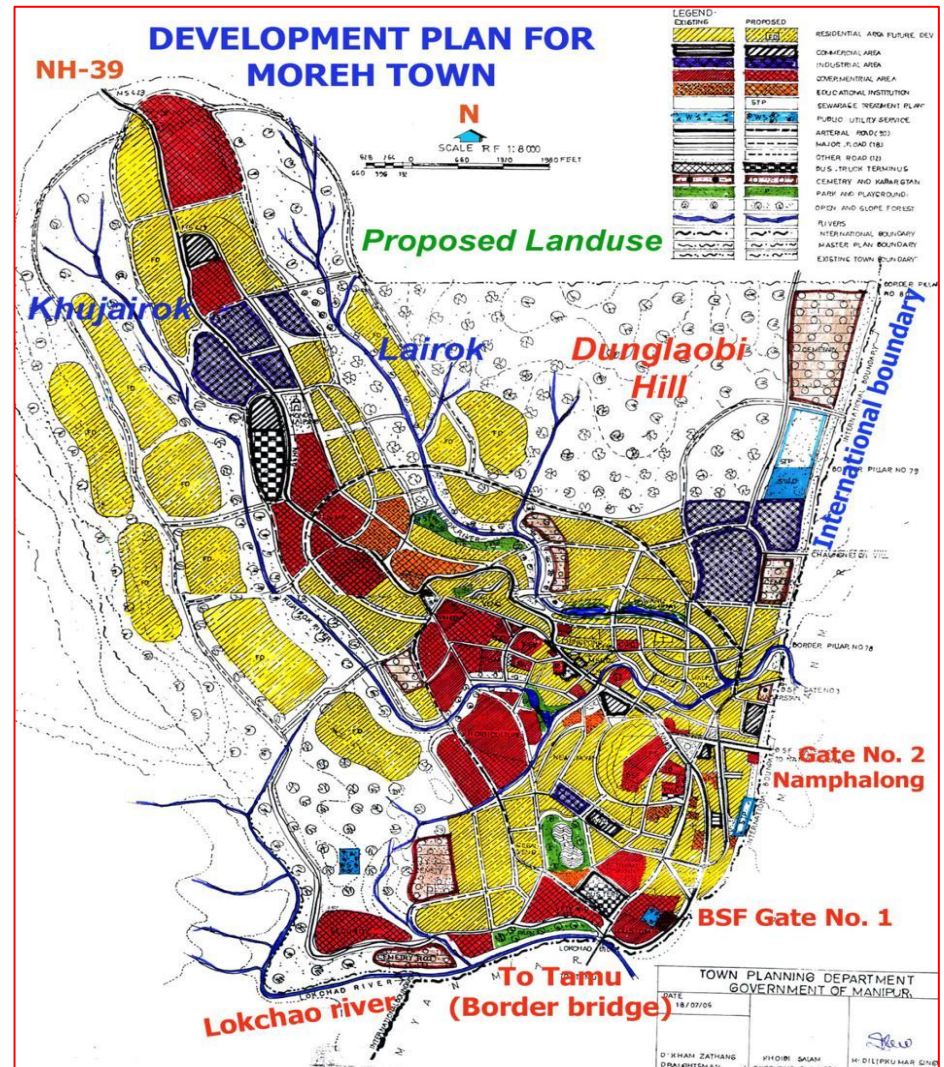
- Two objectives – (a) to link India's Manipur with India's main railway corridor, and (b) to re-establish and renovate railway networks in Myanmar.
- Indian consulting engineering company, RITES, has already completed a preliminary study to establish Delhi – Hanoi railway link in 2006.
- Indian government has come forward and extended US\$ 56 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 - Moreh 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 section and March 2016 for Tupul-Imphal section.
- 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.

Delhi – Hanoi Railway Link Alignment



SEZ and Border Township at Moreh, India and Sitwee, Myanmar

- Manipur government is planning a township at Moreh (India – Myanmar border)
- Similar projects at Sitwee (Myanmar), Champai (India) also proposed

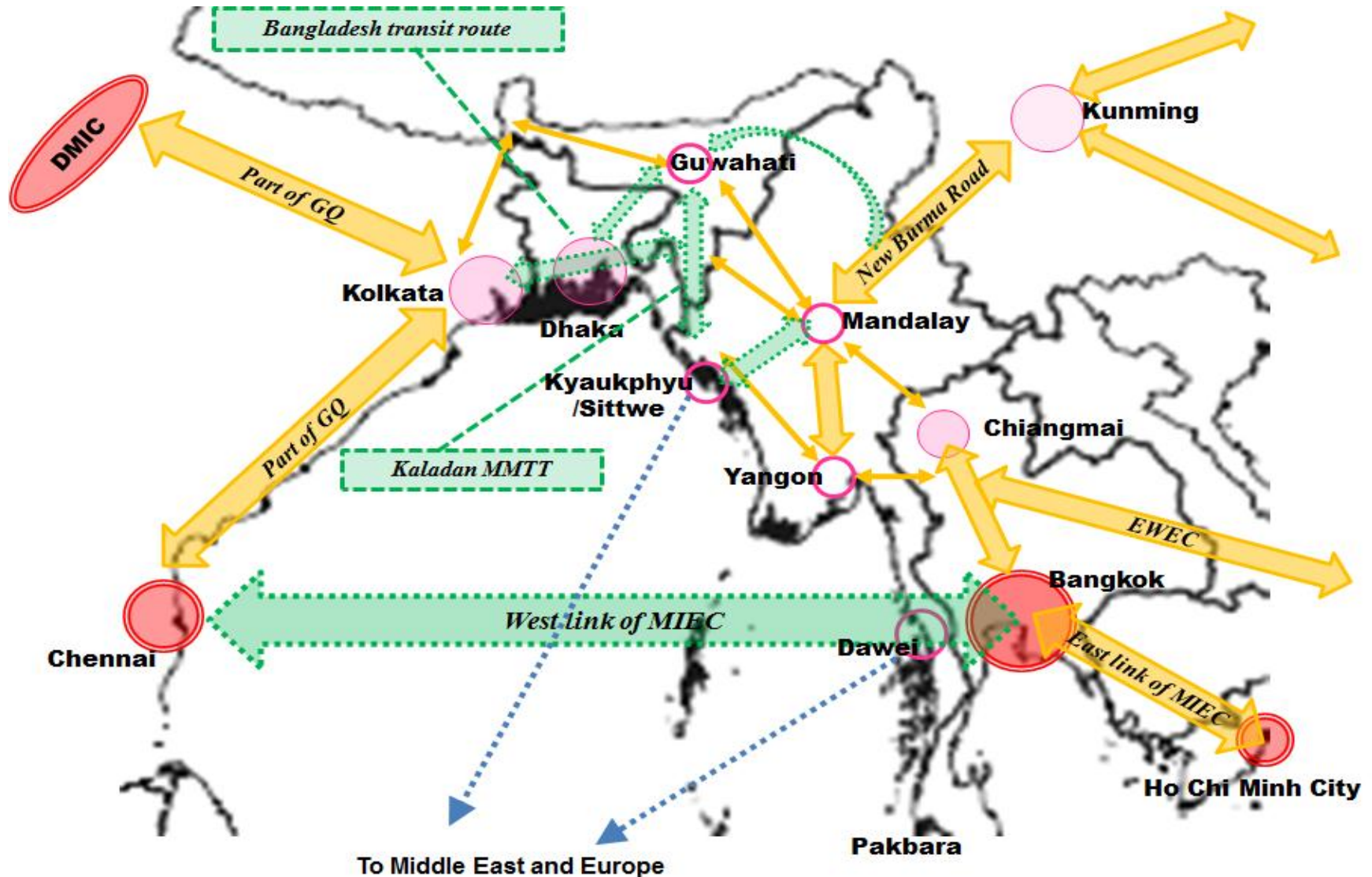


New Ports and SEZs

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



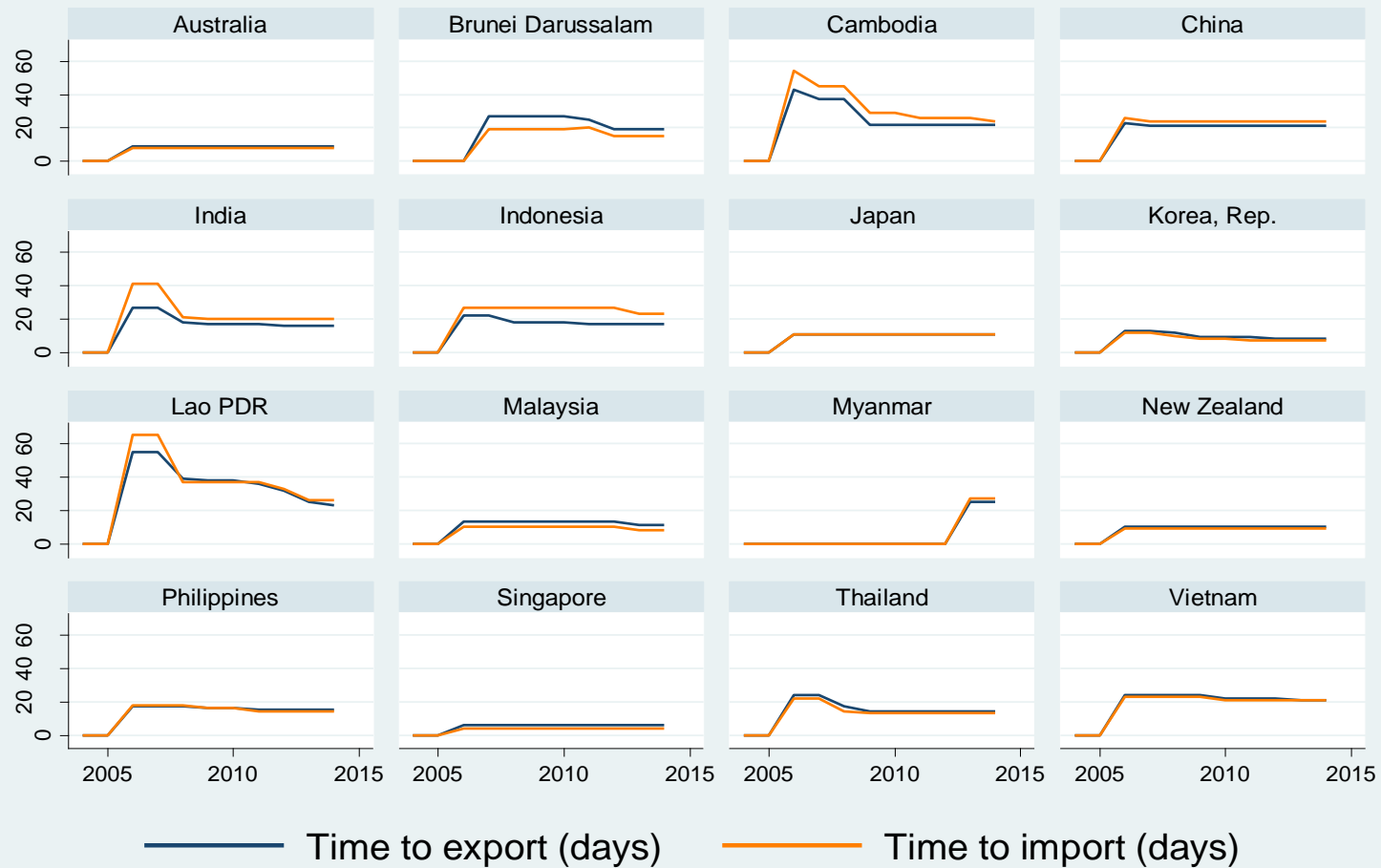
Emerging connectivity architecture



Key Challenges

High time to trade

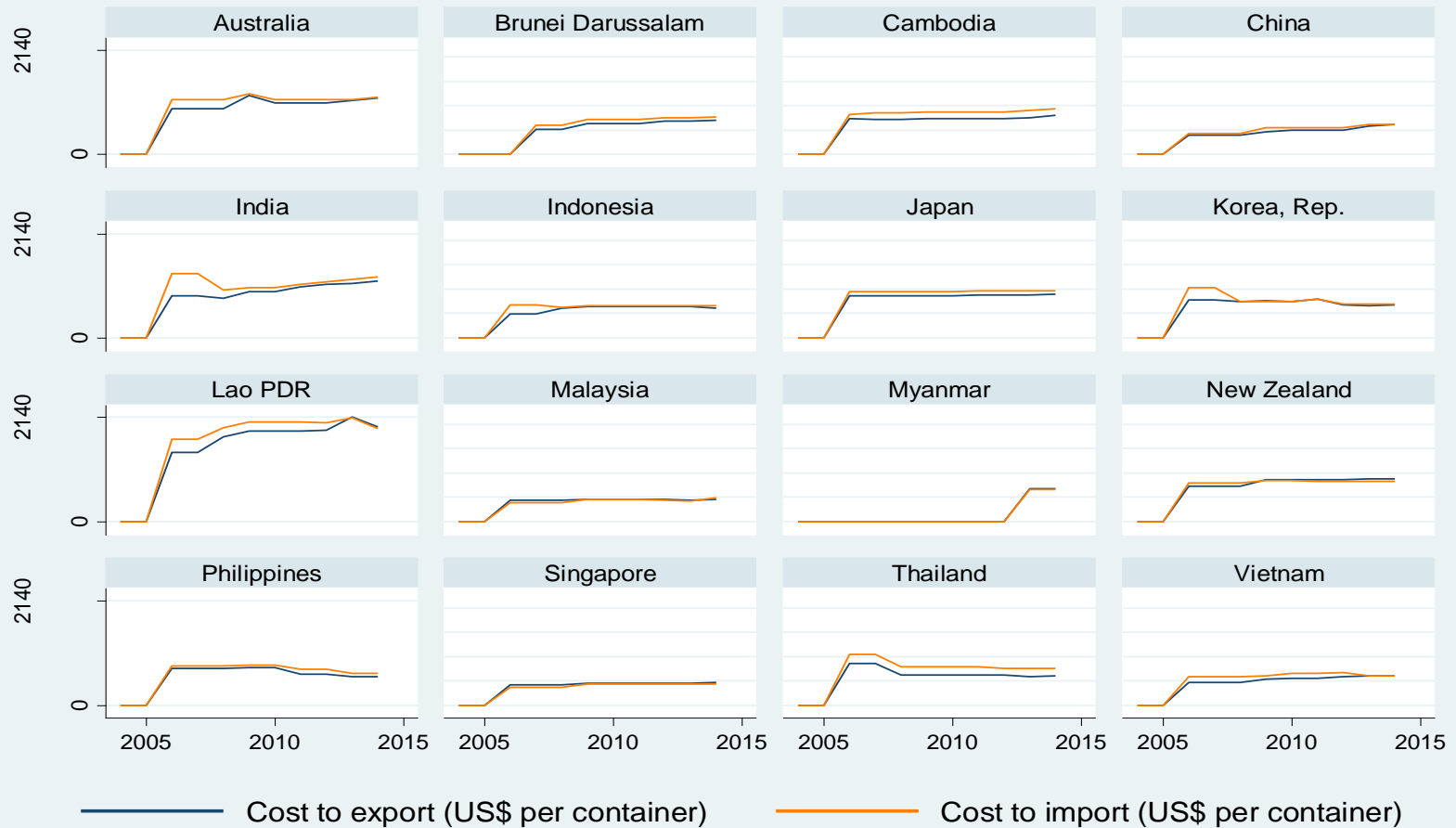
Time to export and import (Doing Business_World Bank)



Note: Missing values were treated as zero, to have Balanced Data.

High cost of trade

Cost to import and export (Doing Business_World Bank)



Note: Missing values were treated as zero, to have Balanced Data.

High NTMs

(%)

	Overall	Core	Non-core
Brunei	46	29	32
Cambodia	6	4	4
Indonesia	100	45	100
Lao PDR	20		20
Malaysia	43	36	21
Myanmar	100	100	8
Philippines	100	5	100
Singapore	27	21	14
Thailand	11	4	9
Vietnam	34	22	14
ASEAN	49	27	32

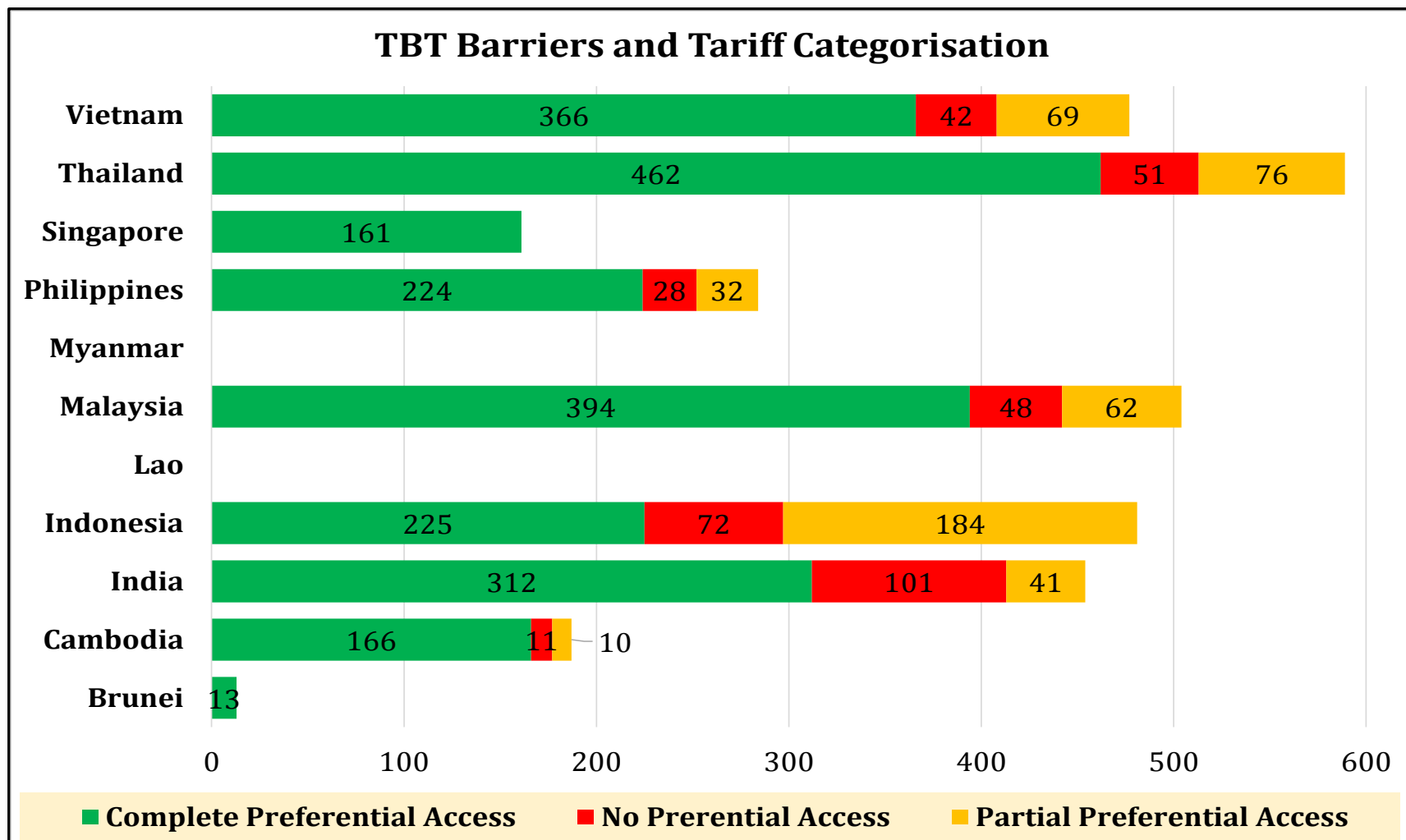
	Overall	Core	Non-core
Food	63	29	51
Chemicals	59	39	36
Light manufacturing	39	18	23
Metals	37	15	25
Machineries	48	30	33
Others	48	24	28

Singapore NTM on Pharma Products		
Technical Measures-Labeling	Labeling is required for medicines (incl. chinese proprietary medicines), poisons and cosmetic products for reasons of public health and safety.	Medicines Act (Chapter 176) - Health Products Regulation Group



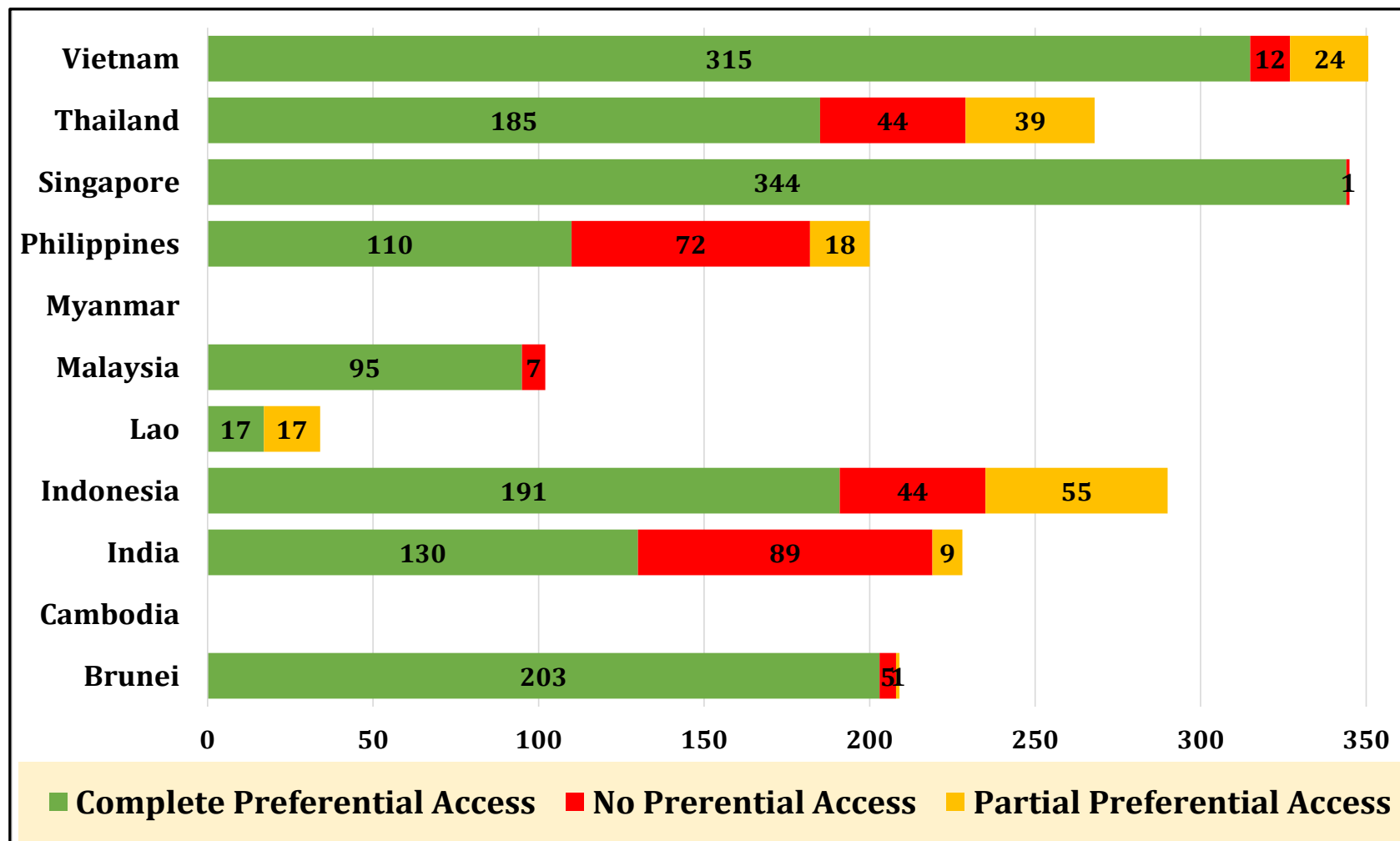
Thai NTM on Pharma Products (HS 3003.90)		
8130: labelling; 8150: inspection	Imports of medicaments are subject to product registration, labeling, advertisement control, inspection, and quarantine requirement by the Thai FDA on the basis of public health and life protection.	Food and Drug Administration, Ministry of Public Health

TBT measures under the AIFTA: 2000 to 2013 (HS 4 digit Products)



Source: ASEAN-India Development and Cooperation Report 2015, based on Kallummal (2014)

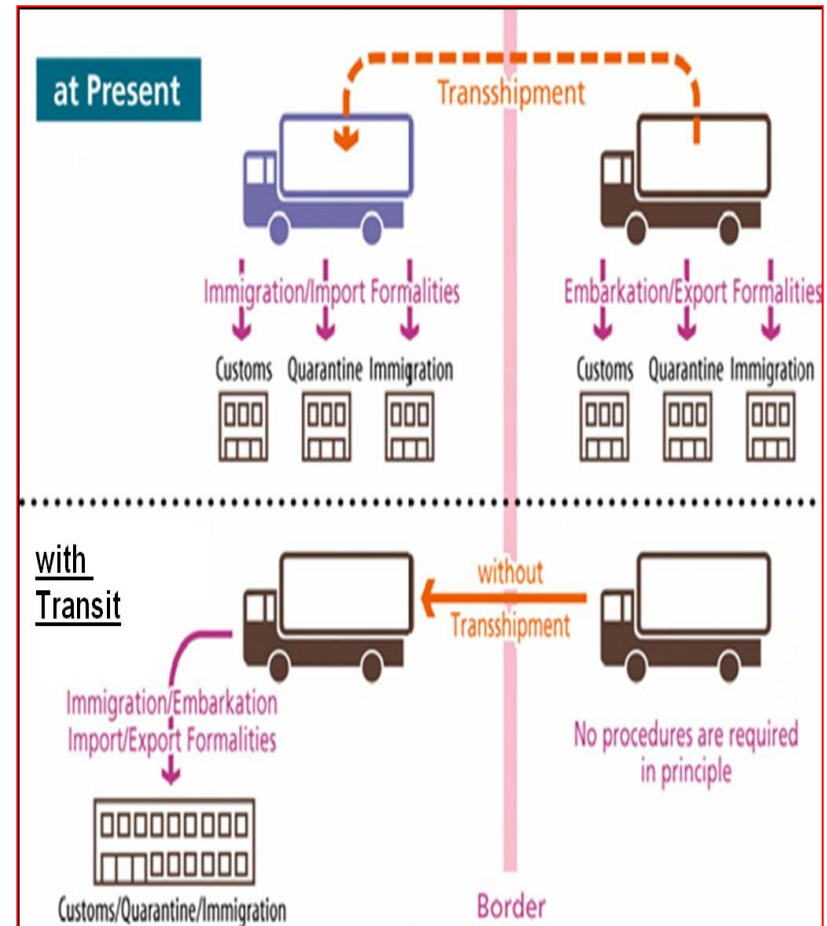
SPS measures under the AIFTA: 2000 to 2013 (HS 4 digit Products)



Source: ASEAN-India Development and Cooperation Report 2015, based on Kallummal (2014)

Cumbersome trade procedures

- Manual customs operation at border crossings
 - Building a common template for running and maintenance of transport corridor(s) and MRA on value added services.
 - MRAs have to be signed on motor vehicles, driving license, vehicle certificates, insurance, etc.

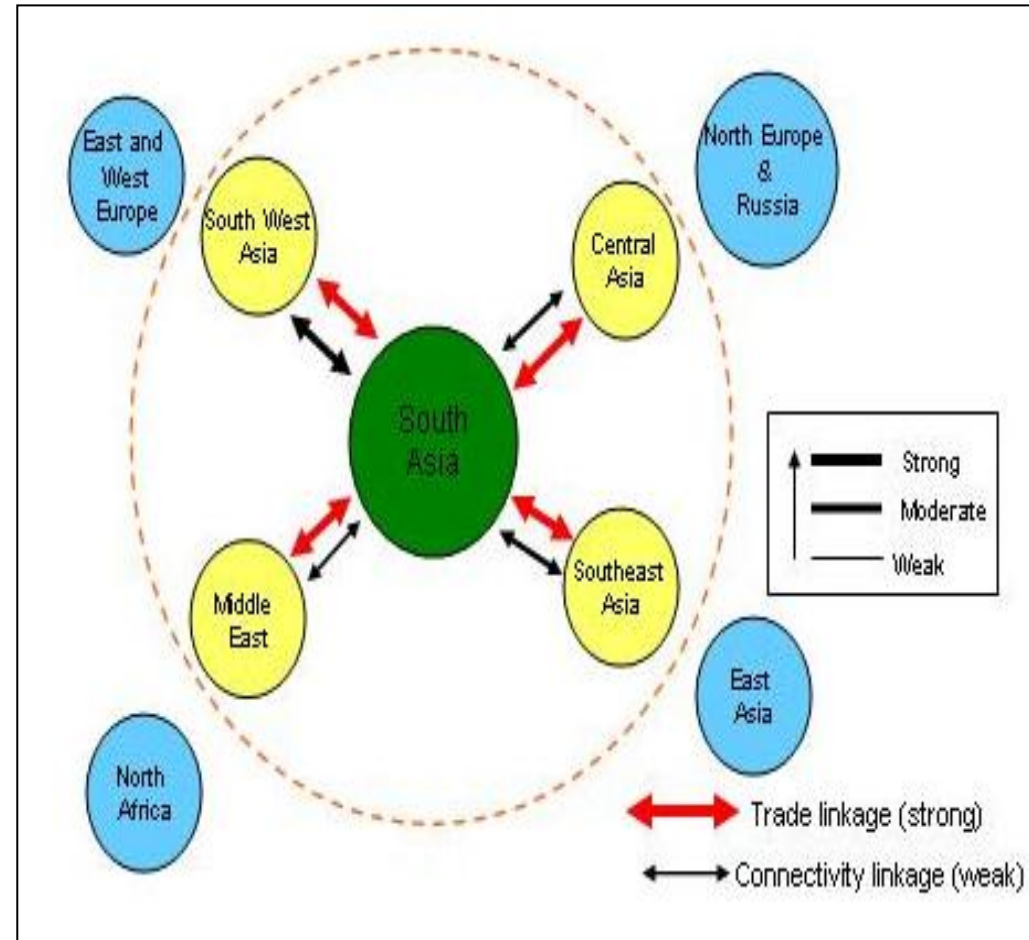


Source: ADB

**Three major challenges faced by
India (and also other South Asian
countries) with ASEAN in trade
exchange**

1. Lack of connectivity holding back South and Southeast Asian integration

- Geographically adjacent
 - Landlocked – 3 (SA), 1 (SEA)
- National connectivity ends just **before** land border
- Rising trade not supported by physical connectivity stock
- High trade potential, but largely unrealized
- **Improved connectivity and trade facilitation can unlock the trade potential**

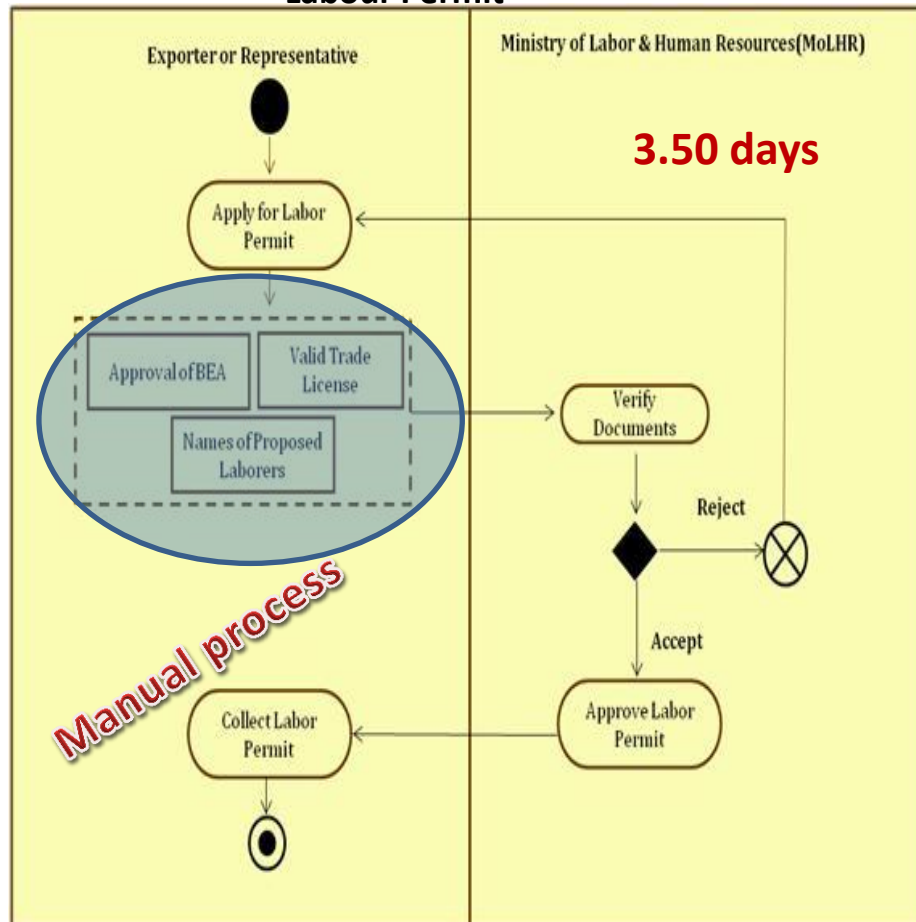


Source: De (2012)

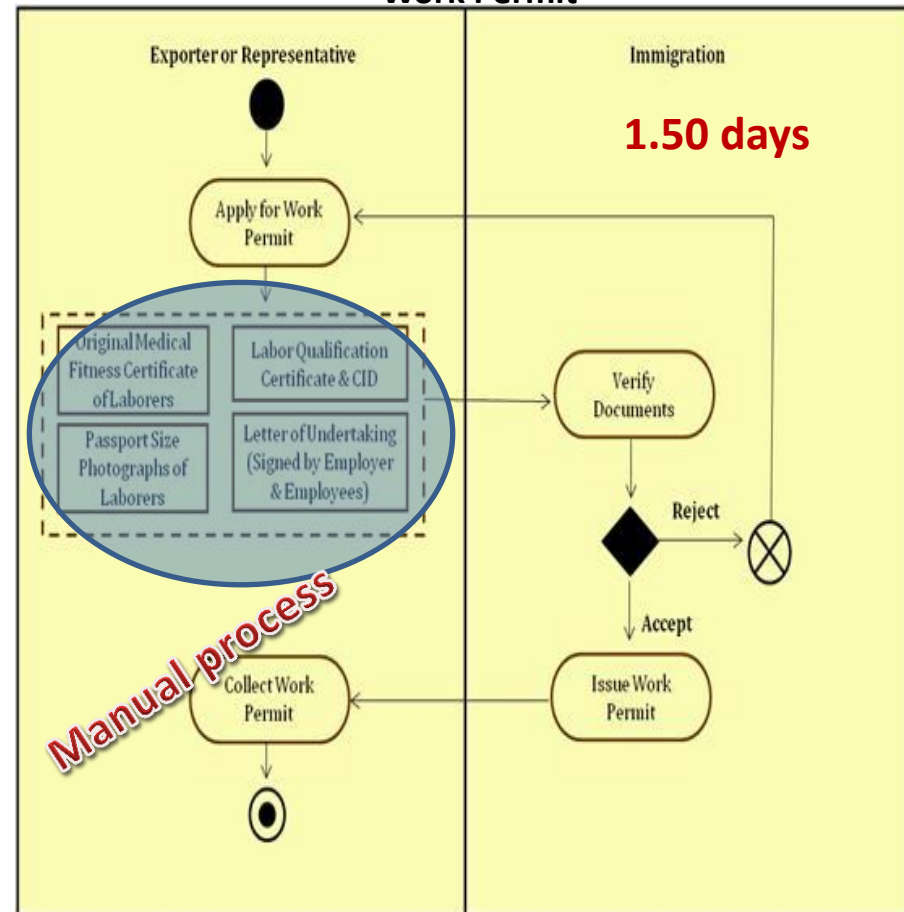
2. Growing ICT gap between South Asia and Southeast Asia in dealing trade

Export of Orange by Bhutan to Bangladesh

Labour Permit

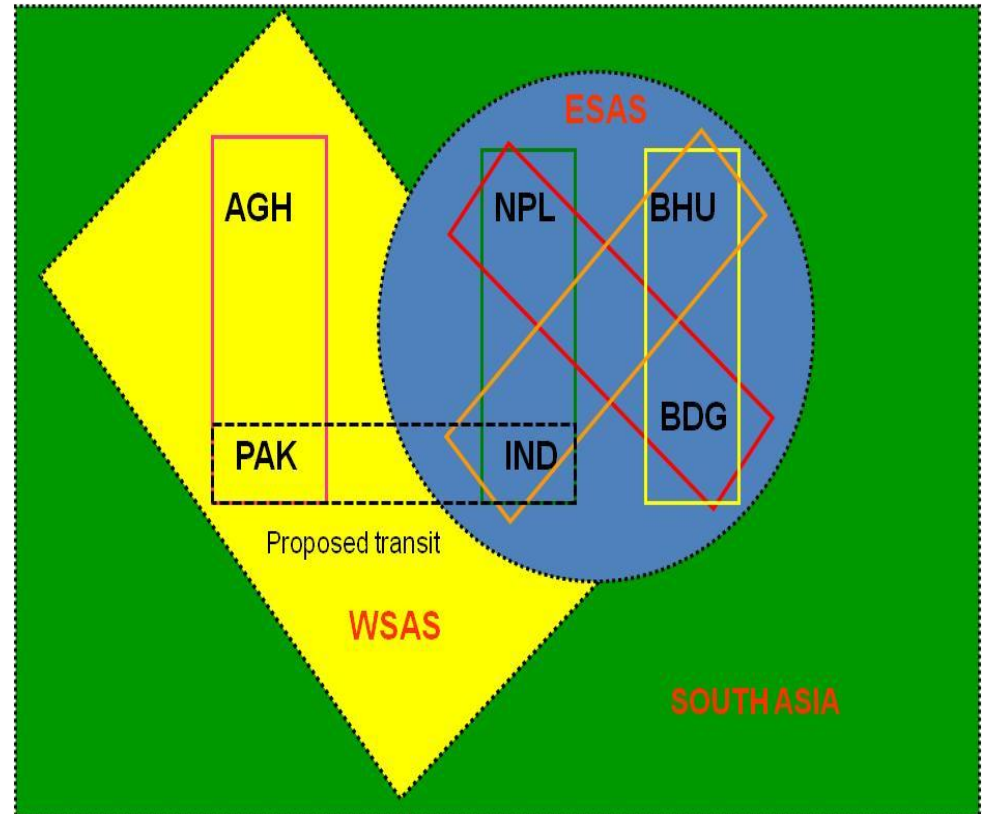


Work Permit



3. Seamless movement of goods is yet to happen in South Asia, whereas Southeast Asia has gone ahead

- Countries in South Asia don't have regional transit.
- Transit would lead to generate cross-border production networks in South Asia (e.g. food processing, T&C, etc.)
- Is GMS a template to follow?



Recommendations

Key actions on soft infrastructure

- ASEAN-India Transit Transport Agreement (AITTA)
 - Transit and Paperless Trade
 - Transit agreement between Thailand-Myanmar-India to start with
 - India – Myanmar bilateral agreement for customs and standard operating procedures
- Border customs harmonization
- Simplification of customs documentations
 - ESCAP –ADB trade facilitation project (e.g. SCBTM)
 - ESCAP Trade facilitation monitoring (BPA+, TTFPM, etc.)

More shipping routes between ASEAN and India

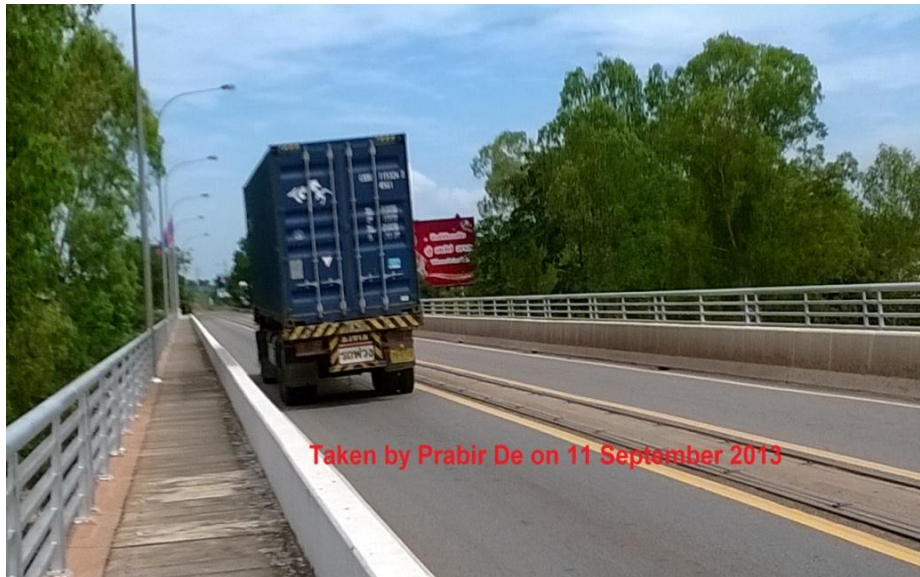


Source: ASEAN-India Connectivity Report, ASEAN-India

Concluding Remarks

- Consolidation of FTAs needed
 - RCEP is correct step forward, but it has to be inclusive and balanced.
- Trade liberalization must be supplemented by trade facilitation including transit
 - Streamlining NTMs
 - Paperless trade
- Value added services of connectivity crucial for economic integration and RVC
 - Economic corridor
 - Transit agreement
 - Air and maritime transport liberalization
- An integrated action plan for achieving a larger common market by 2020 is required.

Thanaleng (Lao PDR) and Nonkhai (Thailand)



Thank you
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