ASEAN-India Partnership in Building Regional Connectivity in Asia

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RIS, New Delhi

Workshop on
‘Enhancing Connectivity through Multi-layered Regional Frameworks: The Roles of Dialogue Partners’,
19 July 2013, Bangkok
Connectivity is central to ASEAN-India strategic partnership

• East Asian integration is market driven, facilitated by fragmentation of production

• Two major windows:
  – FTA (software) – e.g. Single Window in Customs
  – Connectivity / services links (hardware) – e.g. Trilateral Highway

• Connectivity in India shows two structures:
  – National connectivity [DMIC, DFC, NMDP, a.o]
  – Regional connectivity [TH, KMTTP, MIEC, a.o]

• India’s regional connectivity with ASEAN two axis:
  – North East India [multimodal & intermodal type]
  – Southern India [multimodal]
ASEAN-India trade growing exponentially

• India’s trade with ASEAN
  – US$ 2.38 billion in 1990
  – US$ 76.44 billion in 2011

• ASEAN as India’s partner
  – 11.74% export share
  – 8.73% import share

• ASEAN-India FTA in goods from 1 January 2010, services + investment added in 2012

• India’s trade with CLMV countries yet to pick-up a pace, showing lot of potential

<table>
<thead>
<tr>
<th></th>
<th>2000 (CAGR)</th>
<th>2011 (CAGR)</th>
<th>CAGR* (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASEAN</td>
<td>7.13 (7.67)</td>
<td>76.44 (11.39)</td>
<td>23.83</td>
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<tr>
<td>ASEAN+3</td>
<td>18.02 (15.67)</td>
<td>184.90 (27.57)</td>
<td>24.73</td>
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<tr>
<td>World</td>
<td>92.96</td>
<td>670.76</td>
<td>20.50</td>
</tr>
</tbody>
</table>

Source: DOTS, IMF
Emerging production networks between ASEAN and India

Case: Southeast Asia
India’s Import of ACE from Thailand

Case: South Asia
India’s Export of Yarn to Bangladesh

Source: De and Saha (2013) based on Kimura (2011)
India’s trade in parts and accessories of capital goods (BEC code 42). Southeast Asia

<table>
<thead>
<tr>
<th>Year</th>
<th>Trade Flow</th>
<th>Partner</th>
<th>TEU*</th>
<th>( wv ) Ratio**</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>Export</td>
<td>Indonesia</td>
<td>265</td>
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<td>2011</td>
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<td>Indonesia</td>
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<tr>
<td>2000</td>
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<td>2011</td>
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<tr>
<td>2000</td>
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<td>Malaysia</td>
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<tr>
<td>2011</td>
<td>Import</td>
<td>Malaysia</td>
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<td>2.59</td>
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<tr>
<td>2000</td>
<td>Export</td>
<td>Myanmar</td>
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<td>18.11</td>
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<td>2011</td>
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<td>Thailand</td>
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<tr>
<td>2011</td>
<td>Import</td>
<td>Thailand</td>
<td>1341</td>
<td>5.49</td>
</tr>
</tbody>
</table>

- Volume deficit with Malaysia, Singapore, Thailand
- Volume surplus with Indonesia, Myanmar

Source: De (2013)
India’s trade in parts and accessories of capital goods (BEC code 42), +6 partners

<table>
<thead>
<tr>
<th>Year</th>
<th>Trade Flow</th>
<th>Partner</th>
<th>TEU*</th>
<th>( wv ) Ratio**</th>
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<tbody>
<tr>
<td>2000</td>
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<td>Australia</td>
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<td>China</td>
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<td>Import</td>
<td>China</td>
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<tr>
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<td>Japan</td>
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<td>Japan</td>
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<tr>
<td>2000</td>
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<td>28</td>
<td>2.94</td>
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</tbody>
</table>

- Volume deficit with China, Japan, Korea
- Volume surplus with ANZ

Source: De (2013)
### Thailand’s trade in parts and accessories of capital goods (BEC code 42) with South Asia

<table>
<thead>
<tr>
<th>Partner</th>
<th>Year</th>
<th>Export</th>
<th>Import</th>
<th>BOT</th>
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</thead>
<tbody>
<tr>
<td>South Asia*</td>
<td>2000</td>
<td>801</td>
<td>180</td>
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<tr>
<td></td>
<td>2011</td>
<td>3200</td>
<td>658</td>
<td>2543</td>
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<tr>
<td>India</td>
<td>2000</td>
<td>467</td>
<td>174</td>
<td>293</td>
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<tr>
<td></td>
<td>2011</td>
<td>2641</td>
<td>656</td>
<td>1985</td>
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</tbody>
</table>

In TEU

*Including Myanmar

Source: De (2013)
Volume of ocean freight between ASEAN and India – showing large deficit, congestion is becoming Asia-wide problem

Data in million TEUs

*Calculated based on UNCOMTRADE

Source: De (2013)
India’s mixed performance in logistics, but impressive improvement in time to trade

<table>
<thead>
<tr>
<th>Logistics Performance Index</th>
<th>India</th>
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<td>Customs</td>
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<td>Infrastructure</td>
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<td>International shipments</td>
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<tr>
<td>Logistics competence</td>
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<tr>
<td>Tracking &amp; tracing</td>
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<td>Timeliness</td>
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<td>3.61</td>
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<table>
<thead>
<tr>
<th>Trading across Borders</th>
<th>India</th>
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</thead>
<tbody>
<tr>
<td>2006</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Documents to export (number)</td>
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<td>9</td>
<td></td>
</tr>
<tr>
<td>Time to export (days)</td>
<td>27</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>Cost to export (US$ per container)</td>
<td>864</td>
<td>1,120</td>
<td></td>
</tr>
<tr>
<td>2013</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Documents to import (number)</td>
<td>11</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>Time to import (days)</td>
<td>41</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>Cost to import (US$ per container)</td>
<td>1,324</td>
<td>1,200</td>
<td></td>
</tr>
</tbody>
</table>

Source: World Bank
Key impediments to ASEAN-India Trade: *Stylized facts*

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

Export of Orange by Bhutan to Bangladesh

Labour Permit

- Exporter or Representative
  - Apply for Labor Permit
  - Approval of BEA
  - Valid Trade License
  - Names of Proposed Laborers
  - Collect Labor Permit

- Ministry of Labor & Human Resources (MoLHR)
  - Verify Documents
  - Reject
  - Accept
  - Approve Labor Permit

Work Permit

- Exporter or Representative
  - Collect Work Permit

- Immigration
  - Verify Documents
  - Reject
  - Accept
  - Issue Work Permit

3.50 days

Source: ADB/ESCAP (2013)
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?
India – ASEAN Connectivity Projects – Ongoing and Proposed
Important ASEAN-India Connectivity Projects

1. Integrated check posts (ICP)
   – Moreh / Tamu in 2015
2. Kaladan Multimodal Transit Transport Project
3. India – Myanmar – Thailand Trilateral Highway and further extension to Cambodia, Lao PDR and Vietnam
4. Rih – Tidim Road in Myanmar
5. Delhi – Hanoi Railway Link
   – DPR on Tamu – Kalay missing link - ongoing
6. Imphal – Mandalay Bus Service
7. Mekong – India Economic Corridor
8. Sitwee SEZ and Port and IWT
9. India – ASEAN ocean shipping network
10. India – ASEAN gas and oil pipeline
11. India – ASEAN open sky
12. ASEAN-India ICT link
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 form Kaletwa to Indo-Myanmar border (Mizoram)
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 2015/16
Trilateral Highway Alignment

Completed, India Govt.

Myanmar Govt. under PPP

Ongoing, India Govt.

Thailand Govt.
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.
# Update of Major Railway Projects in India’s Northeast

<table>
<thead>
<tr>
<th>State</th>
<th>Route (length)</th>
<th>Estd. cost (Rs. crore)</th>
<th>Date of completion</th>
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</thead>
<tbody>
<tr>
<td>Arunachal Pradesh</td>
<td>Harmuti (Assam) to Nahariagun (33 km)</td>
<td>161</td>
<td>March 2014</td>
</tr>
<tr>
<td>Meghalaya</td>
<td>Tetelia to Shillong (138 km)</td>
<td>4473</td>
<td>Not fixed. First 30 km by March 2014</td>
</tr>
<tr>
<td>Manipur</td>
<td>Jiribam to Imphal (125 km)</td>
<td>3123</td>
<td>March 2016</td>
</tr>
<tr>
<td>Mizoram</td>
<td>Bhairabi to Sairang (58 km)</td>
<td>619</td>
<td>March 2014</td>
</tr>
<tr>
<td>Nagaland</td>
<td>Dimapur to Kohima (123 km)</td>
<td>850</td>
<td>March 2015</td>
</tr>
<tr>
<td>Tripura</td>
<td>Agartala to sabroom (110 km)</td>
<td>813</td>
<td>March 2014</td>
</tr>
</tbody>
</table>

Source: De (2012)
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*
ASEAN-India Connectivity: New Proposals
SEZ and Border Township at Moreh, India and Sitwee, Myanmar

- India is setting-up 2000 acres of township at Moreh (India – Myanmar border)
- Similar projects at Sitwee (Myanmar), Champai (India)
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
India – Myanmar – Thailand Trilateral Highway (TH), Three New Mekong Bridges, & Extension of TH to Vietnam

• **Mekong bridge between Houysai (Lao PDR) and Xiengkhong (Thailand):** This is being constructed with funding assistance from China and Thailand. Construction is expected to be completed in 2013.

• **Mekong bridge between Paksan (Lao PDR) and Bueng Kan (Thailand):** Governments of the Lao PDR and Thailand have agreed to construct a bridge on the Mekong river between Paksan (Bolikhamxay Province) and Bueng Kan Province.

• **Mekong bridge between Xiengkok (Lao PDR) and KaingLap (Myanmar):** Governments of the Lao PDR and Myanmar have agreed to construct a Mekong bridge between Xiengkok and KaingLap. Funding of the bridge will be shared by the countries.
India – Myanmar – Lao PDR – Vietnam Economic Corridor

• The new route: Yangon-Meikhtila-Tarlay-Kenglap (Myanmar)- Xieng Kok-Loungnamtha-Oudomxay-Deptaechang (Lao PDR)- Tay Trang-Hanoi (VietNam).
MIEC - SKRL Interlink

- Singapore-Kunming Rail Link (SKRL) is one of the ambitious projects of ASEAN countries, covering 3,900 km in Southeast Asia.
  - Links Kunming in the Yunnan Province in China with Singapore, and passes through countries like Myanmar, Thailand, Cambodia, Vietnam, and Malaysia.
  - Missing links - Kunming (China) to Lashio (Myanmar), Nam Tok (Thailand)-Three Pagodas Pass (Thailand/Myanmar border) to Thanbyuzayat (Myanmar), and Ho Chi Minh City (Vietnam) to Phnom Penh (Cambodia)

- Link SKRL with a spur/alternative line to the Dawei Port.

- Facilitate bulk movement of goods and passengers by railway between India and Southeast and East Asia.
  - Chennai, the other end of MIEC, is well connected with the Indian railway system.
Future directions, major challenges and recommendations

• Air cargo growing faster than ocean cargo, ASEAN and India need more airport.
• Factory Asia syndrome moving to India, connectivity across Bay of Bengal important.
• More application of ICT – death of ‘distance’
• Environment friendly transport
• Funding of regional connectivity projects (uncertain global economic environment)
  – Institutional mechanism, financing instruments
• Stronger institutions for regional cooperation
• Supporting skill development
• Poverty reduction
• Land acquisition, environment, a.o
• Stronger coordination
India’s Role as Dialogue Partner

• Fully committed to ASEAN Centrality, support ACCC for connectivity projects and MPAC
  – India has wide experience in PPP in infrastructure development, which can be extended to ASEAN

• Development cooperation through investment in ASEAN and continue doing in bigger scale
  – Special focus on CLMV countries
  – Capacity building and education

• Continue to build unique projects - Trilateral Highway, Kaladan MTTP, ASEAN – India railway link, ASEAN – India open sky, ASEAN-India maritime cooperation, a.o.

• Active partner in RCEP, and extensive network in trade in services
  – Tourism (e.g. India second highest contributor in tourism sector in Thailand)
  – Health (e.g. India one of the largest contributors in health sector in Singapore)
  – Education (e.g. 1/3rd of foreign students in NUS are Indians)
  – ICT (e.g. India provides most of critical IT projects in ASEAN)

• People to people connectivity
  – Eminent person lecture series
  – ASEAN – India Networks of Think-Tanks (AINTT)
  – Media and film

• India recently opened ASEAN – India Centre (AIC) at RIS, New Delhi
Upcoming activities on ASEAN-India Connectivity before ASEAN-India Summit in October 2013

• Maritime sector
  – Draft of the feasibility study of a maritime cargo route between India and ASEAN, particularly with CMTV
  – Setting-up ASEAN-India maritime transport working group
• ASEAN-India Centre (AIC) will organise a Round Table on ASEAN-India Maritime Transport Cooperation.
• ASEAN – India Centre will conduct ASEAN-India Connectivity Phase II study.
Thank you
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