

Territorial NEWSLETTER ASEAN + 5

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The Association of Southeast Asian Nations + China, Japan, Korea, Australia and New Zealand

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Chairman's Pen



The 69th Republic Day, this year has been starkly different from previous ones. Prime Minister Narendra Modi brought together 10 ASEAN heads of the states with an aim to set up new benchmark for symbiotic growth. The PM's call for "a common vision for the future, built on commitment to inclusion and integration, belief in sovereign equality of all nations irrespective of size, and support for free and open pathways of commerce and engagement," is for India and ASEAN countries' robust future. But it also tries to strike a blow to China's imperial designs. As India is aware of its geographical location; it may not be able to compete against China alone. But once more partners come together, Chinese

hegemony could be challenged.

In this issue of newsletter we highlight India's importance and role in ASEAN's success. The Republic Day diplomacy has evolved new ideas and has succeeded in creating viable joint ventures together with the ASEAN countries. It has the potential to create a new Asian World Order.

We are hopeful that the information provided in the newsletter will be useful for our readers.

Message from Chairman, Committee on Trade with ASEAN countries



P K Shah

There is a great deal of talk in India of a new, rejuvenated relationship with the Association of Southeast Asian Nations (ASEAN) following the historic commemorative summit after which all the leaders of the Southeast Asian regional organization participated in the Republic Day celebrations. There is little doubt that India scored an imaginative coup by inviting all ten leaders of the organization as chief guests for the Republic Day celebrations.

The participation of the ASEAN leaders is indicative of their interest in greater Indian involvement in their region. The two sides hope to increase the trade volume to \$200 billion by 2022 and agreed to intensify efforts in 2018 toward the swift conclusion of a modern, comprehensive, high quality and regionally beneficial RCEP. The deeper economic engagement will help India sustain and increase its economic growth and thereby carry out development works and create new jobs.

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At a time when China is asserting its claim over all parts of the South China Sea and has intensified its aggressive posturing against India, both India and ASEAN have a very compelling security interest to foster engagement between them.

I hope this newsletter will be insightful for our readers and they will enjoy reading it.

Basic Facts

Regional Comprehensive Economic Partnership (RCEP) is a proposed free trade agreement (FTA) between ten member states of the Association of Southeast Asian Nations (ASEAN) (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Vietnam) and the six states with which ASEAN has existing free trade agreements (Australia, China, India, Japan, South Korea and New Zealand)

Prospective RCEP member states accounts for a population of 3.4 billion people with a total Gross Domestic Product (GDP, PPP) of \$ 49.5 trillion, approximately 39 percent of the world's GDP.

Scope of negotiations:

RCEP will cover trade in goods, trade in services, investment, economic and technical cooperation, intellectual property, competition, dispute settlement and other issues.

The RCEP will have broader and deeper engagement with significant improvement over the existing ASEAN+1 FTAs, while recognizing the individual and diverse circumstances of the participating countries.

India holds the key to ASEAN's success and prosperity

India's 'Look East' to 'Act East' policy started to generate significant interest in the member states of Association of Southeast Asian Nations (ASEAN). Prime Minister Modi is a master of making diplomatic and tactical moves to strengthen bonding with ASEAN. Under the leadership of PM Modi India's commitment towards South East Asia is well documented. Presence of ASEAN leaders on January 26, 2018, in the Republic Day celebrations in New Delhi symbolises existence of a warm, prospering, and cordial relationship between India and ASEAN community; which is much more than diplomatic strategy. In the recent 25th ASEAN-India Commemorative Summit in New Delhi, leaders from ASEAN sought India's deeper engagement with them. India fully understands the desire and need for greater engagement with the ASEAN members. Delhi 'Declaration of the ASEAN-India Commemorative Summit' highlights cooperation in important areas: political and security, economic, socio-cultural, connectivity, and narrowing the development gap.

India is absolutely committed to developing digital and physical infrastructure for greater India-ASEAN mobility. India offers US\$1 billion line of credit to promote physical infrastructure and digital connectivity. Further, to remove constraints of physical mobility and facilitate ease of travel 'India-Myanmar-Thailand Trilateral' highway project is expected to be operational by 2019. For seamless mobility and connectivity, the Trilateral Highway will be extended to Cambodia, Lao PDR and Vietnam. Further, to support the development of manufacturing in ASEAN, India is willing to set up a project development fund of \$77 million to assist creating manufacturing hubs in Cambodia, Lao PDR, Myanmar and Vietnam. To narrow development gap within and between the ASEAN member states, ASEAN members are continuously working on initiatives for ASEAN Integration Work Plan (2016-2020) and India's support is fully acknowledged. Areas which need penetrative action include: food and agriculture; trade facilitation; micro, small and medium enterprises;

education; and health and well-being. India is well placed to significantly contribute towards such integration approaches of ASEAN.

In the context of ASEAN-India relationship, cooperation for political interests and security remain critical to strengthening ASEAN-India relationship. A stronger economic relationship could harbour better mutual interdependence, shared responsibility, greater exchange of ideas, higher business collaboration, higher trade, more job creation, human resource mobility, and economic prosperity. Economic cooperation holds paramount importance to take ASEAN-India relationship forward. Combined GDP of ASEAN member states reached \$2.55 trillion in 2016 from \$624 billion in 2000; clocking a fourfold growth. During the reference period, Indian economy expanded to \$2.26 trillion in 2016 from \$462 billion in 2000, attaining 4.9 times rise. Economic growth numbers of ASEAN and India suggest that these economies are beneficiaries of policy reforms and restructures undertaken by them. With a combined population base of over 1.9 billion with rising disposable income and consumption ASEAN-India offers great market opportunities.

ASEAN-India trade opportunities are yet to be fully exploited. With a total trade value of \$75.6 billion in 2016-17, ASEAN remains as an important trade partner contributing 11 per cent of India's total trade. India's export to ASEAN registered 23 per cent growth in 2016-17 over the previous year. In 2016-17, ASEAN's trade balance with India stood at \$9.66 billion, which is a, encouraging sign for ASEAN. In 2016-17, India had a combined trade deficit of \$16.7 billion with Indonesia, Thailand, Malaysia, Lao PDR, and Brunei. On the contrary, India enjoyed a combined trade surplus of about \$7 billion with Philippines, Singapore, Vietnam, Myanmar, and Cambodia. With import value of \$16.35 billion Singapore and Vietnam contributed 52.8 per cent of India's total export to ASEAN.

ASEAN plays its part in shaping India's Foreign Direct Investment (FDI) inflows. During April 2000-September 2017, ASEAN contributed FDI amounting to \$61.96 billion, 17.33 per cent of India's total FDI inflows during the period. Further, Singapore with \$59.88 billion investment in India remains in the 2nd position way ahead of Japan's investment of \$26.6 billion. As per the UNCTAD Report-2017, during 2010-2016, India was the 11th largest non-ASEAN investor with an investment of \$14.4 billion in ASEAN. India primarily invested in the services sector dominated by finance and insurance.

Considering China's emergence in the region, India's continued presence in the ASEAN could bring much-needed balance in the region.

Trade Analysis & Statistics

Trade Analysis & Statistics

India's total engineering exports to ASEAN+5 country wise during April-February of 2017-18 stood at US\$ 14.8 billion. Some major highlights of the cumulative engineering exports from India to ASEAN+5 during April-February 2017-18 are given below:

- ❖ During April-February 2017-18, India's engineering exports to ASEAN+5 stood at US \$ 14770.34 million which is 21.6% of the total global engineering exports of India during the same period.
- ❖ India's cumulative engineering exports to ASEAN+5 during this period have also increased by 15.4%.
- ❖ China topped the list once again for Indian cumulative engineering exports. Major engineering products exported to the country include Copper and products, Iron and Steel, Zinc and products, Electrical machinery & equipments etc and IC Engines and parts. It recorded huge positive growth of

more than 76% in imports from India during April-February 2017-18 compared to April-February 2016-17 among the fifteen countries.

- ❖ For the first time Brunei recorded the highest growth of almost 114% in April-February 2017-18 compared to April-February 2016-17 among the fifteen countries.

Top 5 nations which had the highest demand for Indian engineering products during April-February of 2017-18 in absolute values include:

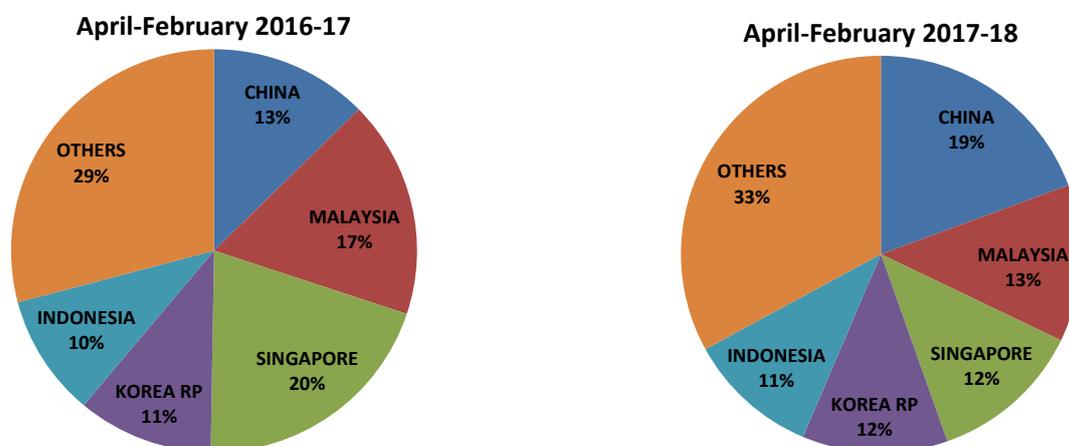
Values in US\$ million

COUNTRY	APRIL-FEBRUARY 2017	APRIL- FEBRUARY 2018	Growth (%)
CHINA	1618.17	2858.47	76.65
MALAYSIA	2233.55	1890.64	-15.35
SINGAPORE	2582.31	1838.84	-28.79
KOREA RP	1385.90	1738.64	25.45
INDONESIA	1252.23	1576.81	25.92

Source: DGCI&S, Government of India

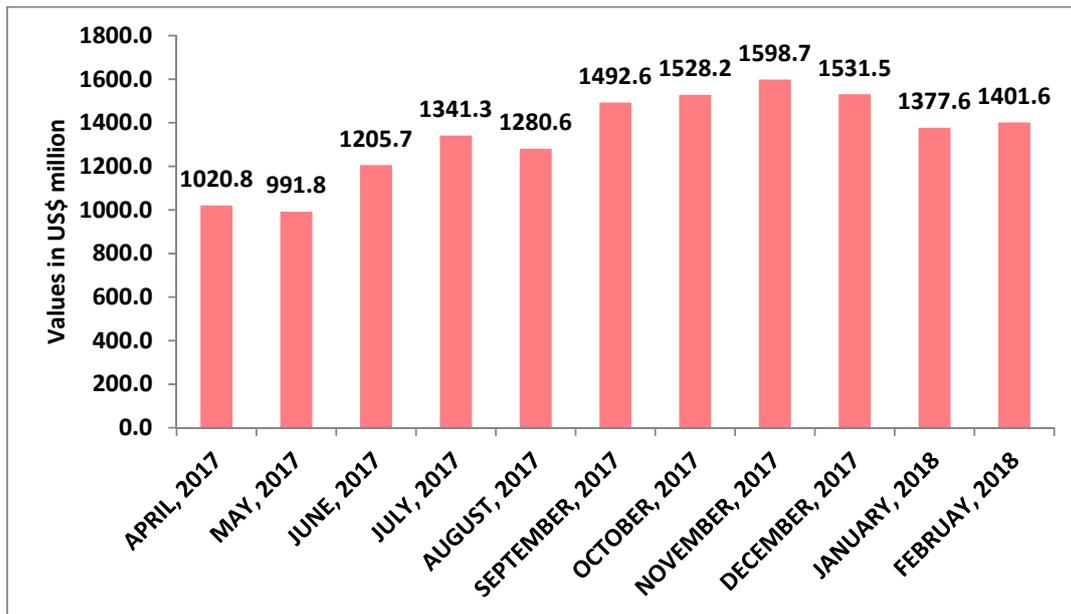
A comparison of top 5 nations which had the highest demand for Indian engineering products during April-February 2016-17 and its subsequent change in April-February 2017-18 is shown in the pie chart below:

Fig 1: Change in Engineering Export among the top 5 ASEAN+5 countries (April-February 2016-17 viz-a-viz April-February 2017-18)



Source: DGCI&S, Government of India

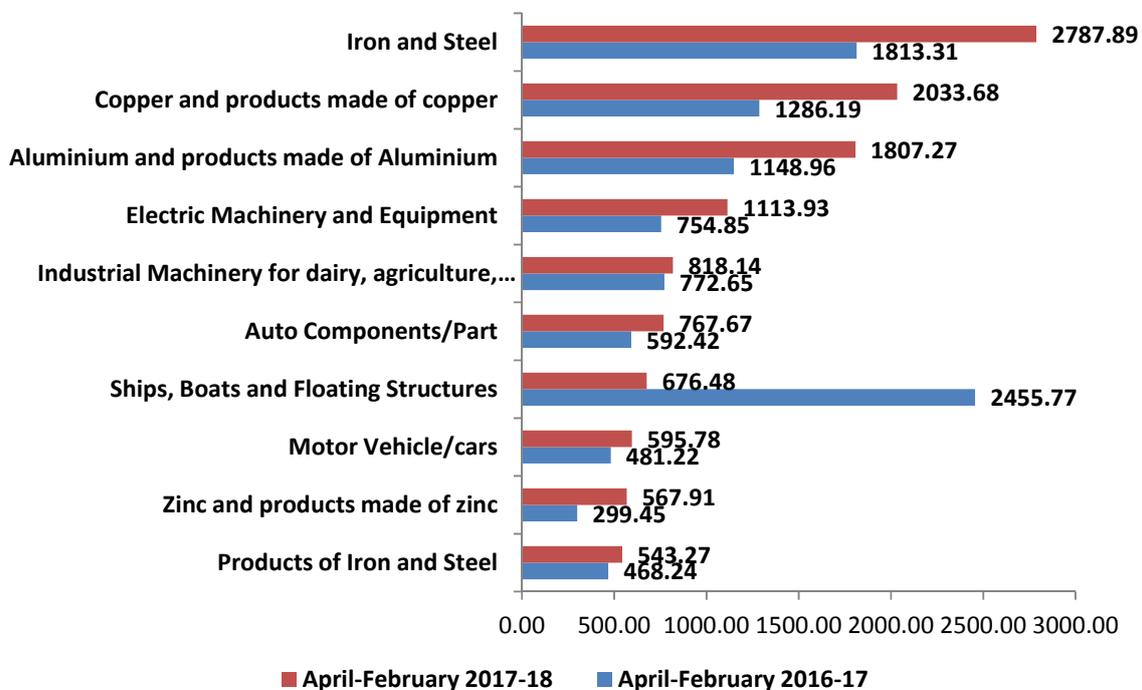
Fig 2: Trend in Total Engineering Export in ASEAN +5 during April-February 2017-18 (Month wise)



Source: DGCI&S, Government of India

Top 10 engineering panels exported to ASEAN+5 during April-February 2017-18 viz-a-viz April- February 2016-17 are provided in bar diagram.

Fig 2: Top 10 engineering panels exported to ASEAN+5 in April- February 2017-18 viz-a-viz April- February 2016-17



Source: DGCI&S, Government of India

❖ India needs to be extra cautious in RCEP trade deal: CEA Arvind Subramanian

India needs to be extra cautious and take into account geostrategic issues while moving ahead with the Regional Comprehensive Economic Partnership (RCEP) trade deal as it will also mean opening up the market to China, chief economic adviser Arvind Subramanian said.

“I am a little bit ambivalent about RCEP, as it will involve a lot of opening up to China. We have a natural complementarity vis-à-vis Europe. We export labour-intensive goods to Europe and they export capital-intensive goods to us. In case of the Asean and China, it’s not the same thing. So what’s the advantage for us (in RCEP)? I am not saying it’s bad or it’s wrong, but I am saying we need to think more carefully about that. There is also the geostrategic dimension we need to take into account. So that’s a more difficult and richer discussion that the government needs to have,” said Subramanian in a post-Economic Survey interview.

India has a \$50 billion (around Rs3.2 trillion) trade deficit with China. Tensions between the nations have been high in the past over Chinese military intrusions, most recently in the Doklam area of Bhutan, and the China-Pakistan Economic Corridor, which is proposed to pass through Pakistan-Occupied Kashmir.

Read more: <https://www.livemint.com/Politics/c8gAjezLNvELKplUxAqC3L/India-needs-to-be-extra-cautious-in-RCEP-trade-talks-Arvind.html>

❖ MoU signed between PHDCCI & FICCI (PHIL.) to promote trade with Philippines

PHD Chamber of Commerce and Industry (PHDCCI) and Federation of Indian Chambers of Commerce (Phil) Inc. on Friday signed a Memorandum of Understanding (MoU) as per which the two organizations have agreed to promote development of bilateral economic relations with specific focus on MSMEs among others by providing a platform for business meet, discussions and exploration of business opportunities in trade, investments, technology transfer, services and other sectors.

The MoU also provides for aggressively working with Governments of India and that of Philippines to also enhance people to people interaction which would develop into a mutually beneficial friendship between the two countries.

The MoU has been signed respectively by Presidents of PHD Chamber of Commerce and Industry and Federation of Indian Chambers of Commerce (Phil) Inc. (FICCI) Mr. Anil Khaitan and Mr. Rex Daryanani. The Principal Director of the PHD Chamber, Dr. Ranjeet Mehta was also present on the occasion among others.

Read more: http://www.business-standard.com/article/news-cm/mou-signed-between-phdcci-ficci-phil-to-promote-trade-with-philippines-118013100923_1.html

❖ India-Asean trade on the rise, business may touch \$200 billion by 2022

India-Asean trade relations have been growing steadily, with Asean being India’s fourth largest trading partner. Both sides have set a target of at least US\$200 billion in two-way trade by 2022 compared to US\$ 71 billion in 2016-17.

The trade relations between India and the Association of South-East Asian Nations (Asean) comprising of Indonesia, Singapore, Philippines, Malaysia, Brunei, Thailand, Cambodia, Lao, Myanmar and Vietnam have seen an upsurge since the last decade.

India and Asean are in the process of negotiating agreements on trade and services and to improve cooperation. Both sides are working towards decreasing the import duty on their products to increase trade. India signed a free trade agreement in goods in 2009 which was implemented in 2010 and FTA in services and investments in 2014 with Asean. And in 2015, India established a separate Mission to Asean and the EAS in Jakarta with a dedicated Ambassador to strengthen engagement with Asean and Asean centric processes.

Investment flows are also substantial both ways. In the years 2016-2017, India's share of total exports and imports was around 11.2 per cent and 10.56 per cent, respectively. India also has a Comprehensive Economic Cooperation Agreement with various countries of the Asean region which has resulted in rise in investments; around 10 per cent of the total FDI equity inflows to India come from the Asean region.

Read more: <https://www.thestatesman.com/business/india-asean-trade-on-the-rise-business-may-touch-200-billion-by-2022-1502576960.html>

❖ 'Big boys' causing delays in conclusion of RCEP

The Philippines is demanding its fellow negotiating-countries in the Regional Comprehensive Economic Partnership (RCEP) to seriously commit to a speedy conclusion of their trade deal, as the latest round of talks still failed to progress beyond trade in goods modalities.

The trade deal that was branded as the strong counterpart of the Trans-Pacific Partnership (TPP) is facing yet another year of tough negotiations, with the "big boys" mostly causing the delays.

"From what I know, the range that Asean [Association of Southeast Asian Nations] countries can commit under zero-tariff rate is between 88 percent and 92 percent. That is easy to understand because we are implementing that already in the Asean," Trade Undersecretary Ceferino S. Rodolfo Jr. said on Monday.

Read more: <https://businessmirror.com.ph/big-boys-causing-delays-in-conclusion-of-rcep/>

❖ Economist cites opportunities for PH trade with India

AS India intends to build deeper ties in Southeast Asia, the Philippines should step ahead and enlarge its economic ties with this country for further progress, said a top official of HSBC Philippines.

HSBC Philippines president and chief executive officer Wick Veloso noted there's plenty of opportunities for both countries to become powerful allies under the integrated Asean region.

"There lies a manifold of opportunity for India to build itself as a powerful ally to Asean. Over here, the current Philippine administration has placed great importance in its relationship with India," said Veloso in a statement.

The economist said there's every reason to improve trade relations between India and the Philippines, considering India's commerce in Asean and the Philippines being the third-largest economy in Asean. At present, Asean is India's fourth-largest trading partner, accounting for 10 percent of India's total trade, while India is Asean's seventh-largest trading partner.

Both sides have set a target of at least \$200 billion in two-way trade by 2022 compared to \$65 billion in 2015 to 2016.

Read more: <http://www.sunstar.com.ph/article/416900/>

❖ **Assam woos ASEAN cities 'closer than Mumbai', investors commit Rs 1 lakh crore**

Last week, as Prime Minister Narendra Modi unveiled a two-day global investment summit, titled "Advantage Assam: India's Expressway to ASEAN" and organised by the state government, Chief Minister Sarbananda Sonowal made a presentation that used geographical distances to project Guwahati as the actual epicentre of growth in Southeast Asia, in the process inviting investors to look at his state as a favourite destination.

Sonowal presented a map that showed all major ASEAN cities are closer to Assam's capital city than many major Indian cities. Within the Guwahati-Mumbai radius lie the capital cities of as many as eight neighbouring countries — of Vietnam, Cambodia, Laos, Thailand, Myanmar, Nepal, Bhutan and Bangladesh.

Read more: <http://indianexpress.com/article/north-east-india/assam/assam-woos-asean-cities-closer-than-mumbai-investors-commit-rs-1-lakh-crore/>

❖ **India to boost trade with CMLV: EXIM Bank**

India is looking to strengthen trade and investment with CMLV states (Cambodia, Myanmar, Laos and Vietnam) as part of the Central government's Act East Policy, according to a top official from the EXIM Bank of India. The Union government wants to cultivate extensive economic and strategic relations in Southeast Asian Nations (ASEAN) countries by way of stimulating investments into the CMLV region from the private sector, EXIM Bank chief general-manager S. Prahalathan Iyer said during the India-ASEAN partnership international conference held here on Saturday.

Read more: <https://www.deccanchronicle.com/nation/current-affairs/110218/india-to-boost-trade-with-cmlv-exim-bank.html>

❖ **Assam looking to increase trade ties with ASEAN countries: Guv**

Assam Governor Prof Jagdish Mukhi today said the state government is pushing for development of infrastructure facilities and increasing trade ties with Association of Southeast Asian Nations (ASEAN) countries.

"The Central as well as the state government are pushing for development of infrastructure facilities, giving top priority to road, air, river and digital connectivity," Mukhi told reporters here.

Read more: <https://www.moneycontrol.com/news/india/assam-looking-to-increase-trade-ties-with-asean-countries-guv-2511509.html>

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