

Territorial NEWSLETTER

ASEAN + 5

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ENGINEERING THE FUTURE

Vaniya Bhavan (1st Floor)
1/1 Wood Street,
Kolkata - 700016
www.eepcindia.org

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

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Chairman's Pen



In this issue of newsletter we focus on the aspects of Act East policy and its prospects in North East region of India. India's Look East Policy has now matured into a dynamic and action oriented 'Act East Policy'. Infrastructure and connectivity between India and ASEAN countries remains a major area of concern. India currently is working with ASEAN on multiple connectivity projects, through land, water, and air. Completion of these projects will definitely help removing physical impediments to trade with ASEAN countries and further integrate the two regions for better economic engagement. The enhanced connectivity will also change the geopolitical landscape of this region and will help India's northeastern states to develop their economic potential and integrate with mainland India.

Northeast has the uniqueness of being the only region having overland links with the ASEAN nations. Considering its proximity to the ASEAN region, some observers of the Indian foreign policy have been advocating opening the region to Southeast Asia to foster development. The present thrust by the central government to integrate development in the Northeast by enhancing its relationship with the ASEAN is a potent initiative.

But we hope that RCEP will give Indian exporters a window to be a part of global value chains.

Ravi Sehgal

Message from Chairman, Committee on Trade with ASEAN countries



In this issue of newsletter we highlight the importance of North East India in connection to India-ASEAN relationship. India has stopped looking at the North East as merely a 'Gateway' to the ASEAN. Instead it has started treating the region as the 'Hub' or 'Pivot' of India's Act East. Infact Northeast has to become an active participant, and not merely a transit or passage, in the Act East policy.

Several key projects funded by Govt of India have been prioritised to give necessary impetus to the Act East policy. Kaladan multi modal project is one such project and is at its last leg of completion. Scheduled for completion by 2019-2020, the project will connect Kolkata port to the North East region via Myanmar's Sittwe port.

To curb the increasing impact of China in the ASEAN region, India needs to promote further cooperation in trade and investment with the 10 member ASEAN nations, which is possible by relying on the **3 C's (Culture, Connectivity and Commerce)** with ASEAN nations.

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

T.S. Bhasin

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's Act East Policy: Study of Its Prospects in Northeast Region of India and Multiangular Implications in Relations with China

The main reason of the development and implementation of “Act East” Policy is to enhance the economic and social conditions in Northeast Region of India, as well as to enhance the trading relations of India with Southeast Asian countries. The primary aim of the policy is to revive the political ties, receive regional security cooperation and developing trading relations for integration with Southeast Asia. Therefore, the significance of the Northeast region had increased due to its cultural and historic ties as well as geographical proximity with Southeast Asia.

The main objectives of the Act East Policy are to promote and develop economic cooperation with the East Asian countries, to develop strong cultural ties and to develop strategic relationship with the countries situated in the Asia-Pacific region. Another objective and the priority outline in the Act East policy is to enhance and diversify the economy in the North East part of India (Set as the priority of the Act East policy in order to enhance the social and economic development of North East Asia). Therefore, Act East policy has been developed as an interface between the Northeast India and ASEAN countries. Therefore, this Indian foreign policy had also included some of the significant projects, such as “Kaladan Multi-modal Transit Transport Project, the India Myanmar-Thailand Trilateral Highway Project, Rhi-Tiddim Road Project, Border Haats, etc”.

Through this policy, India has been actively engaged with ASEAN, as well as with the ASEAN Regional Forum (ARF) and East Asia Summit (EAS). India is also significantly engaged with regional forums, such as Asia Cooperation Dialogue (ACD), BIMSTEC, Indian Ocean Rim Association (IORA) and Mekong Ganga Cooperation (MGC). The policy is considered as multi-faceted and multi-pronged, as it has allowed India to develop strategic relations with many countries and also allowed to forge political and develop economic bonds. The connection and association of India with the South East Asia is very ancient, due to the influence of religion, culture, language and civilization. The researchers have identified many historical evidences that suggest flourishing cultural and economic ties between India and countries situated in Southeast Asia.

However, the Act East policy of India is not free from some major challenges and concerns. The first challenge is the significant cost of investment and development. Most of the South East Asian countries are dependent on the external funds for making the major proportion of their budget, which makes it difficult for them to invest in various projects lead through Act East policy. Another significant challenge is the geo-strategic interest of India and China in the Southeast Asia which could result in creating conflict, as well as the aggressive, economic, financial policies of China, and its aggressive technological innovations could become some of the significant challenges. However, the projects included under the Act East policy has significantly improved the economic activity in the Northeast India and has also opened the economic corridor for the region.

The Northeast region of India mainly comprises of the eight states (provinces) and these states are “Arunachal Pradesh, Assam, Manipur, Mizoram, Meghalaya, Nagaland, Sikkim and Tripura.”. Northeast region of India has been of significant strategic importance for the country. The major reasons of this strategic importance are that Northeast is considered as culturally rich, as well as gifted with significant amount of natural and mineral resources. This region also has the close cultural ties with various Southeast Asian countries, as the various communities in the Northeast India had migrated from Tibet, Southwest China and several other countries. The waves of migration of the people in Northeast region (now considered as indigenous people) continued till early 20th century. Therefore, the strategic significance of the region increased because of the natural bridge

that the region provides between India and Southeast Asia. Therefore, the geographical proximity with the Southeast Asia opened the ways for economic integration with neighbouring countries.

Government of India considered the northeast region of India as the gateway to Asia. Under the Act East policy many of the new projects were announced in the Northeast region, such upgrading the digital and power connectivity in the region and new railway lines.

Government of India has also allocated the initial budget of US\$ 10 billion for the northeast region. This budget has been allocated mainly for improving and developing the infrastructure and connectivity. This can be understood with an example of linking the region with Southeast Asia by developing the roads from Imphal to Mandalay in Myanmar. Another aspect of the development that has been initiated in the northeast region under the support of the Act East policy was highlighted in the Association of Southeast Asian Nations (ASEAN)-India Summit on November 12, 2014. This development was, enhancing the regional connectivity for the purpose of economic prosperity through Kaladan-Multi Modal Transit Transport Facility. This transport facility has been aimed towards establishing the connectivity between the Indian ports on the Eastern side and the Sittwe port situated in Myanmar. This was aimed to be developed through riverine transport corridor as well as the development of the roads in Mizoram has been envisioned towards providing the alternate trade route to the northeast region.

Realising the significance of the northeast region of India, some of the other projects have also been developed are “Moreh –Tamu–Kalewa Road, India-Myanmar-Thailand Trilateral Highway, Myanmar-India Bangladesh gas and/or oil pipeline, Tamanthi Hydroelectricity project and optical fibre network between Northeast India and Southeast Asia”. The states like Mizoram, Nagaland and Arunachal Pradesh provide a significant landscape for the development, as well as the common culture and ethnicity factors, the enhancement of the railway and roads are highly significant for enhancing the economic trade activities.

India and China both have a strategic interest in the Asia Pacific region due to various reasons. India developed the Act East policy for increasing its engagement in the Asia Pacific region and China has been closely watching the India’s presence in the region. In the recent years, China has displayed a significant economic growth and its expensive economy has mainly drawn the countries from Southeast Asia into its own economic orbit. The growing power of China in the Southeast Asia has been a significant reason of concern for India. One of the most significant reason or the motive behind the Act East policy is to become the regional power in order to resist the increasing and emerging strategic influence of China in Southeast Asia.

Trade Analysis & Statistics

Trade Analysis & Statistics

India’s total engineering exports to ASEAN+5 country wise during April-February of 2018-19 stood at US\$ 13.98 billion. Some major highlights of the cumulative engineering exports from India to ASEAN+5 during April- February 2018-19 are given below:

- ❖ During April-February 2018-19, India’s engineering exports to ASEAN+5 stood at US \$ 13977.62 million which is 19.5 % of the total global engineering exports of India during the same period.
- ❖ The share of India’s cumulative engineering exports to ASEAN+5 during April-February 2018-19 has increased marginally in comparison to April-January 2018-19.

- ❖ Singapore retains its top position once again for cumulative engineering exports during April-February 2018-19 and also ranked as top destination of Indian engineering exports for monthly exports in February 2019. Major items of export to Singapore during April-February 2018-19 were Ships, Boats and Floating Structures, Electric Machinery and Equipment, Aircrafts, Spacecraft's and Parts products, Aluminium and products made of Aluminium and etc.
- ❖ Cambodia, like the previous two months recorded the highest growth of 283.93 % in April-February 2018-19 compared to April-February 2017-18 among the fifteen countries.
- ❖ Lao ranked second in growth, recording a growth of 108.4 % in April-February 2018-19 compared to April-February 2017-18 among the fifteen countries.

Top 5 nations which had the highest demand for Indian engineering products during April-February of 2018-19 in absolute values include:

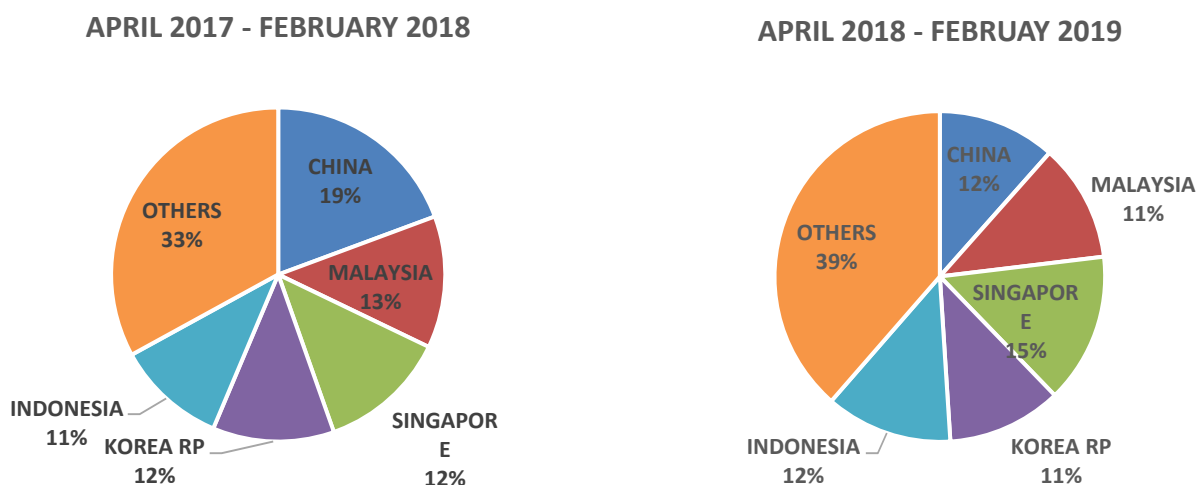
Values in US\$ million

COUNTRY	April-February 2017-18	April-February 2018-19	Growth (%)
SINGAPORE	1840.13	2051.81	11.50
INDONESIA	1576.79	1735.34	10.06
CHINA	2859.56	1614.20	-43.55
MALAYSIA	1888.87	1611.92	-14.66
KOREA RP	1738.11	1569.58	-9.70

Source: DGCI&S, Government of India

A comparison of top 5 nations which had the highest demand for Indian engineering products in April-February 2017-18 and its subsequent change in April-February 2018-19 is shown in the pie chart below:

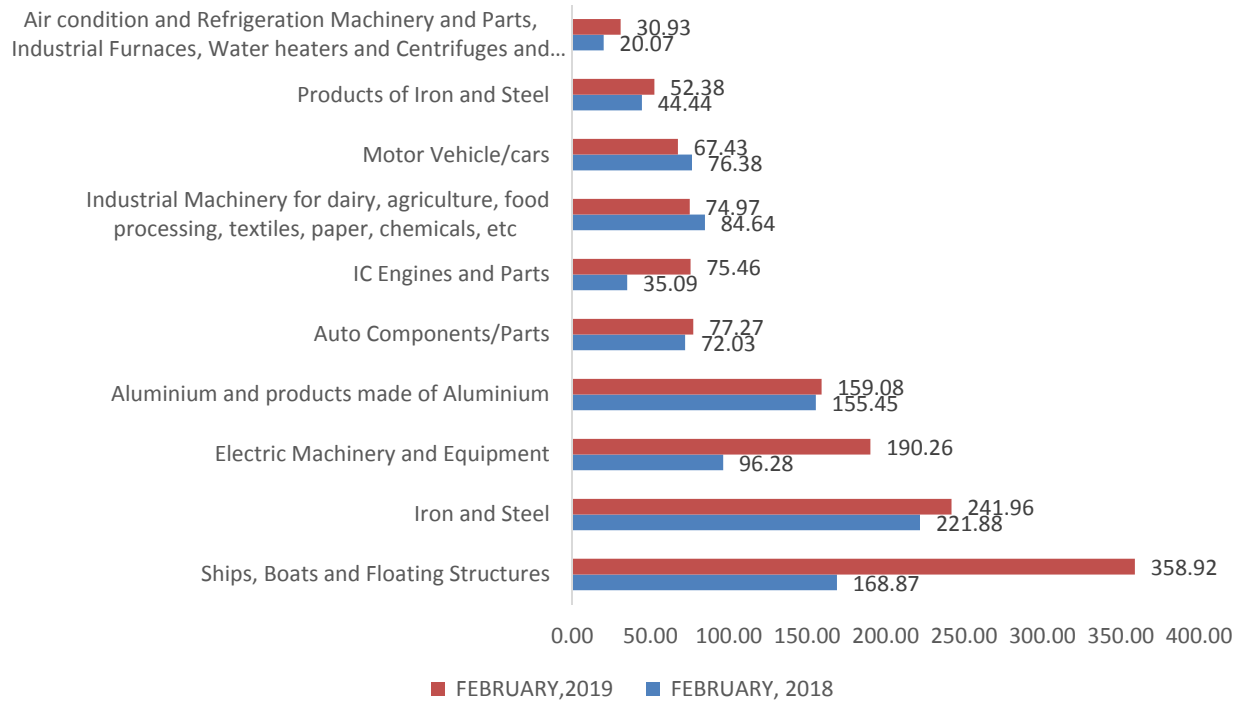
Fig 3: Change in Engineering Export among the top 5 ASEAN+5 countries (April-February 2018 viz-a-viz April-February 2019)



Source: DGCI&S, Government of India

Top 10 engineering panels exported to ASEAN+5 during February 2019 viz-a-viz February 2018 are provided in bar diagram.

Fig 4: Top 10 engineering panels exported to ASEAN+5 in February 2019 viz-a-viz February 2018



Source: DGCI&S, Government of India

News in Focus

❖ Marii hopes India will be a key exporter of auto components

The Malaysia Automotive, Robotics & IoT Institute (MARii) Robotics & IoT Institute (MARii) is expecting to make India a key hub from where auto components and services can be exported to ASEAN countries and the rest of the world, Dato Madani Sahari, CEO of MARii, said.

In an exclusive interaction with ToI, Sahari—who is in India to meet with ministers and officials of the Ministry of Commerce and Industry—said that MARii, an agency under the Ministry of International Trade & Industry, would offering partnerships to the Indian MSME sector in the auto components industry.

Read more: <https://timesofindia.indiatimes.com/business/india-business/marii-hopes-india-will-be-a-key-exporter-of-auto-components/articleshow/67972072.cms>

❖ Government calls for increased investment by ASEAN companies in India

India and the Association of Southeast Asian Nations (ASEAN) have huge opportunities for cooperation, especially in the MSME sector, and ASEAN companies can increase their investments in India in areas like medical devices, fishing and ship-building, the government said on Friday.

In his address at the fourth India-ASEAN Expo and Summit here, Minister of State for Commerce C.R. Chaudhary said that in order to boost India-ASEAN economic cooperation, companies from India and the ASEAN can form joint ventures to start manufacturing in India.

Read more: https://www.business-standard.com/article/news-ians/government-calls-for-increased-investment-by-asean-companies-in-india-119022200751_1.html

❖ We Should All Work Concertedly Towards Early Conclusion of Talks: Suresh Prabhu to RCEP Members

India on Thursday called upon all the members of RCEP, a proposed mega trade deal, to work concertedly towards early conclusion of the agreement to boost economic ties.

The Regional Comprehensive Economic Partnership (RCEP) is a mega trade agreement being negotiated by 10 ASEAN members (Brunei, Cambodia, Indonesia, Malaysia, Myanmar, Singapore, Thailand, the Philippines, Laos and Vietnam) and their six free trade pact partners - India, China, Japan, South Korea, Australia and New Zealand.

Commerce and Industry Minister Suresh Prabhu said a successful conclusion of RCEP will help deal with the challenges of global trade in terms of increasing trade tensions and protectionism.

"India is constructively engaged in RCEP negotiations and the country believes that ASEAN will remain central to the economic integration of the Indo-Pacific region through RCEP," he said.

Read more: <https://www.news18.com/news/business/we-should-all-work-concertedly-towards-early-conclusion-of-talks-suresh-prabhu-to-rcep-members-2044549.html>

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Contact: Priyanka Chakraborty

Email: pchakraborty@eepcindia.net

Phone no: 033-40120363