

Statement

by

Ambassador Rajiv K. Bhatia

Director General, ICWA

at

'Kolkata Dialogue'

at

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I am delighted to participate in this year's 'Kolkata Dialogue' on the "Look East" Economic Summit which is focused on **'India-ASEAN Relationship: New Frontiers in Trade, Investment and Business Cooperation.'**

It is a privilege to address you all at this inaugural session of the conference that has become a **premier platform for serious interaction among business leaders, officials and representatives of strategic/academic community and media.** It is a commendable initiative for which I congratulate the host institution, the Indian Chamber of Commerce, its Director General Rajeev Singh and his team.

Focus on ASEAN

ASEAN region is the area of exclusive attention for this conference. The ASEAN-India partnership has been aptly hailed as 'a natural one, founded on congruent ideas and a common vision of the region and the world, underpinned by strong civilizational linkages through the millennia.' **Our purpose** would be to delve deeply into the economic facets of the dynamic relationship linking India with the grouping's ten-member states. However, in undertaking this task, we will need to keep in view the developments in East Asia, of which ASEAN is a major segment. In addition, political, strategic and other aspects of India-ASEAN relations too should be considered, given the impact they have on the economic relationship.

The region east of India has been given various names, but perhaps 'East Asia' seems to be the most acceptable label. Our over 20-year old policy, known as **'Look East Policy', has now been undergoing a reorientation and rejuvenation.** The change of its name to 'Act East Policy' does not seem cosmetic. It implies greater attention on other major players, apart from ASEAN; increased emphasis on strategic and security cooperation; and a determined bid to ensure action and implementation of previous commitments and agreements. The noteworthy point here is that, despite the broadening of the policy, ASEAN – and particularly our economic cooperation with it – would remain a vital component of India's Eastern policy. **The concept of 'centrality of ASEAN' in East Asian affairs,** to which

India continues to subscribe, means that **the success of 'Act East Policy' will be judged by the progress we achieve in India's economic and other exchanges with ASEAN.**

The Central Issue

The elaborate structure of bilateral and regional agreements as well as mechanisms for dialogue at various levels is in place. It has proved quite beneficial, but it has not been able to yield optimal benefit to the parties concerned. India-ASEAN trade has risen from \$18 billion in 2004 to \$76 billion in March 2014 and two-way flows of investments stood at \$43 billion in 2012. These figures are not all that impressive when compared to data relating to ASEAN's other major economic partners. Our target of \$100 billion for India-ASEAN trade by 2015 appears to be slipping, raising doubts about achievability of the next target of \$200 billion by 2022.

In light of the above, the overarching question before this assembly is: **what is missing; what more should be done; and how should it be done?**

Six Suggestions

We shall no doubt hear many answers today. I sincerely hope that we would be able to develop a broad consensus based on them.

Let me, at this initial stage of our dialogue, put forward **six pointers or thought-provoking suggestions** for your consideration.

Firstly, continuing delay in the operationalization of the India-ASEAN Free Trade Agreement (FTA) on Services and Investments is a major constraint. ASEAN owes it to itself and to India to rectify this situation at the earliest.

Secondly, Prime Minister Narendra Modi, while speaking at the ASEAN Summit in Myanmar, suggested to ASEAN governments to 'conduct a review of our free trade agreement on goods to improve it further and make it beneficial to all.' We need to come up with some concrete ideas on this matter.

Thirdly, ASEAN community-building mission will reach a historic landmark in December 2015 with the launch of ASEAN Political Community (APC), ASEAN Economic Community (AEC) and ASEAN Socio-Cultural Community (ASCC). The ASEAN Economic Community will have four pillars, namely realizing a single market and production base, improvement in competition policy, securing equitable economic development, and full integration with the global economy. As an ADB expert (Jayant Menon) has argued recently, 'The challenges that remain suggest that the AEC will not meet its approaching deadline.' We need to examine the implications of the direction in which AEC is heading and help India Inc. to devise ways and means to benefit from the pace of its progress.

Fourthly, divergent trade negotiations and discussions have been underway in the East Asian region under the auspices of RCEP (which includes India), and TPP and FTAAP (which exclude India). Concerning RCEP specifically, it should be noted that India needs an agreement which is both 'balanced' and 'truly comprehensive.' As suggested by Prime Minister Modi, it should also have an ambitious agenda with similar timelines for goods and services. It is an important task for our experts to sensitize government officials and business leaders how these trade negotiations might affect this nation's all-round endeavours to step up manufacturing activity as well as expand economic linkages with ASEAN

Fifthly, the need for increasing India's relations with CLMV countries, especially Myanmar and Vietnam, cannot be over emphasised. To note that, despite the competitive advantage our companies enjoy, our trade with this sub- region stands at \$10 billion only is to acknowledge that neither our business nor our authorities have put their best foot forward in this sphere. There is a pressing need to set ambitious targets and craft a practical strategy to achieve them.

Finally, integrating eastern India, which stretches from the north to the south and which especially encompasses the North Eastern Region (NER) and West Bengal, into the Act East Policy remains a significant challenge. This integration has been marked so far by abundant talk and studies, and only limited action. The present situation should be

remedied through (a) strengthening the industrial and services sectors of the region, and (b) enhancing infrastructural and digital connectivity within the region, and between it and our eastern neighbours, particularly Bangladesh and Myanmar. Physical transnational connectivity is widely considered as an essential requirement for regional integration and cooperation. Progress and obstacles in this domain need a serious examination.

Conclusion

In the end, let me reiterate that, looking at the notable wealth of knowledge expertise and experience represented in this hall, I am very optimistic that **a concrete and purposeful outcome will emerge** from our deliberations. **We will no doubt contribute amply, while keeping this nation's larger interests in mind.**

Thank you very much for your attention.
