

*India's Approach to Regional Trade
Arrangements in East Asia:
Trends and Prospects*



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Reforms in India in the 1990s

- Trade Policy
 - Reduction of peak tariff rates from 365 % to 30%; average rates from 87 % in 1990/1 to 20 % by 1998/9
 - Phased out all QRs on imports by April 2001
- Industrial Policy
 - Dismantling Industrial Approvals System
 - Opening New Industries and Services to Private Sector and FDI
 - More Liberal and Transparent FDI Policy
 - Dis-investment of Public Sector Companies
 - Liberalization of Outward Investments by Companies
- Full convertibility on current account in August 1994
- Wide-ranging financial sector and capital market reforms

Highlights of Economic Performance

- Sustained an average growth rate of 6.0 % over the past two decades
- GDP of nearly US\$ 500 billion, 200 million strong middle class
- Relative stability of macroeconomic performance
- Over US\$ 75 billion international reserves
- Food self-sufficiency
- Diversified Industrial Base
- Pool of talented manpower combined with a network of centres of scientific excellence
 - Emerging hub for knowledge based industries: IT software industry, chemical process engineering and manufacturing, an emerging global R&D platform.

Sustained Interest in Regional Economic Cooperation

- India has been a founding member of the Bangkok Agreement and Asian Clearing Union
- SAARC PTA in 1995 with the eventual aim of SAFTA
- Bilateral FTAs with Nepal, Bhutan, Sri Lanka
- Growing Partnership with ASEAN
- Bilateral Framework Agreements with Singapore and Thailand
- Sub-regional Cooperation with ASEAN countries BIMSTEC, Mecong Ganga Cooperation, a.o.
- Member of IOR-ARC

Growing Partnership with East Asia

- 1991: adoption of Look East Policy to strengthen relationship with Eastern neighbours
- 1992: Sectoral Dialogue Partnership with ASEAN: trade & investment; S&T, tourism
- 1995: Full Dialogue Partner
- 1996: membership of ASEAN Regional Forum
- 2002: Partnership upgraded to 10+1 Summit level
 - Framework Agreement on Trade and Economic Cooperation with a 10 years implementation schedule
 - ASEAN-India Vision 2020 prepared by think-tanks for the Third 10+1 Summit

Bilateral and Sub-regional Interactions

- **Comprehensive Economic Cooperation Agreement with Singapore:** Joint Study Group
- **Bilateral Free Trade Agreement with Thailand:** Joint Negotiating Group
- **Sub-regional Interactions with East Asian countries:**
 - Bangkok Agreement: China, Lao PDR, South Korea, SL, Bangladesh
 - BIMSTEC
 - Kunming Initiative: B,C, I, M
 - Mekong Ganga Cooperation:
 - Asian Cooperation Dialogue
 - Indian Ocean Rim Association for Regional Cooperation

Growing Economic Integration with East Asia

- Importance of East Asia in India's Trade has grown over the 1990s => complementarities
 - Nearly 30 % of India's imports and 20% of India's exports
- Bilateral Trade with ASEAN has grown by 30 % over 1999/2001 to \$10 bn
- Bilateral Trade with China has grown by 32% p.a. over 1990s; growth rate in 2002: 98%. To US\$ 5 billion
- East Asian countries have also emerged as important sources of FDI in India: Korea, Singapore, Malaysia, Thailand, besides Japan.
- Several Indian companies have invested in ASEAN countries: Thailand, Singapore, Indonesia, Malaysia

Complementarities between Economic Structures

East Asia's Strengths

Electronic equipment
Heavy engineering
product development
and marketing
underutilized capacity in
construction

India's Strengths

Computer Software
light engineering and
pharmaceuticals
process development
huge potential demand

Asian Economic Community: A Framework for Future Economic Integration in Asia

- RIS studies on Asian Economic Community find a compelling case
- A phased approach to cooperation covering major economies of the region to take a lead viz. Japan, ASEAN, China, India, Korea (JACIK)
- JACIK will have
 - a combined GDP higher than EU's,
 - share of world exports greater than NAFTA's and
 - international reserves greater than EU's +NAFTA's put together.
- Would allow the vast resources of the region to be exploited for the mutual benefit and would help the region resume its high growth path.

Concluding Remarks

- 1990s has been a decade of reforms and strengthening economic performance
- India's strengths in knowledge-based industries get world-wide attention
- 1990s also a turning point in economic relations: growing economic integration with East Asia
- Potential is tremendous: more initiatives are needed: FTAs/RTAs; trade facilitation and promotion;
- The case for more ambitious pan-Asian approaches towards economic integration