

In the current geopolitical landscape, India and ASEAN have the opportunity to position themselves as front-runners in terms of relocation of value and production chains

UNLEASHING THE INDO-ASEAN GROWTH POTENTIAL

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In October, PM Narendra Modi addressed the 18th India-ASEAN Summit where he emphasised the shared cultural values between the ASEAN nations and India and reaffirmed New Delhi's focus on a free, open and inclusive Indo-Pacific with a pivotal role played by the group. The PM also participated in the 16th East Asia Summit, during which he stressed the importance of a resilient global value chain and reiterated India's commitment to providing Quad-sponsored vaccines to Indo-Pacific nations.

With the strengthening of the Indo-Pacific as a strategic construct, and countries and regions such as the US and EU planning to build their presence in the region, India's relations with ASEAN gain heft. Recognising that the two sides can together be vital players in the objectives of the region, the governments of both sides have prioritised cooperation across multiple dimensions. The opportunities were discussed by governments and industry of both sides during the India-ASEAN Business Summit 2021 organised by the Ministry of External Affairs and CII in October.

Over the years, Indian industry has enjoyed a strong and close partnership with ASEAN nations. An export target of \$46 billion has been set for meeting the global export target of

\$400 billion in the financial year 2021-22.

There are many major areas of high potential. The first is resilient supply chains. As mentioned by the PM during the East Asia Summit and by the external affairs minister earlier during the India-ASEAN Business Summit, resilient and reliable supply chain development is an area of engagement to be built up. With global value chains in a state of flux, the linkage of investment and trade is key and the two sides should encourage greater investments in both directions.

Second, India is the world's third largest producer of pharmaceuticals and the largest provider of generic drugs. The two regions could greatly benefit from expanding collaboration in key areas such as framing of healthcare policies, medical tourism, digital health and pharmaceutical manufacturing.

Third, digital connectivity and transformation with increasing internet usage and adoption of online services in ASEAN present significant opportunities for Indian start-ups and technology companies, especially in areas such as payments, e-commerce and cybersecurity.

Transportation and logistics is the fourth priority area. It is vital to speed up the projects undertaken to enhance road, air

and maritime connectivity between India and ASEAN and plan now for adding new projects. With around 90% of trade leveraging the sea, investments in seaports for continuous development of maritime infrastructure is an imperative.

Five, developing a regional approach to energy security is likely to help manage supply and demand, a crucial requirement of high-growth economies. India has begun collaboration with a few ASEAN countries such as Vietnam and Myanmar in areas such as renewable energy and development of refineries, which is expected to grow further.

One of the measures that the governments of both sides have taken up is the review of ASEAN India Trade in Goods Agreement (AITIGA) and we hope that it will be speedily concluded. The review will be aimed at issues such as removal of non-

tariff measures, especially in the auto and agriculture sectors. Addressing rules of origin will be key to balancing trade as there is a significant volume of goods coming in from countries outside the ASEAN region. Such goods do not add value to the ASEAN economies and therefore strengthening the rules of origin will be beneficial for both sides.

The ASEAN-India Free Trade Area (AIFTA) must be mutually beneficial for the region, strengthen trade and investment, should ensure greater market access and enhance the facilitation of trade for regional businesses. And for this, both India and ASEAN should make earnest efforts to expedite finalisation of the scoping papers to determine the areas to be covered by the AITIGA review. The focus is on making the agreement more trade-facilitative as well as user-friendly with contemporary and streamlined customs and regulatory procedures.

The services sectors in particular will be important as India has gained success in IT, healthcare, education and finance. To leverage this to the fullest, the trade in services agreement can be a strong tool. Movement of people, mutual recognition of certification, skill development and social security agreements can help

facilitate greater services trade. Stronger digital connectivity will be a key aspect as many services can be delivered remotely. Greater policy and regulatory cooperation will go a long way in developing a system that is based on robust data sharing and cross-sectoral coordination in the bloc.

Also, the PM at the ASEAN and East Asia Summits highlighted the strong alignment between the ASEAN policy and regulatory cooperation will go a long way in developing a system that is based on robust data sharing and cross-sectoral coordination in the bloc.

Given the current geopolitical landscape, India and ASEAN have the opportunity to position themselves as front-runners in terms of relocation of value and production chains. Building resilient, reliable and vibrant supply chains through deeper trade and investment relations holds the key for unleashing the India-ASEAN economic growth potential.

We are heading into the year of India-ASEAN friendship, 2022, and are confident that the partnerships in these areas would drive our relations in the future.

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