

**ASEAN-INDIA CONNECTIVITY:  
Maritime Connectivity and Perspective**

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## *Abstract*

Improving international and interregional maritime connectivity between Southeast Asia and India forms a key step in responding to advancing trends of globalization. Deepening economic integration by increasing maritime connectivity will not only increase prosperity by multiplying business opportunities, but also has the potential to narrow development gaps between the countries and regions involved. The geographical proximity of India to Southeast Asia across the Bay of Bengal makes expanding the capacity for maritime linkages through this passageway a priority. Various physical and policy initiatives are already underway in both India and Southeast Asia, which seek to upgrade facilities to achieve a greater level of interconnectedness.

## INTRODUCTION

Advancing trends in globalization are making national leaders and policy-makers realise the importance of interconnectivity and the coordination of physical and institutional infrastructure between nations and regions to advance economic development.

Greater connectivity between India and ASEAN presents potential gains for both areas, as evidenced by the acceleration of political-institutional and physical-infrastructure developments over recent years.

The geographical proximity of India to Southeast Asia across the Bay of Bengal makes expanding the capacity for maritime linkages through this passageway a priority.

Deepening economic integration by increasing maritime connectivity will not only increase prosperity by multiplying business opportunities, but also has the potential to narrow development gaps between the countries and regions involved.

### 1. Historical Context of India-ASEAN Maritime Connectivity

Archaeological excavations have revealed that the history of interconnectivity between India and Southeast Asia can be traced to prehistoric times, with the discovery of beads and spearheads in Thailand, Vietnam and Java evidencing contact between the regions dating from the first millennium BC<sup>1</sup>.

In Roman times, Southeast Asia played an important role in facilitating trade between China and India through the Indian Ocean trading system. An ancient sea route linked the mouth of the Red River (close to modern day Hanoi) to India via the Malacca Straits<sup>2</sup>. Later on, between the 7<sup>th</sup> and 10<sup>th</sup> centuries, this sea route became superseded by the maritime silk route, leading to a proliferation of intermediary bazaars along the shores of the Indian Ocean and Southeast Asian archipelago.

Technological limitations meant that ships could not sail directly between the two countries, meaning the ancient maritime kingdoms of Southeast Asia could provide lucrative stopping points. For example, goods were often transhipped through Funan in modern day southern Vietnam, en route from China to India. And in the 6<sup>th</sup> Century, Palembang in Sumatra grew into a major port, operating as a stopping point for the Spice Route between India and China.

Driven principally by the lure of trade, European colonization of India and Southeast Asia from the 16<sup>th</sup> Century onwards, further intensified the material and cultural exchange within the region. The rapid expansion of export economies, and increased labour demand brought about large scale immigration from India to Southeast Asian countries such as modern day Malaysia, where the Malaysian Indians now constitute the third largest ethnic group.

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<sup>1</sup> Mishra, Patit Paban, 106

<sup>2</sup> Emrys Chew, "Southeast Asia and the Indian Ocean: Maritime Connections across Time and Space", 15

Following World War II, changes in the global political environment began to draw the emerging post-colonial Southeast Asia away from its western orientation and into the orbit of a new Asia-Pacific order<sup>3</sup>. The preoccupation of the US and other capitalist states with containing communism paved the way for an Asia-Pacific regional system<sup>4</sup>; Southeast Asian nation states, such as Singapore were drawn towards the Pacific, marginalizing the Indian Ocean as a former hub of trade and connectivity.

Since that time, with the ascent of India and China, an enlarged 'Indo-Pacific' maritime sphere is starting to come into being, propelled by increasing political and business connections between India and Southeast Asia.

In 1991, India's adoption of the 'Look East' policy marked its strategic shift in focus towards deepening economic ties with Southeast Asia in particular. And then in January 2010 the ASEAN-India Free Trade Area (AIFTA) came into effect, with, India, Singapore, Malaysia, Thailand, Vietnam, Brunei, Indonesia, Philippines and Myanmar having implemented the agreement, as of August 2011.

As a result of shifts in the global balances of demography, economic strength and securitization of the nations of the global community in the past decade, the incorporation of India into an enlarged Asia-Pacific economic hub is gaining ground.

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<sup>3</sup> Ibid, 17

<sup>4</sup> Ibid

## ASEAN-INDIA MARITIME CONNECTIVITY

### 1. Connectivity *within* ASEAN and India

Deepening maritime connectivity between ASEAN countries and India requires enhancing infrastructure *within* these two regions, as well as improving and developing routes *between* them.

#### **Connectivity within ASEAN**

Enhancing connectivity within ASEAN is the purpose of the *Master Plan on ASEAN Connectivity (MPAC)*, created following the 2009 ASEAN Summit in Thailand. The paper proposes advancing ASEAN connectivity to promote social and economic development in order to achieve targets outlined in the Millennium Development Goals (MDG) and build an ASEAN 'Community' by 2015. The MPAC document specifically targets the need to address "inadequate maritime and port infrastructure"<sup>5</sup>, through enhancing both institutional and physical arrangements, since "maritime transport is the most important mode of transportation in terms of traffic volume in international trade"<sup>6</sup>.

Nevertheless, excluding Malaysia and Singapore, many ASEAN countries have a poor ranking, relative to Hong Kong and China, in the UNCTAD Liner Shipping Connectivity Index<sup>7</sup>. Moreover, existing gateway ports in ASEAN countries are already working to nearly full capacity, making expansion necessary to meet the anticipated increase in trade.

#### The Roadmap Towards an Integrated and Competitive Maritime Transport in ASEAN (RICMT) and the ASEAN Single Shipping Market (ASSM)

In a bid to address these issues, the MPAC document stresses various initiatives to promote better maritime connectivity. The Roadmap is a "time bound action plan to achieve a more open, efficient and competitive ASEAN maritime transport system."<sup>8</sup> Its initiatives covers the movement of freight and passengers, with actions and measures set out for port and shipping services, many of which are already underway. The Roadmap also calls for the implementation of an ASEAN Single Shipping Market (ASSM) to make the regional shipping market more competitive and efficient, although this is only in its incipient stages.

#### The Philippines Nautical Highway Ro-Ro System

Furthermore, ASEAN is has been looking to emulate the success of the Philippines Nautical Highway network's roll-on/roll-off (Ro-Ro) system, to improve connectivity with archipelagic ASEAN. The system was inaugurated in 2003, from which it has developed rapidly, delivering a promising initial impact and

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<sup>5</sup> ASEAN, *Master Plan on ASEAN Connectivity*, January 2011, 14

<sup>6</sup> Ibid

<sup>7</sup> Ibid

<sup>8</sup> Ibid, 19

showing that “relatively simple policy reforms in the area of sea transport can have large positive impacts on the lives of millions of poor who live in isolation”<sup>9</sup>.

The Ro-Ro system replaced the load-on/load-off (Lo-Lo) system in which goods were shipped in containers, and then loaded on and off by cranes. With Ro-Ro, the cargo does not require cranes, since the goods are items such as cars and trucks which can be ‘rolled’ off independently<sup>10</sup>. This significantly reduces the time, financial cost and labour hours required to handle cargo at the docks. Such a system could enhance connectivity between mainland and archipelagic ASEAN.

### **Connectivity within India**

India has a coastline of 7,500 km, including 13 major ports and around 200 non-major ports<sup>11</sup>, making sea trade and maritime connectivity important aspects of the country’s economy. Over the last decade, structural changes within the port sector have facilitated an increase in provisions for the development of physical and institutional port infrastructure.

#### The National Maritime Agenda 2010-2020

The National Maritime Agenda, unveiled in January 2011, provides a 10 year plan for the development of the maritime sector, including both physical and institutional developments. For the former, the Maritime Agenda foresees significant capacity development through the construction of deeper berths and new jetties, with total investment estimated at Rs. 2,774 billion over the next 10 years<sup>12</sup>. The funding for this will come mainly from the private sector, through Public-Private Partnership (PPP) projects.

Some policy initiatives to be implemented under the National Maritime Agenda include turning major ports into landlord ports by 2020, so that port services could be provided by private sector participants, and port infrastructure by the landlords<sup>13</sup>; corporatizing major ports; reviewing key policies and guidelines; putting in place a regulator to oversee the activities of the non-major ports; creating a special Maritime Finance Corporation, with the task of appraising and funding port projects; and installing a monitoring and feedback system to monitor the progress of the ports at ground level<sup>14</sup>.

#### New and proposed regulations

Various new and proposed regulations have been suggested to make the port sector more competitive. The Draft Port Regulatory Authority Bill 2011, seeks to make respective State port regulatory authorities responsible for the tasks of setting tariffs and monitoring performance of non-major ports, meaning non-major ports would no longer be able to set their own tariffs. The purpose of this would be to

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<sup>9</sup> Enrico L. Basilio et al., “Bridges Across Oceans: Initial Impact Assessment of the Philippines Nautical Highway System and Lessons for Southeast Asia”, vi

<sup>10</sup> Ibid, 4

<sup>11</sup> Anjan Ghosh et al., ., “Indian Port Sector: Growth Plans ambitious but Uncertainty hangs over Implementation”, 2

<sup>12</sup> Ibid, 6

<sup>13</sup> Ibid, 7

<sup>14</sup> Ibid

provide a level playing field between the non-major and major ports, since currently only the latter must function under strict regulations<sup>15</sup>. The Policy for Prevention of Monopoly at Major Ports 2010 also seeks to promote a more competitive environment by preventing existing operators from bidding for similar development projects at the same port<sup>16</sup>. Finally, the Draft Captive Policy 2011 would permit major port users to set up their own berths<sup>17</sup>.

### Public-Private Partnerships

In the last decade, the need for large investments to scale up port capacity has led the state monopoly of the port sector to give way to greater private sector involvement<sup>18</sup>. In the 1990s, Private-Public Partnerships (PPP) were encouraged via a variety of incentives with the purpose of augmenting port capacity to meet increasing demand. Between then and March 2011, a total of 29 PPPs have been completed, entailing a total investment of more than Rs. 92 billion<sup>19</sup>. These include the construction of the Nhava Sheva Container Terminal at JNPT and a second container terminal at Chennai Port<sup>20</sup>. In addition to these, further 20 projects are already underway, and roughly 24 projects are in the bidding stage<sup>21</sup>. Although the progress of the PPP projects is not optimum, this is due to institutional obstructions which were targeted by a committee, commissioned to review and recommend revisions to the contractual framework governing PPPs, in 2010<sup>22</sup>.

## **2. Connectivity between ASEAN and India**

The geographical location of India, with its long eastern coastline, endows it with great potential for enhancing physical and institutional connectivity with ASEAN countries via sea routes (see figure 1).

The long coast of Myanmar provides closest and most direct point of maritime connection between India and Southeast Asia, across the Bay of Bengal. Consequently, developing infrastructure along the coast of Myanmar presents a major opportunity for connecting India to the rest of Southeast Asia through Myanmar. Acting as a crucial intermediary between these two hubs will also enable Myanmar's port-cities to develop and prosper, narrowing regional development gaps.

### **Dawei Development Projects**

One of the most important developments to be proposed to enhance ASEAN-India connectivity is the planned special economic zone and deep sea port in Dawei (Myanmar). Due to the strategic location of the city, on the Southeast coast of Myanmar, a deep sea port would have the potential to open up new shipping routes to India, the Middle East and Europe, as well as reduce congestion in the Malacca Straits.

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<sup>15</sup> Ibid

<sup>16</sup> Ibid

<sup>17</sup> Ibid

<sup>18</sup> Ibid, 2

<sup>19</sup> Ibid, 4

<sup>20</sup> Ibid

<sup>21</sup> Ibid

<sup>22</sup> Ibid, 5



In December 2008 a Memorandum of Understanding (MOU) was signed between the Italian Thai Development Public Company Limited (ITD) and the Myanmar Port Authority (MPA), granting ITD the right to develop the Dawei Project, including construction of a highway, deep sea port, industrial estate and trans-border corridor link, covering an area of 250 square kilometres<sup>23</sup>. The project is estimated to cost US\$80 billion and take 75 years. ITD has already revealed that Myanmar's Asia World Company and the Thai PTT Exploration and Production (PTTEP) are intending to invest in the project<sup>24</sup>

The deep sea port will be equipped with a ship building facility to provide maintenance and building for large vessels. It is expected to handle 200 million tonnes per year, including: 5 million tonnes of agricultural produce, 25 million tonnes of coal, 45-50 million tonnes of general cargo, 35 million tonnes of chemical and petrochemicals and 36 million tonnes of crude oil<sup>25</sup>.

The development of Dawei will signify a major step in completing the Mekong-India Economic Corridor (MIEC), by linking Bangkok and Chennai, via the Andaman Sea. This will lead to a rapid proliferation of business opportunities between India and ASEAN. The completion of the MIEC is expected to have the largest impact on Cambodia, then Myanmar, Thailand and Lao PDR, but the transit route will be critical for Thailand<sup>26</sup>. Overall, it is anticipated that the MIEC will impact more greatly on lower income countries such as Myanmar and Cambodia, making it an important tool for narrowing regional development gaps.

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<sup>23</sup> E Fukunari Kimura, Toshihiro Kudo, So Umezaki, "Chapter 1: ASEAN-India Connectivity", 24

<sup>24</sup> Ibid, 26

<sup>25</sup> Ibid

<sup>26</sup> Ibid, 28

## CONCLUDING REMARKS

*“In order to explore the full potential of economic corridors in the region, it is important to enhance the connectivity among the economic corridors by upgrading maritime connectivity...The enhancement of maritime connectivity is expected to have larger impacts on economic growth and narrowing of development gaps”<sup>27</sup>*

Greater maritime connectivity between India and ASEAN countries will have multiple benefits for both regions. Lowering physical and institutional national barriers to trade will not only accelerate economic development but narrow development gaps in ASEAN and East Asia by deepening economic integration.

Upgrading existing facilities within Southeast Asia and India, and creating new physical and institutional nodes for connectivity will enable connectivity to progress more quickly between these two regions.

Of central importance to deepening both institutional and physical connectivity is Myanmar, due to its strategic geographical location as the bridge between India and Southeast Asia, and development projects there such as the Dawei Port are therefore the linchpin of facilitating maritime connectivity between the regions. That said, Myanmar seemingly presents a ... of investment opportunities, which can be easily exploited to generate better connectivity between India and Southeast Asia, standing as it does on a historic brink of rapid economic development. Yet, with these opportunities there also comes a great responsibility to carry out these important developments sustainably and ethically, so that the rewards are evenly and fairly distributed, with an eye on the long-term future of the region. health

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<sup>27</sup> “Executive Summary”, *ASEAN-India Connectivity: The Comprehensive Asia Development Plan, Phase II*, xxi

ANNEX

Figure 1



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