

India: An Integral Part of New Asia



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Organization

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Introduction

- Greater economic coordination and cooperation among major Asian countries essential to manage globalization challenges and to enhance Asia's role
- India's unilateral liberalization and deregulation, and shift in economic paradigm towards integration with the world economy, and forging alliances have contributed to a favorable environment for the emergence of New Asia



Partnering India

- India's look east policy has gained substance, and prospects for further deepening of economic and strategic linkages with East Asia are encouraging



India's Economic Partnerships

| Partners/Grouping | Status of Agreement, 2004 |
|--------------------------|----------------------------------|
| ASEAN | Framework Agreement signed |
| China | Proposed |
| Korea | Proposed |
| Singapore | Under negotiation |
| Sri Lanka | Agreement in force |
| Thailand | Agreement in force |
| BIMSTEC | Framework Agreement signed |
| SACU | Proposed |
| COMESA | Proposed |
| MERCOSUR | Framework Agreement signed |
| Mauritius | Under negotiation |
| GCC | Proposed |
| Chile | Proposed |
| SAARC/SAFTA | Agreement in force |



Partnering India -2

- Provides large market for exports from partner countries
- Total Goods and Services Trade to reach USD 500 billion by the end of the decade; and GDP to exceed USD 1000 billion
- East Asia's share in India's world imports is already a quarter and rising



Partnering India-3

- Provides a market-determined and secure avenue for channeling East Asia's excess savings into investments - both direct and portfolio
- India's bond advantage could be an asset in developing the Asian bond markets



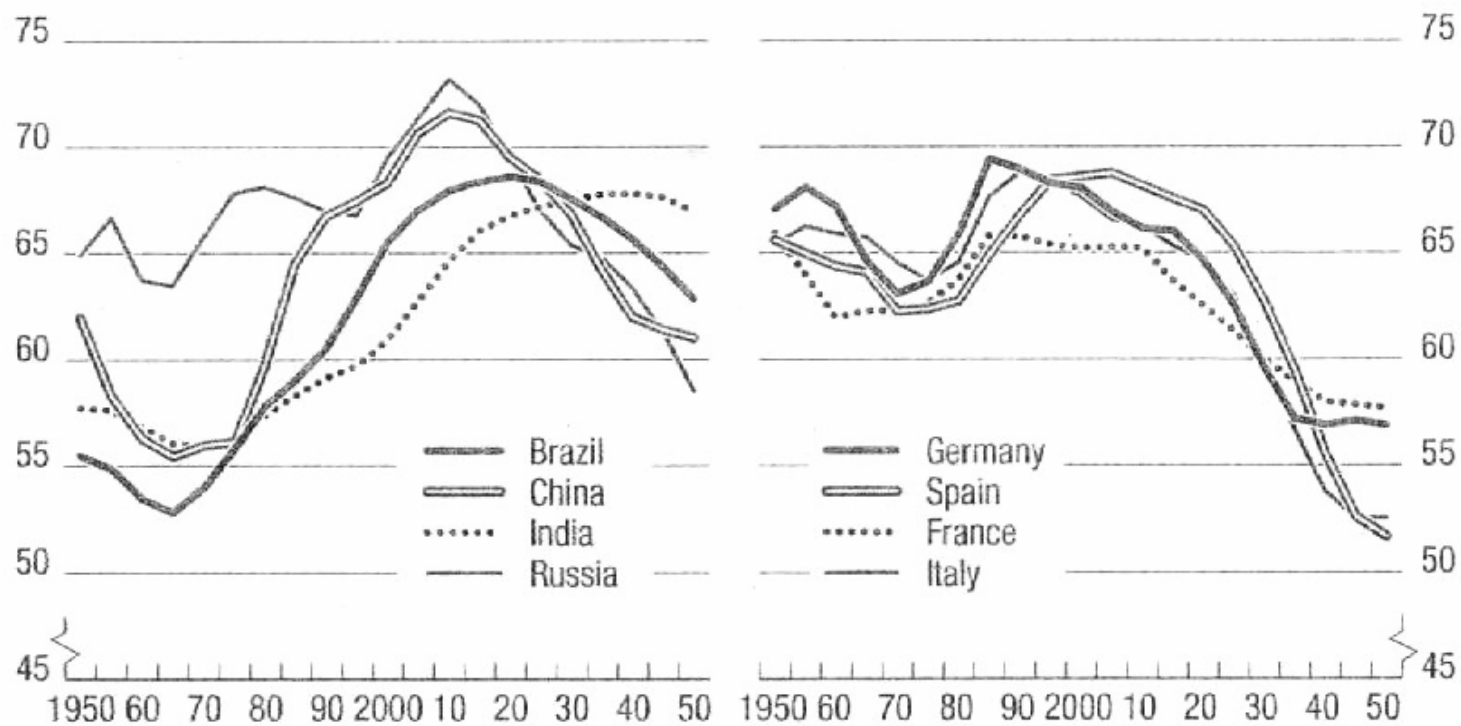
Partnering India-4

- Strong complementarities in demographic cycles- East Asia moving from demographic gift phase to the burden phase, India the reverse

Partnering India-5

Working age population share

In selected developing and developed countries (% of total population)



Sources: IMF; UN



Partnering India-6


- India's growth strategy based on strong and increasingly globally competitive and networked domestic companies could provide a balance for highly trade and FDI dependent East Asian economies
- The stock of FDI by Indian companies abroad is currently at around USD 6 billion and rising rapidly
- As in the case of India not attempting to passively accumulate higher and higher forex reserves (currently these are USD 122 billion), India while actively welcoming and wooing FDI, is also encouraging its companies to invest abroad



Partnering India-7

- India's internationally competitive and culturally compatible professional and semi-skilled human resources are already making important contributions globally as well as in East Asia
- Setting up knowledge based activities in India could be a vital competitive tool and enable East Asian companies to take advantage of India's human resources

Partnering India-8

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- **Strong case for a strategic partnership between India and Japan**
 - **Economic- Trade, Investments and knowledge intensive activities**
 - **Japan Bank for International Co-operation 2004 survey: India the third most favored investment destination for Japanese investors**
 - **To move up further in the ranking, India will need to make significant progress on physical infrastructure and amenities**
 - **Demographic compatibility**
 - **Energy Security**
 - **Leveraging on each other's strengths and aspirations**



Concluding Remarks

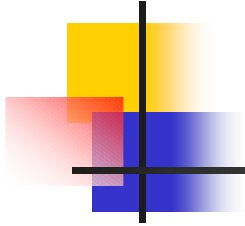
- Time to put behind cold war division of Asia and institutions
- Essential that all major Asian economies are represented in the post-cold war New Asia



Concluding Remarks

- As India's PM Dr. Manmohan Singh has remarked bringing together all major Asian countries in Asian Economic community would constitute :

“Arc of Advantage, across which there would be large scale movement of people, capital, ideas and creativity”



THANK YOU !