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Economic and Political Cooperation between India and East Asia: The Emerging Perspective *

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Abstract. After initiating the economic liberalization policies in 1991, India adopted a 'Look East Policy' (LEP) with the dual objective of securing economic growth and maintaining maritime security. Cooperation with East Asia received further boost, when the 'Act East Policy' (AEP) came into effect during the maiden visit of Prime Minister Mr. Narendra Modi at the ASEAN-India Summit in 2014, which emphasizes on practicing more action-oriented policy towards ASEAN and the wider East Asia. As a result of the policy shift and through the other initiatives like Make-in-India, India's trade and investment linkages with East Asia is on the rise. In 2015, the Prime Minister visited five East Asian countries at various occasions. There have been other high level diplomatic visits to the East, followed by the appropriate diplomatic channels. Therefore, AEP has brought a great sense of speed and priority in engaging with the East and Southeast Asian countries. On maritime front, China's nine-dash line doctrine generated strategic concerns both in East and Southeast Asia and India has emerged as a strategic player in the region through joint naval exercises and capacity buildings with partner countries. Given the recent reservations expressed by Beijing against the ruling by the international tribunal in The Hague, India's maritime security initiatives in East Asia is likely stay relevant in coming days. The current paper examines the future for India-East Asia relations in days to come, especially in the current geo-political set-up.
Keywords. Trade Policy, Intra-Industry Trade, Maritime Security, India.
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1. Introduction

After initiating the economic liberalization programme in 1991, India adopted a 'Look East Policy' (LEP) with an economic objective in mind. The 'East' in the Indian policy frame covered economies located in Southeast and East Asia and the Asia-Pacific. While on one hand, Australia, Japan, Singapore and South Korea were considered as potential source of technology and foreign direct investment (FDI), several high growth economies from the region (e.g., ASEAN members, China, Japan) were considered as potential export markets. India's growing engagement with ASEAN, resulting into the free trade agreement (FTA) in 2010, the comprehensive economic partnership agreements (CEPA) with Japan and South Korea and the comprehensive economic cooperation agreements (CECA) with Singapore and Malaysia, are the cases in point. In

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addition, given the geopolitical developments, India in the recent period has emerged as a counterbalance for maintaining maritime security in the Southeast and East Asia.

Under the current Prime Minister, Shri Narendra Modi, India's diplomatic relations with the East Asian countries is undergoing through significant evolutions in terms of depth and breadth, despite the continuity in the primary objectives. For instance, one of the prime objectives of the National Common Minimum Programme (2004) announced earlier has been to deepen trade and investment ties with China and other East Asian partners. The Prime Minister launched the 'Act East Policy' (AEP) at the East Asia Summit in Myanmar in November 2014. With the change in nomenclature from LEP to AEP, the focus of the foreign policy has significantly expanded its geographical coverage beyond Southeast Asia and the existing East Asian partners (i.e., Japan and South Korea) to include countries like Australia, Pacific Island nations and Mongolia.

India presently shares cordial relations with South Korea, while Japan is already a major strategic partner. However, with its' immediate East Asian neighbor, China, it is maintaining the delicate balancing act, because the 'dragon' is the principal strategic rival in the broader Indo-Pacific strategic milieu. Therefore, diversity of engagement within the region is ostensible. In addition, the apparent conflicting interests among these East Asian countries in terms of broader strategic and maritime security present a major challenge for India. But at the same time, the region offers lucrative trade and investment opportunities for a rising developing country like India. As a result, East Asia draws major foreign policy attention for New Delhi wherein the policymakers need to effectively walk the delicate tight rope.

It is observed that Southeast Asia is increasingly holding a special place in India's economic and geostrategic considerations (Chakraborty, & Chakraborty, 2014). However, a major concern is whether India's cooperation with ASEAN can be deepened further, especially in the light of China's growing integration with these economies in the aftermath of the Sino-ASEAN FTA (Chakraborty, & Kumar, 2012). Conversely, given China's increasingly complex relation with the Asia-Pacific, there is a need to understand India's opportunities in these quarters. The current paper examines the opportunities that the National Democratic Alliance (NDA) government narratives, which came to office in 2014, are expected to add in India-East Asia relations, given the current geo-political set-up. First, the political cooperation potentials are analyzed for key East Asian countries, namely, China, Japan and the Koreas from an Indian perspective. This is followed by a narrative on extent of economic partnership with the 'East'. On the basis of the deliberations, it attempts to seek answers to India's drive towards greater linkages with this Asian sub-region, both in economic and strategic platforms.

2. Political Cooperation with East Asia: Engagement beyond ASEAN

India has subsequently strengthened the ties with the 'East' by becoming Sectoral Dialogue Partner of Association of Southeast Asian Nations (ASEAN) in 1992, covering trade, tourism, investment and science and technology. It has started to cooperate in other areas, namely joint naval exercises (e.g., Singapore), gathering support for its Nuclear Suppliers Group (NSG) bid (e.g. Australia), developing strategic partnership and energy cooperation (e.g., Mongolia) with other countries in recent years. The cooperation and the concerns with select East Asian countries are noted in the following.

2.1. Republic of Korea (South Korea) and Democratic People's Republic of Korea (North Korea)

India shares diplomatic relations with both South and North Korea. New Delhi has been unequivocal in its support for 'reunification of Korea'. However, India's diplomatic relations with two the Koreas swerve significantly.

With North Korea, political cooperation is limited in nature given India's strong resentment against its nuclear proliferation record. For example, when North Korea conducted a nuclear test in 2009, India promptly voiced its concerns. Indeed it's fifth and largest yet test in September 2016, brought strong reaction from New Delhi. The Indian government abides by the UN sanctions imposed on this reclusive Communist country. Given the delicate nature of its relations with Pakistan, India has been one of the staunchest critics on 'nuclear technology exchange between North Korea and Pakistan', in the aftermath of exposure on established illegal nuclear trading carried by AQ Khan Network. Moreover, North Korea's close proximity to Pakistan and China and its explicit support towards Pakistan on the Kashmir conflict does not help to build goodwill either. Nevertheless, India's policy towards North Korea, reflects pragmatism or rather an investment for the future. Considering North Korea as one of the trusted and tested ally of China, India is careful enough to cooperate on humanitarian ground, thereby resisting North Korea's absolute dependence on Beijing.

Both New Delhi and Pyongyang have maintained embassies and their political and economic cooperation is no less trivial. India is one of North Korea's major trade partners as well as a major food aid provider. Increasing number of North Koreans are receiving scientific and computer training in India, creating a mechanism for civilian interactions. As Ministry of External Affairs Annual Report (2015-16) states, India continued to allocate ITEC slots to DPRK nationals to assist its capacity building efforts, offering 15 slots for the year 2015-16. Their cooperation is visible in the United Nations and other international fora. For instance, DPRK has supported India's candidature at United Nations Human Rights Council (UNHRC) for 2015-2017; Intergovernmental Committee for the Safeguarding of Intangible Cultural Heritage for 2014-2018; and the post of Secretary General of Asia Pacific Tele-community for 2015-2018 (GoI, 2015a).

India has deepened its political and diplomatic engagement with Republic of Korea (i.e., South Korea) over the decades. The discussions between the Indian Prime Minister and former South Korean President Park Gyun-hye on the margin of the 14th India-ASEAN Summit and the 11th East Asia Summit in Vientiane on 8th September 2016 highlights that the AEP pertains to active engagements with countries beyond ASEAN (HT, 2016a). India- RoK relationship was elevated to the level of 'Special Strategic Partnership' during the State Visit of Prime Minister Modi to South Korea during 18-19 May 2015. This suggests that despite the strong economic undercurrents, South Korea's relation with India is not simply based on investor-driven relations.

During former President Park's four-day state visit on January 2014, the agreed upon strategic agenda included - stronger high level political cooperation, freer economic and trade environment and deeper cultural understanding (GoI, 2014a). The defense and security relationship between the two countries was boosted with the Agreement on the Protection of Classified Military Information and the MoU on Joint applied research as Partnership between the Defense Research and Development Organization (DRDO) and Defense Acquisition and Program Administration (DAPA) is also deepening (GoI, 2014b). Since both the countries are members of East Asia Summit, therefore they share common interest in maintaining stability and prosperity in East Asia. Although the potential in bilateral relations between South Korea and India has not been fully explored, nevertheless there is deep understanding between the two countries as reflected in South Korea's non-intrusive stand towards India's food aid supply to its troubled neighbor, North Korea. In addition, the country has supported India in its recent bid to NSG membership.

2.2. Japan

The Indian Prime Minister visited Japan in 2014 and again in November 2016. The 2014 visit was his first overseas visit outside the neighbourhood. Both India and Japan, the two major Asian powers, one being the largest and another being the oldest democracies in Asia, share common cultural traditions including the heritage of Buddhism, and committed to the ideals of democracy, tolerance, pluralism and open society (GoI, 2015c). The strategic aspirations of the two countries (e.g., UN Security Council bid) are also similar. Also, there has never been any ideological, cultural or territorial disputes between the countries (GoI, 2015b). Although the present bonhomie was absent during the Cold War decades, Japan helped India to recover from the 1991 balance of payment instability (GoI, undated). The uncomfortable moments following the second Pokhran test in 1998 did not significantly influence the bilateral relationship. As a result, India is currently seeking opportunity from Japan in training 30,000 Indian youth in the Japanese styled manufacturing over the next 10 years, which will significantly aid the recent 'Make in India' and 'Skill India' process (GoI, 2016). The Indo-Japanese relations further deepened through collaborating on science and technology, covering a wide range of areas viz., marine and earth science, agriculture and food industries, protecting Geographical Indication (GI) of agriculture products etc. (ET, 2016).

The 21st century brought the two Asian giants even closer given the strategic imperative with the rise of China. Indo-Pacific strategic equation in the ongoing period prepared the ground for a qualitative shift in bilateral relations. For instance, with the Official Development Assistance (ODA) from Japan, New Delhi appreciated the culmination of 'Japan-India Global Partnership in the 21st century', which was launched following Japanese Prime Minister Mori's visit to India in 2000 (GoI, undated). Their bilateral ties elevated further with Japanese Prime Minister, Mr. Shinzo Abe was invited to be the Chief Guest at India's 2014 Republic Day parade, enabling both the countries to take the opportunity to establish 'Special Strategic Global Partnership' between them. The six rounds of talks between Indian Navy and JMSDF Staff and the joint naval exercise named Malabar 2016 involving India, Japan and the US are the cases in point. In 2016 visit, PM Modi signed ten agreements, including Agreement on Cooperation in the Peaceful Uses of Nuclear Energy (IE, 2016).

Notably, India-Japan ties are complementary since India offers huge market for Japan, while Japan intends to 'develop and strengthen reliable, sustainable and resilient infrastructures that augment connectivity within India and between India and other countries in the region' (GoI, 2015c). Both the countries hold similar position in South China Sea and have significant stake in the stability of Southeast Asian and East Asian maritime contour. India and Japan are also moving forward with trilateral Senior Official Talks involving Australia, at the Foreign Secretary level (Lang, 2015). The first such meeting was held in Delhi on 8 June 2015. In addition, Japan supports India in its NSG bid. Therefore, in the coming years, India-Japan bilateral relation is likely to strengthen further.

2.3. China

Despite PM Modi's personal interest in resolving differences with China, India-China relations during the NDA regime is yet to witness significant improvements. In 2016, there were several high level visits between the two countries (GoI, 2017). The two countries show a high degree of similarity in terms of inclination towards energy consumption, growth rate and ability to influence policies beyond their territories (Madan, 2015).

Both India and China have indeed cooperated in various forums, e.g., environmental challenges, economic infrastructure (e.g., the New Development Bank formed though BRICS). On the other hand, complex questions like their disputed border, the Chinese standpoint on accepting Arunachal Pradesh as integral part of India, the concern over Tibet (e.g., the presence of His Holiness, the 14th Dalai Lama in India and his visit to Arunachal Pradesh), management of river

basins and water flows, growing Chinese influence and infrastructure initiatives in South Asia (e.g., especially its close relationship with Pakistan and the construction of the China-Pakistan Friendship Highway through Pakistan-occupied Kashmir), as well as Chinese reservations on India's involvement in its neighbourhood (e.g., oil exploration by Indian entities in South China Sea) are some of prickling issues (Chakraborty, 2014; Madan, 2015). The two Asian neighbours share an extremely competitive equation, suggesting serious geo-strategic rivalry, where both seek to contain each other's influence. The best recent example include, China's reluctance towards endorsement of India's permanent seat on the UN Security Council and its objections to India's membership in the NSG (Rajagopalan & Biswas, 2016). In addition, it has intervened on behalf of its' all weather friend Pakistan, to obstruct India's bid at the UN, 'to declare Masood Azhar a terrorist' (HT, 2016b).

China's recent drive to construct key roads and ports in South Asia can be considered as a move to encircle India through the 'String of Pearls' (Bhattacharyya & Chakraborty, 2011). The Chinese 'One Belt One Road' (OBOR) strategy is now aspiring to create a deep connectivity linkage with several regions (Kumar, 2016). India's recent assistance to countries like Myanmar, Vietnam, some of the Indian Ocean island countries and African countries, can be considered as counterbalance to China's increasing presence in these countries. India's proximity to the US in recent period is not likely to smoothen the thorny patches of the two Asian giants. In short, the relationship between the two countries has elements of cooperation, competition and, potentially, conflict (Madan, 2015). As India is expected to establish closer ties with Japan and the US in coming days, it will continue to look for opportunities for cooperation (particularly economic), reduce asymmetries, manage competition, and deter conflict, since both the countries' leader seek 'Asia for Asians' in the long run (Madan, 2015). It has however been observed at the recently concluded BRICS summit at Goa in October 2016 that the China is not likely to come to an accord with Indian standpoints, including the ways to counter terrorism, too soon (Swami, 2016).

2.4. Multilateral Forum: East Asian Summit

Bilateral relations with the East Asian countries are not indicative enough to comprehend the depth of India's ties with East Asia, as a region. Despite the diversity of relationship India holds multilateral engagement with the countries of this region, through East Asia Summit (EAS), ASEAN Regional Forum (ARF), ASEAN Defense Ministers' Meeting Plus (ADMM+) and Expanded ASEAN Maritime Forum (EAMF). These platforms provide India alternative space to synergize its common interests with the partners. There are several non-traditional security concerns that could bring India closer to the East Asian countries along with the ASEAN members. For example, India participated in EAS activities in 2015 by co-hosting the 4th EAS Workshop on the Regional Security Architecture along with Cambodia in Phnom Penh in July 2015. To further the development agenda under the EAS, India organized an 'EAS Roundtable on Nursing and Trauma Care' at the All India Institute of Medical Sciences, New Delhi during 15-16 October 2015 and an 'EAS Conference on Maritime Security and Cooperation' at the ASEAN-India Centre on 8-9 November 2015 (GoI, 2015a).The expansionist approach of China, especially its construction of artificial islands in South China Sea, is further strengthening India's position in the region (Chakraborty, 2014; Roy Chaudhury, 2016).

3. Economic Cooperation with East Asia

3.1. Trade Integration Scenario

India's seriousness in partnering Southeast and East Asian countries through the LEP is evident from the fact that more than 80 percent of its preferential trade agreements are concentrated in these regions. Among the operational FTAs, Bangkok Agreement (1976), India-Singapore (2005) and India-Malaysia (2011)

CECAs, India-South Korea (2010) and India-Japan (2011) CEPAs and India-ASEAN FTA (2010) deserve mention. The ongoing discussions on BIMSTEC FTA, India-Indonesia, India–New Zealand and India–Thailand CECAs, Regional Comprehensive Economic Partnership (RCEP) etc. are expected to expand India's trade-investment linkages to the 'East' further (Chaisse *et al.*, 2011). In particular, the growing Indian interest in crafting CEPAs and CEPAs rather than FTAs with partners indicate the country's inclination towards service export and inward investment (and associated technology transfer) facilitation. In this context RCEP, the trade agreement encompassing ASEAN and six of its FTA partners (Australia, China, India, Japan, New Zealand and South Korea), is expected to create not only a growing market for Indian exports but also form the core of a significant long-run economic partnership through deepening of integration in international production networks (IPNs) and value chains (Das & Dubey, 2014). However, RCEP negotiations have already missed its 2015 deadline and the lack of cohesion and structural similarity among partners, fueled by undercurrent of political and strategic considerations is expected to delay the negotiations further (NEAT India, 2014).

There is a need to understand whether it will be possible for India to fast-track the trade liberalization process with the AEP target countries. The possible challenges can be tracked by looking at the evolving bilateral trade balance scenario, i.e., export-import gap. In Table 1, India's merchandise trade scenario with Southeast and East Asia over 2001-14 has been summarized. For understanding the evolving trade pattern, the entire period is divided in three sub-periods, namely, 2001-05, 2006-10 and 2011-14. In addition to the figures for a few constituent members, the scenario for ASEAN is reported as a group. A couple of interesting observations emerge from the table. First, Indian trade balance is consistently in surplus only with respect to seven partners – Cambodia, Philippines, Singapore and Vietnam among ASEAN members and Hong Kong, North Korea, Mongolia in East Asia. The presence of a number of smaller economies in this set requires deeper introspection. The worrying fact is that the deficit is rising in the post-2011 period, despite India's trade agreements with the countries. Second, India is having a negative trade balance with all the 'comprehensive' trade partners (i.e., Japan, Malaysia and South Korea), barring the exception of Singapore, which is not a major 'producer' for several merchandise product categories. In other words, the inclusion of services, trade and investment provisions have not improved India's merchandise trade balance so far, through the much-expected technology spillover effect. It deserves mention that while the CECA negotiation with Indonesia is going on, the trade balances are worsening. Third, vis-à-vis ASEAN partners, India is having trade surplus only with Cambodia, Philippines, Singapore and Vietnam. Trade deficit with all the other six countries is widening over the period, underlining that India's market penetration has remained narrow so far. There is a growing need to conduct a detailed analysis for identifying competitiveness of Indian exports vis-à-vis the ASEAN partners, particularly in the light of the tariff and non-tariff barriers in the ASEAN market on India. Finally, it can be observed that India's trade deficit with respect to the proposed RCEP members, i.e., the five bilateral FTA partners of ASEAN, is widening particularly since 2011. The quantum of the deficit is particularly high for China, a country which faces a significant number of anti-dumping investigations in the Indian Market (Chaisse & Chakraborty, 2016a). It may be argued that the past experience of moderate export success through tariff reforms in the 'East' in general and the ASEAN market in particular, is guiding India to tread cautiously at the ongoing RCEP negotiations.

3.2. Emergence of Natural Partnership?

In order to analyze the underlying reason behind India's poorer export performance, the bilateral *Trade Complementarity Index* (TCI) between India and 'East' partners are computed and summarized in Table 2. TCI indices are

calculated by looking at the export pattern of India and imports of another country (say, Malaysia) and vice versa. Export and import TCI is reported separately for 2005, 2010 and 2015. The higher values of TCI over time indicate increasing similarities between export basket of a country (say, India) and import basket of its trade partner (say, Malaysia). The TCI is calculated by using the following formula:

$$TCI_{ij} = 100\ X\left[1 - \frac{(\sum |M_{jk} - X_{ik}|)}{2}\right]$$

where X_{ik} is share of commodity k in country i's total exports, and M_{jk} is share of commodity k in country j's total imports at HS 2-digit level.

Several conclusions emerge from the indices reported in Table 2. First, export TCI for India is rising over 2005-15 for all the reported economies, barring the exceptions like North Korea and Vietnam. The rise has been substantial for both LDCs (e.g., Cambodia, Lao PDR) as well as developing (e.g., Indonesia, Malaysia) and developed (Australia, Singapore) countries. However, over 2010-15, the export TCI has declined for major economies like China, Japan and South Korea. Second, import TCI for India has generally increased over 2005-15 with partner countries, barring exceptions of New Zealand, North Korea and Vietnam. India's trade complementarity with several countries has crossed the mark of 50 in recent past, indicating adjustments in export (import) patterns of Southeast and East Asian countries with the import (export) pattern of India. However, the TCI values suggests that the convergence of Indo-ASEAN trade complementarity is occurring at a moderate pace, which is a matter of worry for Indian export prospects (Chakraborty & Chakraborty, 2014).

The evolving trade partnership pattern can also be gauzed by looking at *Trade Intensity Index* (TII), which indicates whether two partners are involved more intensely in their bilateral trade vis-à-vis their global trade flows. The value of TII above 1 for any given country-pair (say, India and New Zealand) indicates that the trade relation is 'intense', while a value less than '1' indicates otherwise. TII is calculated by the following formulation:

$$TII = \frac{\sum_{sd} X_{sd} / \sum_{sw} X_{sw}}{\sum_{wd} X_{wd} / \sum_{wy} X_{wy}}$$

In the numerator, X_{sd} refers to the bilateral exports of a given country pair (say, India and Japan), while X_{sw} indicates their global exports. In the denominator, X_{wd} and X_{wy} represents world's export to a country pair and to the world respectively. The computed TII indices has been taken from ADB ARIC database (ADB, undated).

The summarized TII results in left panel of Table 3 indicates that at the aggregate level India is not having an intense trade relationship with most of the reported countries, barring the exception of Australia, Hong Kong, Malaysia and Singapore. Among ASEAN partners, its trade relation is intense with Indonesia, Myanmar and Vietnam. The results indicates that India's trade relationship with a number of developed economies like Japan and South Korea, with whom India has already entered into preferential trade agreements, are consistently non-intense. On the other hand, the relation is also non-intense with major developing countries, e.g., China, Philippines and Thailand. Clearly, the current engagements through regional integration have not been able to deepen India's overall trade flows with the East and Southeast Asian countries.

3.3. Engagement in Production Networks: Sectoral Perspective

The future potential of India's trade integration with East and Southeast Asian countries can be understood from the bilateral 'intra-industry trade' (IIT) index,

that measures the level of trade in intermediate and semi-finished products. The *Grubel and Lloyd index* of IIT is calculated by considering the simultaneous export and import data for any given country-pairs, with the following formula:

$$GLC = \frac{\sum_i (X_{ij} + M_{ij}) - \sum_i |X_{ij} - M_{ij}|}{\sum_i (X_{ij} + M_{ij}) - |\sum_i X_{ij} - \sum_i M_{ij}|} \times 100$$

Here X_{ij} and M_{ij} denote the value of export and imports of one country (say, India) from the partner (say, Japan) at HS 4-digit level respectively. The IIT index thus calculated could vary between 0 and 100. As per construct of the formula, when exports exactly match imports at each HS 4-digit classification, it signifies growing IPN relationship and IIT value reaches 100. On the other hand, when either of export or import is zero, this implies specialization in both countries in complementary sectors and the IIT index takes the value of zero.

It is expected that when two countries enter into FTAs (i.e., resulting into tariff reforms) or a trade facilitation agreement (i.e., resulting into procedural reforms), IIT-type trade deepens as firms from both countries may engage into trade in parts and components and intermediate products across the border to lower cost of business. As several Asian countries have already entered into FTAs / CECAs / CEPAs with India, the current analysis reports their bilateral overall IITs during 2005, 2010 and 2015. The results are summarized in right panel of Table 3. The findings indicate that the IIT between India and the partner countries have increased in general, barring the exceptions of Hong Kong, Macao and New Zealand. The rising IIT indicates specialization in narrower product lines within product categories, including trade in intermediate products and parts and components, that is occurring between India and the 'East'. This in turn enhances the possibility of deepening IPNs with East and Southeast Asia further. Among ASEAN countries, India's IIT with Brunei has declined. Moreover for Singapore, with whom India has entered into the CECA in 2005, has consistently witnessed a high level of IIT, signifying deep integration within product categories. In addition, Japan, Malaysia, South Korea and Thailand witnessed rising IIT level over 2005-2015, indicating deeper production integration with inception of the respective trade agreements. On the other hand, though there is no comprehensive trade agreement with China, the IIT has remained at a relatively higher level, arguable given the geographical proximity and rising complementarities.

While India's IPN integration with the 'East' has deepened, the linkages across value chains at the product level needs to be identified. As noted earlier, one of the major expectation for India from the integration with ASEAN is to develop a deeper association with the IPNs located in these economies. In Tables 2-6, the regional production contribution in five select industries is compared over 2000-2011 by drawing data from the Organisation for Economic Co-operation and Development (OECD) Trade in Value-Added (TIVA) database on origin of value added in gross exports. While exporting a final product, a country may source the necessary raw materials and the parts and components either from within the nation or from abroad and undertake the necessary value addition on them before export. Rise in the domestic value added content of exports (i.e., rise in percentage contribution of a country in own exports) implies strengthening of the domestic supplier network (backward integration), while a decline in the same implies that the exporters are increasingly relying on the imported raw materials, parts and components and service link supports from abroad (Nag, 2016). The latter then indicates deeper integration with regional IPNs. The Indian export scenario is compared here with three East Asian economies (China, Japan and South Korea), and the source of value addition for their exports in five prominent product categories provides interesting insights.

Table 4 shows the scenario for the basic metal and fabricated metal products. It is observed that domestic contribution has increased in China, while the same has

declined in the other three countries. Contribution of OECD and ASEAN countries in total exports have increased for India, while integration with China, Japan and South Korea is also on the rise. Conversely, India's share in exports of the three East Asian countries has also increased.

Table 5 indicates the scenario for computer, electronic and optical equipment sector. In this case also domestic value addition has increased in China, while the same has declined in the other three countries. Contribution of Asia-Pacific Economic Cooperation (APEC), ASEAN and OECD countries in total exports have increased for India, and its share exports of the East Asian countries has increased deeper.

Table 6 reveals the scenario for electrical machinery and apparatus. Like the experience of the other sectors, domestic contribution to exports has increased only in China. Contribution of OECD, APEC, ASEAN and the East Asian countries in total exports have increased for India, though its presence in the exports of other countries has remained at a relatively moderate level, particularly involving South Korea.

Table 7 depicts the scenario for textiles, leather and footwear products. Once again, domestic contribution of exports has increased only in China. Contribution of OECD, APEC, ASEAN and the East Asian countries in total exports have increased for India. Conversely, India's presence in the exports of other East Asian countries has increased moderately.

Finally, Table 8 summarizes the scenario for the transport equipment sector and barring China all countries are witnessing a decline in domestic contribution to exports. Contribution of OECD, APEC, ASEAN and the East Asian countries are increasing in Indian exports, but the country's participation in others' exports is growing slowly.

A couple of general observations can also be drawn from the value addition dynamics revealed from Tables 4-8. First, the percentage value contribution of Japan is declining in other country's exports in the selected sectors, while the same for China is generally rising. The observation clearly underlines Japan and several Southeast Asian economy's interest to engage India through both security and economic cooperation to counter China. Second, the value addition contribution of the EU and US in the export of China is generally going down over 2000-11 in the selected sectors, while the same for India, Japan and South Korea is on the rise. Therefore, the incentive to confront US is increasing for China in the selected merchandise product groups, while the other three countries are likely to cooperate with the US. In addition, this implies that while China is witnessing production integration within the region, for India the value addition from EU-US-OECD economies still hold a significant role for its exports. Finally, while the value addition contribution of other 'East' economies (e.g., Taiwan, New Zealand) has increased in India's exports, they still remain at low to moderate levels. Therefore, India's coordination with these countries from a pure economic standpoint is not likely to deepen too soon.

4. Conclusion

The discussion indicates that AEP initiated by the NDA government is yet to deliver the expected results. However, the current observations provide a wider glimpse to the evolving scenario. India's bid to integrate with the 'East' has been quite successful, barring the exception of China. While China has pledged to cooperate with India through various forums like the BRICS, it continues to oppose Indian standpoint in several cases (e.g., the NSG membership bid). The Chinese response is a function of its rising economic stature (e.g., the rising growth rate, exports) and declining dependence on the 'west'. Consequently, India has been able to come closer to the other 'East' Asian countries given the shared economic complementarities, growing production integration and the perceived urge to counter the security threats posed by the recent Chinese policies. China's reluctance to abide by the verdict of the international tribunal in The Hague against

its building of artificial islands in disputed waters of the South China Sea (The Guardian, 2016), threaten the security of several ASEAN countries. The land and sea border disputes involving China concerns India and quite a few Asian countries (e.g., Vietnam, Japan, South Korea). There exist enough common ground for these countries to cooperate with India on strategic platform, which the economic cooperation initiatives can further strengthen. The Indian Prime Minister's recent visits to various Asian countries (e.g., Mongolia, Vietnam) and the key agreements therein take note of this strategic need.

In this backdrop, the ongoing economic cooperation agreement, i.e., RCEP can play a constructive role in reducing the political differences across the Asian countries. It has been noted that, American and Chinese hegemony is playing a crucial role in denying entry to each other at Trans-Pacific Partnership (TPP) and RCEP respectively (Hamanaka, 2014). In other words, China has a strong desire in securing the success of the RCEP, which may lock-in institutional and political reforms. Given the recent reluctance of the US to proceed on the TPP front, RCEP has become all the more crucial for the Asian players, particularly China (Sink & Olorunnipa, 2017). Nevertheless, the aggressive economic strategy of China has caused India and other economies to move cautiously, which can be observed from the number of anti-dumping investigations initiated by Asian partners against the 'dragon' (Chaisse & Chakraborty, 2016b). India needs to urgently consolidate the competitiveness of the domestic players, so that inception of RCEP do not end up hurting its interests. Keeping this perspective in mind, the economic initiatives of the NDA government like 'Make in India' and 'Skill India' are the appropriate steps in that direction.

Appendices

Tablo 1. *India's Trade Scenario with Select 'East' Asian Countries (2001-2014) in US $ Million*

Partner Name	Export			Import			Trade Balance		
	2001-05	2006-10	2011-14	2001-05	2006-10	2011-14	2001-05	2006-10	2011-14
Australia	586.26	1275.62	2430.13	2615.17	9566.07	11788.02	-2028.91	-8290.45	-9357.89
China	3260.72	11045.02	15324.54	4856.17	28732.67	54872.37	-1595.45	-17687.6	-39547.8
Hong Kong, China	3189.71	6751.56	12901.24	1336.59	4671.40	8329.88	1853.12	2080.16	4571.36
Indonesia	976.33	2793.48	5606.22	1911.30	6435.42	14550.48	-934.97	-3641.94	-8944.26
Japan	1870.18	3542.52	6272.63	2580.31	6662.93	11008.76	-710.13	-3120.40	-4736.13
Korea, Democratic People's Republic of (North Korea)	139.37	518.91	179.61	3.91	181.32	48.85	135.46	337.59	130.77
Korea, Republic of (South Korea)	846.68	3192.91	4479.16	2515.69	7366.46	12975.37	-1669.01	-4173.56	-8496.21
Macao, China	2.57	10.74	1.33	3.37	0.26	1.63	-0.80	10.49	-0.30
Malaysia	901.60	2659.21	4432.27	1805.52	5765.81	9964.89	-903.93	-3106.60	-5532.62
Mongolia	0.98	9.61	21.23	0.34	6.82	12.08	0.65	2.79	9.15
New Zealand	87.81	253.54	290.20	107.82	422.22	678.31	-20.01	-168.68	-388.11
Philippines	373.69	684.44	1257.96	141.29	269.47	438.49	232.39	414.97	819.47
Singapore	2570.46	7453.00	13261.46	2041.41	6759.14	7512.17	529.06	693.86	5749.29
Taipei, Chinese	525.39	1548.77	2717.58	851.12	2537.32	4438.73	-325.73	-988.55	-1721.16
Thailand	797.47	1776.00	3466.10	655.14	2624.93	5427.80	142.33	-848.94	-1961.71
ASEAN	6145.64	17296.85	33993.1	7004.34	23527.68	42459.05	-858.69	-6230.83	-8465.96

Source: Constructed by authors from Trade Map database (undated)

Table 2. *Trade Complementarity Index for India with Select East Asian Countries*

Partner	India Export – Partner Import			India Import –Partner Export		
	2005	2010	2015	2005	2010	2015
Australia	50.19	56.99	57.54	52.97	55.41	55.51
China	48.86	52.47	49.68	40.05	37.98	43.53
Hong Kong, China	57.45	57.10	58.34	60.87	59.51	66.83
Japan	53.57	62.50	60.67	40.15	41.37	47.22
North Korea	78.85	52.14	54.52	75.54	75.27	69.90
South Korea	49.52	58.51	55.56	44.44	44.24	48.72
Macao, China	66.30	76.26	77.20	43.01	59.03	57.38
Malaysia	44.52	50.59	55.22	49.84	51.45	58.85
Mongolia	65.48	66.06	70.23	37.26	53.73	55.15
New Zealand	49.46	57.75	55.44	29.83	29.83	26.91
Singapore	40.48	48.34	46.91	47.89	52.89	53.72
Taipei, Chinese	61.01	66.35	66.26	64.63	63.44	65.79
Thailand	53.54	62.62	58.91	43.30	44.41	47.84

Source: Calculated by authors from Trade Map (undated) data

Table 3. *Trade Intensity and Intra-Industry Trade Index of India with Select East Asian Countries*

Partner	Trade Intensity Index			Intra-Industry Trade		
	2005	2010	2015	2005	2010	2015
Australia	2.15	1.84	1.62	11.70	11.52	5.92
China	0.92	1.02	0.92	12.40	11.49	27.66
Hong Kong, China	1.48	1.62	1.20	63.03	78.66	42.59
Japan	0.50	0.49	0.55	13.56	15.32	26.29
North Korea	-	-	-	19.37	5.23	8.77
South Korea	0.97	0.82	0.84	19.47	30.64	39.95
Macao, China	-	-	-	10.79	4.98	0.11
Malaysia	1.10	1.16	1.41	20.15	19.66	24.07
Mongolia	0.10	0.18	0.07	0.00	0.00	0.09
New Zealand	0.63	0.75	0.59	4.07	7.69	3.60
Singapore	2.20	1.75	1.32	21.00	52.27	33.42
Taipei, Chinese	0.41	0.55	0.40	20.40	13.47	19.15
Thailand	0.85	0.86	0.96	19.77	31.96	32.18

Source: Obtained from ADB ARIC (undated) and calculated by authors from Trade Map (undated) data respectively

Table 4. *Origin of Value Added in Gross Export from Basic metals and fabricated metal products (in per cent)*

Source Country	Exporting Countries							
	2000				2011			
	China	India	Japan	South Korea	China	India	Japan	South Korea
China	61.41	0.40	0.61	1.98	67.48	2.79	1.89	5.77
Hong Kong, China	1.36	0.19	0.08	0.21	0.39	0.18	0.09	0.25
India	0.25	75.33	0.06	0.24	0.78	59.78	0.23	0.94
Japan	7.83	0.74	88.81	7.14	2.87	1.21	78.49	6.33
South Korea	2.59	0.31	0.41	65.15	1.20	0.73	1.02	49.72
New Zealand	0.09	0.02	0.06	0.19	0.05	0.06	0.07	0.12
Taipei, Chinese	2.51	0.12	0.23	0.41	0.58	0.32	0.30	0.48
APEC	85.47	5.18	94.55	85.91	83.14	13.66	90.06	77.33
ASEAN	2.27	0.70	1.22	2.34	2.21	2.22	2.75	3.88
EU 28	5.12	4.95	1.25	3.73	4.15	5.27	1.61	4.05
USA	3.00	1.22	1.10	2.91	1.72	1.76	1.13	2.54
OECD Members	21.95	9.37	93.32	84.06	15.40	13.05	85.63	69.32

Source: Constructed by authors from OECD TIVA (undated) data

Table 5. *Origin of Value Added in Gross Export from Computer, Electronic and optical equipment (in per cent)*

Source Country	Exporting Countries							
	2000				2011			
	China	India	Japan	South Korea	China	India	Japan	South Korea
China	22.56	0.40	0.52	1.10	45.01	5.10	3.95	7.71
Hong Kong, China	1.93	0.17	0.09	0.23	0.84	0.26	0.11	0.26
India	0.27	78.79	0.05	0.16	0.78	68.81	0.20	0.56
Japan	20.99	0.95	89.84	11.14	10.62	1.81	82.82	7.33
South Korea	6.05	0.36	0.79	62.52	6.35	1.12	0.99	57.77
New Zealand	0.12	0.02	0.03	0.08	0.08	0.05	0.04	0.07
Taipei, Chinese	6.89	0.18	0.88	2.04	5.44	0.72	0.77	2.20
APEC	78.42	5.62	96.80	91.16	83.38	16.59	94.41	87.18
ASEAN	5.84	0.82	1.33	3.42	6.36	2.68	1.92	3.93
EU 28	16.23	5.14	1.77	4.84	9.03	6.27	2.28	5.64
USA	10.59	1.36	2.66	8.97	5.51	2.89	2.31	5.21
OECD Members	57.98	9.88	95.95	89.66	35.52	14.52	90.03	78.97

Source: Constructed by authors from OECD TIVA (undated) data

Table 6. *Origin of Value Added in Gross Export from Electrical machinery and apparatus (in per cent)*

Source Country	Exporting Countries							
	2000				2011			
	China	India	Japan	South Korea	China	India	Japan	South Korea
China	31.80	0.38	0.47	1.20	51.38	3.52	3.24	6.58
Hong Kong, China	2.22	0.16	0.08	0.27	0.74	0.21	0.10	0.24
India	0.34	80.51	0.04	0.48	1.04	66.04	0.20	0.93
Japan	15.23	0.86	92.51	7.20	7.98	1.39	84.49	5.76
South Korea	4.99	0.33	0.45	73.08	3.68	0.89	0.86	61.71
New Zealand	0.17	0.02	0.04	0.08	0.08	0.08	0.05	0.09
Taipei, Chinese	5.17	0.16	0.42	0.90	1.87	0.40	0.42	0.75
APEC	77.25	5.19	97.22	91.32	79.44	14.11	94.50	85.33
ASEAN	4.07	0.74	0.91	1.97	3.75	2.08	2.01	2.84
EU 28	13.15	4.82	1.35	4.92	10.49	6.09	2.09	5.01
USA	7.23	1.31	1.62	5.05	3.96	2.29	1.65	3.33
OECD Members	45.94	9.20	96.72	92.23	31.83	13.87	90.66	79.63

Source: Constructed by authors from OECD TIVA (undated) data

Table 7. *Origin of Value Added in Gross Export from Textiles, textile products, leather and footwear (in per cent)*

Source Country	Exporting Countries							
	2000				2011			
	China	India	Japan	South Korea	China	India	Japan	South Korea
China	61.82	0.32	3.24	2.91	73.52	2.57	9.88	6.29
Hong Kong, China	1.45	0.11	0.11	0.23	0.65	0.22	0.12	0.25
India	0.55	90.40	0.14	0.68	0.86	80.17	0.37	0.82
Japan	7.26	0.30	88.72	3.35	2.62	0.65	76.03	3.64
South Korea	6.47	0.24	0.82	76.06	2.08	0.49	0.72	64.66
New Zealand	0.17	0.04	0.03	0.13	0.14	0.05	0.04	0.09
Taipei, Chinese	4.91	0.15	0.38	0.62	1.27	0.29	0.38	0.62
APEC	90.21	2.97	96.28	90.15	87.93	9.51	92.55	85.59
ASEAN	2.27	0.53	0.95	2.04	2.49	1.73	2.05	3.32
EU 28	4.85	1.96	2.20	3.89	4.72	3.99	3.28	4.64
USA	3.78	0.72	1.56	3.41	2.82	2.14	1.86	3.38
OECD Members	24.61	4.00	93.94	88.41	14.63	8.91	83.43	79.49

Source: Constructed by authors from OECD TIVA (undated) data

Table 8. *Origin of Value Added in Gross Export from Transport Equipment Sector (in per cent)*

Source Country	Exporting Countries							
	2000				2011			
	China	India	Japan	South Korea	China	India	Japan	South Korea
China	57.38	0.40	0.43	1.24	70.03	3.67	2.37	5.70
Hong Kong, China	1.16	0.18	0.08	0.19	0.38	0.21	0.10	0.20
India	0.18	80.81	0.04	0.24	0.52	68.00	0.18	0.68
Japan	10.18	1.04	91.72	7.45	5.16	1.49	85.77	6.27
South Korea	2.48	0.32	0.41	70.97	2.01	0.99	0.65	62.04
New Zealand	0.08	0.02	0.03	0.11	0.04	0.05	0.04	0.07
Taipei, Chinese	2.92	0.14	0.38	0.68	0.96	0.35	0.35	0.65
APEC	84.95	5.72	96.53	90.33	86.27	13.89	94.17	84.89
ASEAN	2.05	0.71	0.80	1.92	1.89	1.98	1.69	2.49
EU 28	9.76	4.52	2.08	4.52	7.94	6.38	2.57	6.39
USA	5.56	1.75	1.98	5.00	2.77	2.41	1.66	3.81
OECD Members	31.03	9.33	96.98	90.87	20.86	14.19	92.10	82.02

Source: Constructed by authors from OECD TIVA (undated) data

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