

# Chapter 5

## ASEAN-India Connectivity: A Thailand Perspective

**Ruth Banomyong**

Center for Logistic Research, Thammasat Business School, Thammasat University.

**Paitoon Varadejsatitwong**

Center for Logistic Research, Thammasat Business School, Thammasat University.

**Nuannalin Phanjan**

Center for Logistic Research, Thammasat Business School, Thammasat University.

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## CHAPTER 5.

### ASEAN-INDIA CONNECTIVITY: A THAILAND PERSPECTIVE

RUTH BANOMYONG

PAITON VARADEJSATITWONG

NUANNALIN PHANJAN

#### Abstract

*Thailand places strong importance on its relationship with India. As observed, trade and investment between the two countries is on the increase even though the Thai-India Free Trade Area is not working properly. This growth is coupled with the increase in the number of visitors from both countries. The purpose of this chapter is to provide an understanding of the role that can be played by Thailand in enhancing ASEAN-India connectivity. However, this understanding will be based on a Thai perspective which may or may not fit within the overall ASEAN strategic direction. This chapter will first explain how Thailand looks at connectivity. The role of the Thai Ministry of Transport is then examined more closely to better understand its development strategy. A strength weakness opportunity and threat (SWOT) analysis is then further conducted followed by a discussion on Thai-India specific policies. The last section of the chapter will focus on a proposed connectivity framework and the findings derived.*

*Thailand has a clearly defined strategy to enhance its connectivity with India even though infrastructure links are still limited. Thailand is currently at the crossroads as from a Thai perspective the “official” priority is on the development of Pak Bara port on the Andaman Sea while a Thai private company has obtained a concession to develop Dawei port in Myanmar to act as a gateway with India, the Middle East and Europe. From a national security perspective, it is preferable for Thailand to focus its infrastructure development on Pak Bara as the location is in the country and not subject to external factors. However, if a regional perspective is taken, the option to develop Dawei port seems to be more interesting as it offers a shorter access route to the Andaman Sea for industries located in Thailand Eastern seaboard.*

## 1. INTRODUCTION

In the year 2015, the Association of South East Asian Nations or ASEAN<sup>1</sup> is expected to become the ASEAN Economic Community (AEC) by creating a single market. This enhanced level of economic integration will foster sustainable economic growth and hopefully reduce development gaps among ASEAN member countries.

However, enhanced internal economic integration within ASEAN is not sufficient for the region to sustain its growth. ASEAN requires closer co-operation with its main trading partners such as China, Japan, South Korea, the European Union, the United States, and so on. This co-operation on trade related issues and investment schemes will not only further accelerate the economic growth of the region but will also be beneficial to trading partners in terms of market and investment destination.

It is recognised that India is an important trading partner to ASEAN albeit on a lesser scale compared to the existing main partners. The emergence of India as a newly industrialised country has provided the impetus for increasing trade and investment with ASEAN, but the question still remains whether the existing connectivity links between ASEAN and India can be improved as current links are considered to be quite weak thus hindering the development of increased trade and investment flows. In terms of growth area for ASEAN, India has the potential to become a key partner but this can only be done with improved connectivity links.

India is considered to be an important and influential actor in Asia as well as on a global basis. India was welcomed as an ASEAN sectoral dialogue partner in 1993, and the status was later upgraded to a full dialogue partner in 1995. Subsequently, India joined the ASEAN Regional Forum (ARF) in 1996.

Thailand as a founding member of ASEAN will surely gain from ASEAN's enhanced relationship with India. Thailand as a country has also been looking "East" and exploring the potential of increased trade and investment with India. Thailand and India have strong cooperative relationship in the East Asia Summit (EAS), the Bay of Bengal Initiative for Multi-sectoral Technical and Economic Cooperation (BIMSTEC), the Mekong-Ganga Cooperation (MGC) and the Asia Cooperation Dialogue (ACD).

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<sup>1</sup> The ASEAN member countries are: Brunei, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.

The purpose of this chapter is to provide an understanding of the role that can be played by Thailand in enhancing ASEAN-India connectivity. However, this understanding will be based on a Thai perspective which may or may not fit within the overall ASEAN strategic direction.

This chapter will first explain how Thailand looks at connectivity issues. Thailand does not have specific connectivity policy, but the connectivity paradigm is firmly entrenched in Thailand's logistics policy development plan. The role of the Thai Ministry of Transport is then examined more closely to better understand its development strategy. A strength weakness opportunity and threat (SWOT) analysis is further conducted followed by a discussion on Thai-India specific policies.

The last section of the chapter will focus on a proposed connectivity framework and the findings derived. The connectivity framework is composed of 4 key dimensions which are: infrastructure; institution; people; trade, business and investment.

## **2. THAILAND POLICY REVIEW RELATED TO CONNECTIVITY**

### **2-1. Thailand's Logistics Development Strategy (2006-2011)**

In Thailand, there is no Government connectivity policy per se, but connectivity issues are highlighted in the country's national logistics development plan. This national logistics development plan was developed with a vision to establish a world-class logistics system in the country to support Thailand as Indochina's trade and investment centre.

The objectives of the plan are to enhance trade facilitation with the aim of increasing cost efficiency, customer responsiveness and reliability, and security, and to create added value for logistics and other supporting industries. In order to achieve these objectives a goal was implemented. The country had to lower down its logistics costs as a proportion of the Gross Domestic Product (GDP) from 19% in 2005 to 16% in 2011. The estimated numbers for 2010 is around 18 to 19% of GDP which fall short from the stated objective.

A total of five strategic agenda are proposed that should enable Thailand to achieve its logistics vision, objectives and goals:

- Business Logistics Improvement
- New Trade Lanes and Logistics Network Optimization
- Logistics Service Internationalisation
- Trade Facilitation Enhancement
- Capacity Building

The new trade lanes and logistics network optimization agenda is the one that is the most related to physical connectivity while logistics service internationalisation focuses on service connectivity. Trade facilitation enhancement provides a framework that facilitates trade connectivity.

The goal of the new trade lanes and logistics network optimisation agenda is to set up an integrated logistics management system that will support Thailand's status as Indochina's logistics hub in terms of gathering, transferring and distributing merchandise, both regionally and internationally. The lead agency for this agenda is the Thai Ministry of Transport.

The Thai Ministry of Transport has taken the lead in the development of an integrated logistics network, both locally and internationally, in such a way that the country is linked with overseas markets through the development of, among other things, feeder systems, motorways, logistics centres/distribution centres and container yards at strategic locations throughout the country.

Such centres include Thailand's business gateways or regional manufacturing and trading centres, and Suvarnabhumi Airport City, where local and international investors collaborate in joint ventures that enhances connectivity.

The development of such an integrated logistics network will be combined with the establishment of new trade lanes to the Middle East, Africa and Europe via Thailand's Andaman Sea. This will support the expanding trade activities of Thailand's neighbouring countries by developing deep seaports in the west coast of the country as well as providing an economic corridor approach linking ports within the country's and the region's major transportation networks.

Industrial development will be enhanced through the development of other supporting industries in a cluster-like manner in purpose-built industrial parks. In concrete terms this means that Andaman deep seaports will be developed, ready to

provide appropriate services and that a railway system linking ports on the western coast with regional transport routes, major trading centres and the major trading cities will be operational by 2011. Sadly, this development plan has not progressed much.

The logistics development plan also proposes to upgrade Thai logistics service providers (LSPs) in such a way that they remain competitive and that their services remain in the high value-added category. The Thai Ministry of Commerce is the lead agency for this strategic agenda.

The Thai Ministry of Commerce has been assigned with the task of promoting investment in LSPs' business in both industrial groups/parks and individual businesses. The Ministry also has to support joint ventures and strategic alliances between Thai LSPs and foreign small or medium sized service providers by supporting the formation of partnerships and alliances within the private sector through business matching activities, in order to increase opportunities for information exchange and cost sharing about such aspects as trucking and warehousing while developing integrated logistics services.

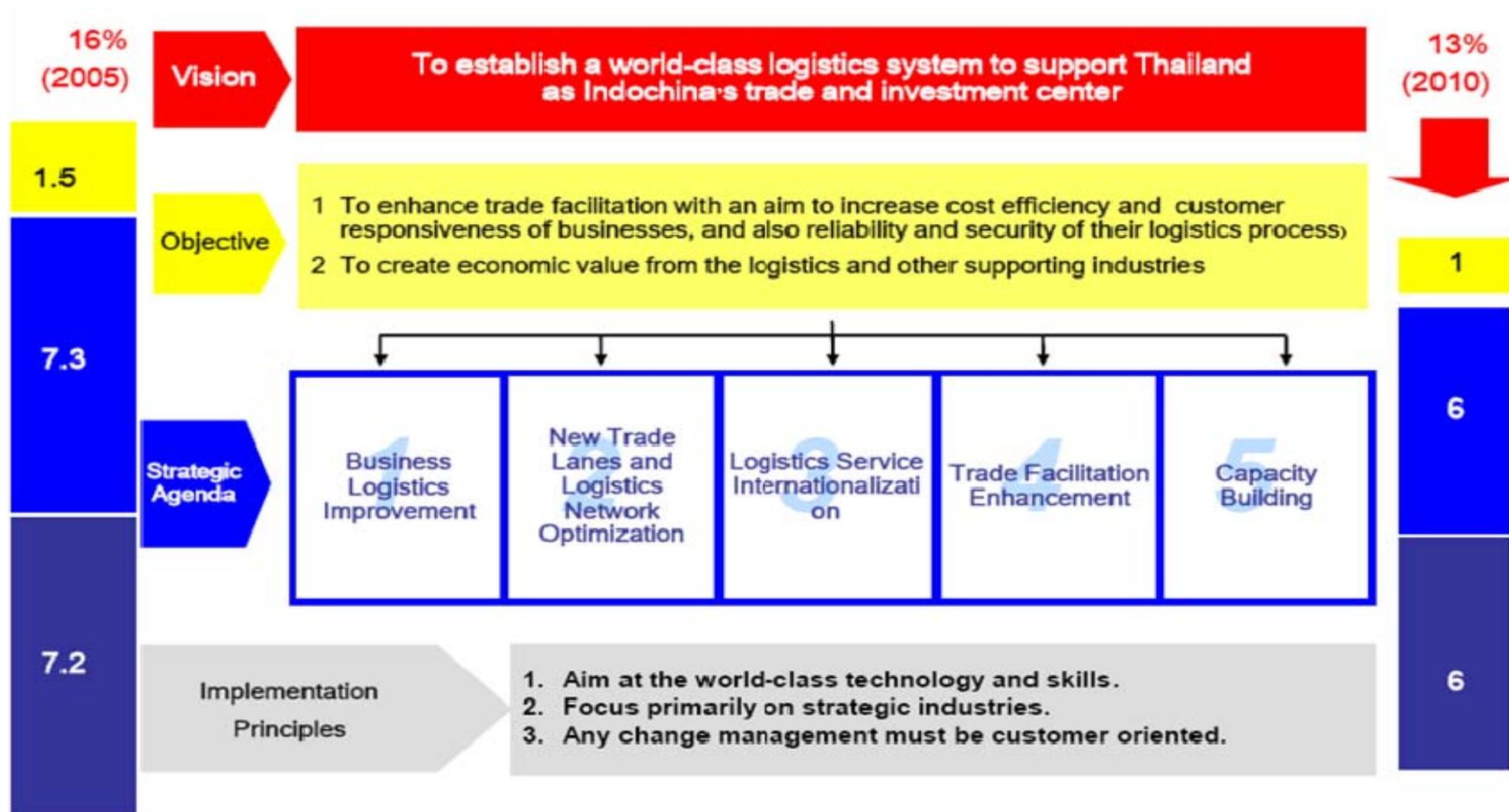
The Ministry of Finance and in particular the Thai Customs Department has been assigned the task of reducing operators' import and export handling cost. This is based on the development of E-Logistics and Single Window Entry into a central system in order to provide import/export and logistics services; while linking information in a G2G, G2B and B2B basis.

Not only should handling cost be reduced but the Ministry of Finance will also have to reform taxation system and customs clearance procedures related to import and export transportation and shipping businesses with the aim of facilitating the import/export process. This objective is expected to be achieved based on:

- Reduced time for transporting import and export goods or transferring goods between ships.
- Reduced costs for transporting import and export goods and for transferring merchandise between ships.

The Thai trade facilitation agenda also highlight the need to promote the setting up of distribution and logistics centres in priority markets such as India in order to increase Thai business competitiveness in foreign markets.

Figure 1: Thailand Logistics Development Strategy (2006-2010)



Source: Office of the National Economic and Social Development Board.

## 2-2. Thailand's New Trade Lane Development and the Establishment of a Regional Hub

The aim of Thailand's strategic planning for the development of transport network linkages to support the expansion of economic, trade, and investment corridors is focused on making Thailand a regional logistics and economic hub. The new trade lanes that Thailand are exploring concentrate mainly on the routes linking to China and India, the new economic areas of the world with rapid economic growth.

Such routes are the main supporting factors that can offer Thailand with the opportunity for increasing production and the expansion of economic activities, trade, and investment. In the development of such new efficient trade lanes, consideration has been given to changes derived from economic globalization and the comparative advantages of the location of Thailand based on two dimensions as follows:

- (1) Globalization has made, at present and in the future, the Asian Region as the main area for trading and economic growth that is derived from the driving force coming from countries such as China and India. Increased consumers' demand in both countries is the driving force for the regional economic growth.
- (2) Thailand is a country with natural geographic comparative advantage and is strategically positioned between India and China. Thailand also offers other alternatives in terms of new trade lane development as illustrated in Table 1.

**Table 1: Potential for New Trade Lane Country Linkage**

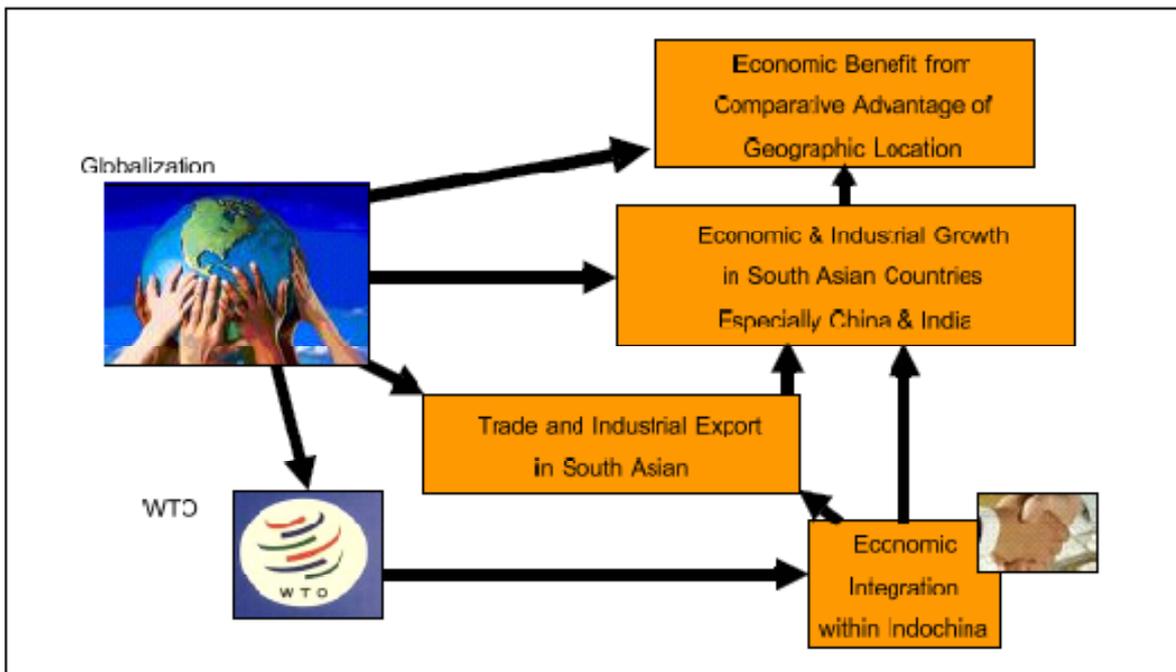
Country	BIMSTEC	ASEAN/AFTA	GMS	ACMECS
Thailand	✓	✓	✓	✓
India	✓	✗	✗	✗
Myanmar	✓	✓	✓	✓
Laos	✗	✓	✓	✓
Vietnam	✗	✓	✓	✓
China	✗	✗	✓	✗

*Source: Department of Foreign Trade, Ministry of Commerce, Thailand*

The geographical location of Thailand enables the country to be the connectivity hub for economic and trade linkages to new markets such as China and India. The

characteristics of the country's location between the Indian Ocean and the Pacific Ocean also places it on the main crude oil transport routes between the producing countries in the Middle East and the important consuming countries such as China, Japan and South Korea. Therefore, the western seashore (Andaman) has high potential for being the new economic route between the main global energy source and the major energy consumers.

**Figure 2: New Trade Lane and Economic Benefit for Thailand**



Source: Thai Ministry of Commerce.

Freight transport networks and international trading routes especially between China and India and the major markets of the world that passes through Thailand can save transport cost and time for both countries. These new freight transport network are highlighted in Figure 3.

**Figure 3: New Freight Network**



Source: Thai Ministry of Commerce.

The proposed freight routes are:

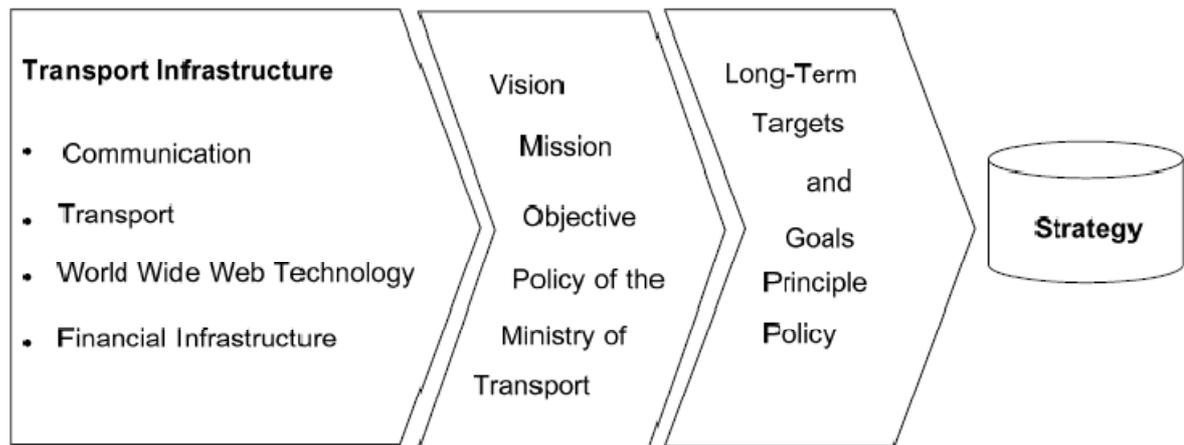
- (1) Routes linking Southern China to Northern Thailand by land passing through Lao PDR to Laem Chabang Port and coastal harbours on the Andaman Sea via the North-South Economic Corridor (No. 1 & 2).
- (2) Routes link from Danang Port passing through Lao PDR to Mukdahan and to deep sea ports on the Andaman coast (No.3) on the East-West Economic Corridor. The routes in (1) and (2) provide links from Southern China to the Middle East and Europe. The assumption is that there will be savings as freight can bypass the Malacca Straits.
- (3) Routes link from Danang Port via Lao PDR through the North-eastern to North-western parts of the Thailand to Myanmar and to India (No.4). This route will link India to the countries in continental Southeast Asia. It is also assumed trade will be more efficient due to savings in cost and time since freight will bypass the Malacca Straits.

- (4) Routes link by sea between ports on the Thai Andaman coast and India as well as neighbouring countries (No.5 and 6). The routes assumed that Thailand can increase its trade efficiency of trade since freight can bypass Laem Chabang Port and the Malacca Straits.
- (5) Energy lane (crude oil) with the industrial countries on the Pacific coast such as China, South Korea, and Japan, through the Southern seaboard of Thailand (No.7).

### 3. THE ROLE OF THE THAI MINISTRY OF TRANSPORT IN THE DEVELOPMENT OF INFRASTRUCTURE

The role of the Thai Ministry of Transport in defining the development of infrastructure has to be adapted to suit the designed strategy. The targeted infrastructure includes transport, information communication technology as well as financial infrastructure as illustrated in Figure 4.

**Figure 4: Strategy for the Development of Transport Infrastructure**



Source: Thai Ministry of Transport.

The role of the government in the development of economic infrastructure has started to be more complex as all forms of infrastructure must be coordinated to deliver economic development.

The major strategy of the Thai Ministry of Transport is to enhance efficiency in the freight transport process and to reduce the cost for the operators and users in order to increase Thailand's potential in becoming a logistics hub for ASEAN.

Laem Chabang Port on the Eastern Seaboard has been designated as the main gateway of the country. In the future, if Laem Chabang Port is used to its full capacity and the volume of goods is high enough for increased export to the West of country then there will be a need to develop ports on the Andaman Seacoast to help cater for the expected increase in freight. These ports on the Andaman side of the country, could then become gateways to the European Union, BIMSTEC countries, and countries in the Middle East.

Laem Chabang Port can still continue to be the gateway to the U.S.A., East Asia, and Australia. Thailand can therefore use its extended port network to promote value added services through the collection and distribution mechanism of goods and raw materials from China and India, including linkages to industrial estates for processing products for export.

The proposed main Thai port on the Andaman side is Pak Bara. Pak Bara is located on the Andaman Sea in the Satun province in Thailand's South. The Marine Department of the Thai Ministry of Transport has undertaken a detailed feasibility study to assess the technical, economic and financial feasibility of the proposed development of a deep sea container port. The initial port development includes the construction of:

- Port and container yard on land reclamation area of 450x700 metres, with navigational depth of 14 meters, capable of docking two 70,000 Dead Weight Tons (DWT) vessels, or two 30,000 DWT plus one 70,000 DWT vessels.
- 50x90 meters quay for fishing boat with loading area, capable of docking three 25-meters boats.
- 50x90 meters quay for tourist boats with passenger terminal, capable of docking three 25-meters passenger boats.
- Port facilities area comprising container freight station, administration building, custom building, parking, and access road to fishing boat quay and tourist passenger quay.

- 2-lane elevated bridge linking the port area to Highway Number 4052 with a new bridge supporting railway linkages.

The approximate cost of the development is US\$ 325 million, excluding land acquisition cost for the first phase only. The development is contemplated in four stages as follows:

- Stage I (2008 – 2011) to handle 500,000 TEU,
- Stage II (2012 – 2013) to handle 825,000 TEU,
- Stage III (2016 – 2018) to handle 1,375,000 TEU, and
- Stage IV (2021 – 2024) to handle 2,475,000 TEU

Dubai Port has expressed an interest in developing the port on joint-venture basis with 49.9% equity stake for 30 years concession period, extendable 3 times. However the project has not yet been approved by the Environmental Impact Assessment Committee.

Pak Bara port has a geographically competitive advantage over other ports on Andaman coastline, as it is located near to the existing main line carrier route, which passes the Malacca straits.

The development of Pak Bara port and the second Songkhla Port on the Gulf of Thailand together with other transport network will enable transport of goods and passengers from the East Coast (LaemChabang) to the Andaman Coast via the second Songkhla Port which can be further linked to Pak Bara Port by road and rail land-bridges.

Figure 5 graphically illustrates the potential linkages in the south of Thailand between the Andaman Sea and the Gulf of Thailand.

Figure 5: Connecting the Andaman Sea with the Gulf of Thailand



Source: Thai Ministry of Transport.

This Pak Bara port development project is expected to become a major gateway for import and export between Thailand and India, the Middle East or Europe. It will be a gateway not only for products from the South of the country, and thus will encourage further investment in the area. Currently, the State Railway of Thailand (SRT) is interested in extending train service to link with the Pak Bara port site.

The Ministry of Transport has an important mission in bringing out the strength of the country by using its comparative advantage in terms of geographic location to support the country into achieving logistic hub status. The economic growth of China and India provide strong opportunities for Thailand to establish new trade lanes to the two markets. Coordination of strength and opportunity will offer a strong potential for Thailand in developing transport connectivity with the two countries. Thailand in its transport strategy has focused on expanding the role of Laem Chabang as a gateway to the East while Pak Bara has been earmarked as a gateway to the West.

#### 4. THAILAND LOGISTICS: A SWOT ANALYSIS

It can be observed that Thailand only has a moderate level of readiness in terms of logistics development based on the 2010 World Bank’s logistics performance index. However, if a SWOT analysis is conducted, then a clearer picture of the Thai logistics situation can be presented as described in the table hereunder.

**Table 2: Thailand Logistics SWOT Analysis**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>- Readiness and capacity of Thailand logistics infrastructure, i.e., road, sea and air, both domestic and international connectivity</li> <li>- Strong network of local and international LSPs</li> <li>- High investment and interest in information technology for trade facilitation</li> <li>- Continuous monitoring and assessment of country’s logistics plan</li> </ul>	<ul style="list-style-type: none"> <li>- Rail transportation infrastructure and capacity limited</li> <li>- Insufficient facilities for multimodal transportation</li> <li>- Late implementation of missing link such as Thai-Lao friendship bridge or with Myanmar</li> <li>- Late response from the Government in term of preparation and investment/promotion direction resulting in difficult business planning</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>- Location of Thailand as a centre of ASEAN</li> <li>- Regional collaboration in infrastructure development and institutional framework</li> <li>- Regional supply chain development</li> </ul>	<ul style="list-style-type: none"> <li>- Political issues in Thailand</li> <li>- Migration of labour intensive production</li> </ul>

*Source:* Authors.

Thailand is ready for enhanced network linkages based on the SWOT analysis. Infrastructure wide, the capacity and coverage of infrastructure is decent. Quality of road, seaports, and airports is acceptable. There are still some missing links but it is expected that by 2015 most of the links will be connected. LSPs and traders themselves are also moving up the value chain.

Even though multi-national firms play a significant role in Thailand's logistics system, Thai firms are developing continuously. The institutional framework remains the main obstacle in the development of connectivity but there are signs of improvement. International and regional collaboration is increasing, and the national logistics development framework is also becoming more responsive.

Since 2003, Thailand has realised the importance of logistics development, to support economic growth, enhance development capabilities, and sustain competitiveness. However, the country's shortcomings need to be highlighted in order to help raise these critical issues. This will enable Thailand to provide an environment that is conducive towards improved connectivity with key markets.

#### **4-1. Infrastructure Issues**

- Rail transport cannot effectively serve demand, as transport infrastructure policies has mostly concentrated on road network development. The train network, rail infrastructure, station and operations are too weak to satisfy the need of passengers and freight.
- Water transport especially inland waterways are limited in their development of facilities that support passengers and freight.
- The majority of passenger and freight transport are by road. The proportion of road transportation is more than 90% of total transportation while air, train, and water only have a 10% share of total transportation.
- Intermodal facilities are lacking thus hindering the development of multimodal transport network.

#### **4-2. Institutional Issues**

- The Thai Government administration system suffers from numerous document procedures which have become non-value added costs to enterprises in doing business.
- Facilitating agreements at the bilateral, regional or international level have been signed but not ratified nor implemented due to internal complications.
- The national single window system is not working and importers/exporters are still subject to cumbersome regulations. Even though measures have been taken to facilitate trading processes, their impacts are still limited.

#### **4-3. Trade and Business Issues**

- There is a lack of human resource capacity in logistics both at the operational and managerial level.
- Lack of cooperation among firms to enhance bargaining power. Cluster like collaboration is also limited within the Thai business sector.
- Lack of supply chain cooperation between Thai and foreign enterprises to enhance value-adding capabilities.

#### **4-4. Logistics Service Providers (LSPs) Issues**

- The majority of Thai LSPs are composed of small and medium enterprises (SMEs) with low level of logistics competence, capability and value-added offerings.
- The main logistics services offered are based on transport, warehouse, and customs brokerage activities.
- Liberalisation of logistics services within ASEAN will surely impact the Thai logistics market with local.
- Limited usage of advanced information technology for logistics services.
- Limited number of logistics personnel with the necessary skills.

## **5. THAILAND'S INDIA RELATED POLICY**

### **5-1. The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC)**

On February 8, 2004, in Phuket, Thailand, the ministers of economics and trade of the member countries of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) jointly signed a Framework Agreement to establish a free trade area by 2012, leading to liberalization of trade in goods, services, and investment, as well as to undertake economic cooperation.

The BIMSTEC group currently comprises 7 countries: Bangladesh, Bhutan, India, Nepal, Myanmar, Sri Lanka, and Thailand. A BIMSTEC Trade Negotiating Committee was formed, with Thailand serving as Chair during the year 2004-2005, to negotiate agreements for trade in goods, services, and investment under the BIMSTEC Free Trade Agreement.

#### **5-1-1. Significant Aspects of the Framework Agreement**

##### **(1) Trade in Goods**

Trade negotiations substantially cover all trade in goods, in the form of reduction and elimination of tariffs, with more flexibility granted to the less developed countries (LDCs). Tariff reduction/elimination will be divided into 2 tracks: Fast Track and Normal Track. Other than that, some of the products will be listed in the Negative List, to which no tariff reduction will be granted at this point. The number of products under the Negative List will be subject to a maximum ceiling to be mutually agreed among member countries. LDCs will be accorded flexibility to seek derogation in one form or another, taking into account products of export interest of respective countries.

##### **(2) Trade in Services**

With a view to expedite the expansion of trade in services, the BIMSTEC member countries agreed to discuss progressive liberalization of trade in services with substantial sectoral coverage based on a positive list approach.

### **(3) Investment**

To promote investment and to create a facilitative, transparent, and competitive investment environment, the BIMSTEC member countries agreed to provide for promotion and protection of investments, strengthen cooperation in investment and enter into negotiation to progressively liberalize the investment regime through a positive list approach.

### **(4) Other Sectors of Cooperation:**

Negotiations have involved discussions to bring about further progress in various sectors of economic cooperation within the BIMSTEC framework, such as technology, transports and communications, energy, tourism, and fisheries, as well as facilitation of trade through establishment of Mutual Recognition Agreements and cooperation in customs matters.

#### **5-1-2. Current Status**

The BIMSTEC Trade Negotiating Committee (BIMSTEC TNC) and the working groups on related matters held several meetings during September 2004 and March 2008.

#### **(1) Tariff Liberalization**

Members are currently deliberating on the number of items to be placed in the Negative List under the BIMSTEC FTA. For goods under Fast Track, member countries have exchanged their lists of items to be liberalized under the Fast Track schedule, comprising 10% of tariff lines using the 6 digit HS level.

For goods under Normal Track, tariff reduction/elimination under Normal Track will be divided into 2 categories: Normal Track Elimination (NTE) and Normal Track Reduction (NTR). Member countries are now negotiating the number of products to be included in these groups.

## **(2) Rules of Origin**

Members are currently deliberating on the general rules as well as Product Specific Rule (PSR) to determine criteria for country of origins of goods to be applied under FTA.

## **(3) Trade in Services and Investment:**

Negotiations for agreements on trade in services and on investment are currently in progress. It is anticipated that negotiations can be concluded expeditiously if members can agree on the number of goods to be placed under the Negative List, Normal Track, and Rules of Origins of Products under the BIMSTEC FTA.

The deadline of 2012 is fast approaching with no significant progress albeit encouraging statements from the BIMSTEC TNC and related working group meetings. The establishment of the BIMSTEC FTA will strongly contribute to Thailand's look West policy and enhanced connectivity links with not only India but also the rest of the Subcontinent.

### **5-2. Thai-India Free Trade Area**

India and Thailand share age-old bonds of cultural affinity, commercial interests and common perceptions on various issues. These geographically proximate neighbours need to take advantages of the context that is provided by the history and geography between them for mutually beneficial economic cooperation. Whether it is the economics of neighbourhood or the importance of cooperation in the competitive global environment, the economic logic suggests that both the countries must strengthen their economic ties in the realms of trade, investment, technology and human resources. The complementarities on these different dimensions need to be exploited so as to jointly take advantage of the globalisation process in a more effective and WTO consistent manner.

In an effort to promote trade and investment cooperation between the two countries, a Joint Working Group (JWG) was set up at the behest of the Prime Ministers of both the countries for getting a Feasibility Study conducted on India-Thailand Free Trade Area (FTA). The First JWG Meeting was held in New Delhi, India during April

2002. At this meeting, the JWG adopted its Terms of Reference and finalized the broad structure of the feasibility study.

The meeting also agreed on a work programme and the description hereunder is the outcome of this process, which has been deliberated upon extensively in subsequent three JWG meetings, including the fourth and final one held in Bangkok on 22-24 December 2002.

India and Thailand are developing economies with both commonalities and differences in their economic progress. The economic policy strategies adopted by them have made them amenable to take advantage of global integration. In this context, possibilities of bilateral economic cooperation especially in the form of an FTA are immense.

It has also been noticed that albeit the bilateral trade and investment linkages between the two countries are quite low their dynamism in recent years is noteworthy. The relative importance of each other in the trading space has been observed to be relatively limited which is indicative of the fact that the potentials for greater trade linkages are yet to be tapped.

In terms of trade composition, significant scope for diversification in the bilateral trade basket is noticed and it is in this context that the FTA appears desirable, the feasibility of which is assessed subsequently.

In terms of the barriers to trade, it is observed that countries face both tariffs as well as non-tariff barriers on their bilateral trade. In the area of investment too, the bilateral linkages need strengthening and their sectoral composition need to be broadened. In this regard, bridging information gap, removing procedural bottlenecks and overcoming infrastructural constraints has to be addressed.

## **5-2-1. Current Status**

### **(1) Trade in Goods**

Thailand and India have reached an accord on Trade in Goods that incorporates tariff reduction and/or elimination under the Normal Track and Sensitive Track. Other than that, some of the products will be listed in the Exclusion List, to which no tariff reduction will be granted for a period of three years, and will be reviewed thereafter.

**(2) Rules of Origins:**

The two countries have agreed upon 'Change in Tariff Sub-Heading (CTSH) plus Local Content of 35%' as the general rule for consideration of origins of products. They also agreed on the Product Specific Rules (PSR) for another 200 items.

**(3) Trade in Services and Investment:**

Negotiations for agreements on trade in services and on investment were expected to be concluded within 2008 but things have not moved much.

**(4) Dispute Settlement Mechanisms:**

Consensus has been reached on an agreement to establish mechanisms for the settlement of disputes, which will be prepared as a separate document to cover all agreements deriving from the Thailand - India FTA Agreement.

India and Thailand are likely to restart talks on a full-fledged free trade agreement including goods, services and investments. Talks on an FTA were suspended after the two sides implemented a limited agreement involving just 82 items in 2004. Both countries want to double bilateral trade to \$12 billion by 2012 from the present level of \$5-6 billion.

India and Thailand signed an early harvest programme (EHP) in 2004 under which the two sides agreed to eliminate duties on 82 items like television tubes, refrigerators, mangoes, apples grapes and some metals. The EHP led to protests from the Indian industry which complained that Thailand had gained much more than India and the domestic market was flooded with products like television picture tubes.

Thailand is also a member of ASEAN that has signed an FTA with India. A separate FTA between India and Thailand would give both countries the option of offering more than what has been agreed under the India-ASEAN FTA.

**Table 3: Trade between Thailand and India**

	Value (million USD)		% change
	Jan-10	Jan-11	Jan-11
Export	406.59	400.96	-1.39
Import	194.7	238.5	22.5
Trade Balance	211.89	162.45	-
<b>Total</b>	<b>601.29</b>	<b>639.46</b>	<b>6.35</b>

*Source:* Information Technology and Communication Centre, Office of the Permanent Secretary Ministry of Commerce.

### 5-3. Barriers to Bilateral Investment Flows

Investment flows between both countries are often restricted due to various barriers, of which some are in the domain of policy and others relate to the level of development itself. Some of these barriers are mentioned below.

#### 5-3-1. Perspectives from India

One major constraint coming in the way of Indian investors in Thailand is in terms of information gap regarding policy guidelines, potential sectors, prospective collaborators, etc. Indian investors find it difficult to locate a reliable counterpart. Procedural bottlenecks also act as barriers. Recruitment of staff in Thailand has reportedly also not been smooth. It is believed that some of the trade liberalisation measures and rules of origin could provide a boost to Indian investments in Thailand.

Similarly, despite the fact that Indian investment climate has become more liberal of late, procedural hurdles have acted as major barriers. Information gap acts as a constraint for Thailand's investments in India too. However, it is worth mentioning that infrastructural bottlenecks have proved to be the main constraint in India in terms of attracting FDI from Thailand. Therefore, steps need be taken to facilitate Thai investment in the infrastructure sector itself.

#### 5-3-2. Perspectives from Thailand

There are investment barriers in India that need to be eliminated to facilitate foreign direct investments from Thailand:

- Lack of standardised procedures: Due to lack of standardised procedures, on certain occasions, different interpretations of rules and procedures occur. This gives rise to procedural delays.
- Lack of intra-and inter-state harmonisation of rules: India is divided into different States and each state has its own authority to introduce investment promotion regimes. Such a situation often results in possibilities of double taxation.
- Difficulty in loan approval for foreign projects: Procedural complexities and lack of standardised banking norms hinder approval of loans for foreign projects.
- Paucity of adequate information exchange: The Office of the Board of Investment of Thailand has launched a joint venture program, which focuses on facilitating foreign investments seeking Thai joint venture partners. Through this programme, not even a single joint venture between Thailand and India has been reported till now.

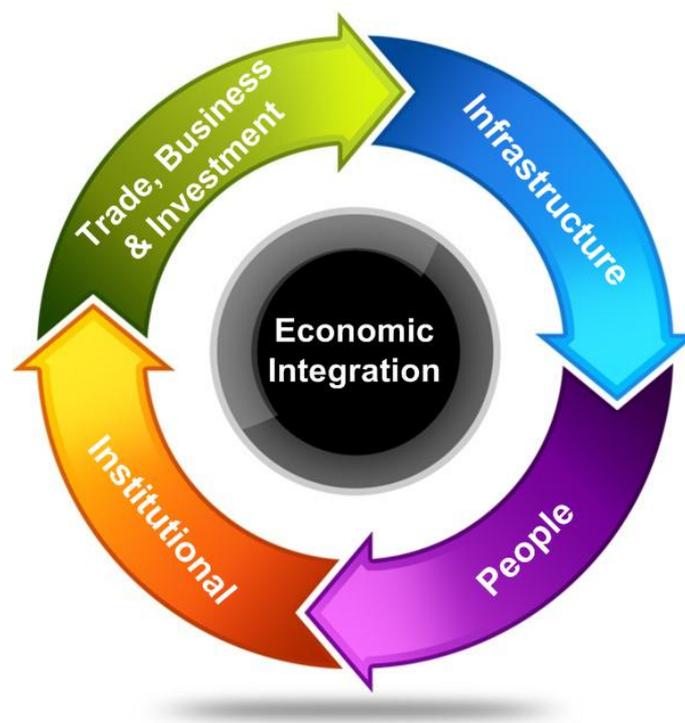
## **6. ANALYTICAL FRAMEWORK**

In order to better understand the connectivity level between Thailand and India, it is therefore important to propose a connectivity assessment framework that will enable rapid identification of connectivity level between the 2 countries. This connectivity framework is derived from the macro-logistics model developed by Banomyong in 2008.

A connectivity framework is composed of (1) infrastructure connectivity; (2); institution connectivity; (3) people connectivity and (4) trade & investment connectivity.

Figure 6 shows how these four components combine to determine the connectivity between each part of the framework. The higher the level of connectivity, the higher the level of economic integration as the sum of these 4 dimensions determines overall integration.

**Figure 6: Connectivity Framework**



*Source:* The authors.

## **7. THAI-INDIA CONNECTIVITY**

### **7-1. Background**

It is only natural that two countries that have long history and rich cultural heritages would have established linkages dating back centuries ago; this is certainly the case with India and Thailand. More importantly, the two countries have not only maintained these age-old links but also translated them into a strong and prolific partnership on the global stage across a wide variety of policy matters.

The links between India and Thailand can be traced back to almost 2,000 years, when under the orders of King Asoka of India, Buddhist pilgrims travelled to Suvarnabhumi, the golden land, of which Thailand was a part, to disseminate the teachings of the Buddha. Since then Thailand and India have developed a deep and abiding connection, which reflects, even after all these years, in their cultural, religious and linguistic similarities.

One of the strongest links between the two countries is that forged by Buddhism. Nearly 95% of Thailand's population aligns itself with the teachings of Theravada Buddhism. Even though the number of Buddhists in India is significantly lower, as the land where he achieved enlightenment, India leaves an indelible impression on Thailand and its people. Since the language associated with Theravada Buddhism is Pali, a Middle Indo-Aryan language, derived from dialects of Vedic Sanskrit, also known as Prakrit. By tradition, this is the language of religion in Thailand. Scriptures are recorded in Pali, and despite the fact that most Thai's do not understand Pali; it is also used in religious liturgy. Justifiably, over the years, aspects of 'high' Pali have trickled down into the vernacular, and today a number of words in Thai can be identified as having a Sanskrit or Pali root, thereby creating linguistic links between Thailand and two great cultures.

During the past twenty years or so, India and Thailand have seen their relationship blossom. The interactions between the two countries have expanded from a cultural and economic relationship to significant interactions on security, defence as well as the establishment of a free trade area.

The 1990s can be seen as the 'golden age' of intensified India-Thai relations. In 1996 Thailand initiated the 'Look West' Policy aimed at exploring new markets, energy source and new investments flows. Given Thailand's central location in Southeast Asia and its position as a regional hub, this policy serves to strengthen the region's partnership with South Asia and beyond. Thailand's 'Look West' policy is the perfect complement to India's 'Look East' policy which has been instrumental in promoting bilateral relations between the two countries as well as in strengthening India's relationship with the region in general.

One of the most recent visits was in August 2009, when Mr. Anand Sharma, Indian Union Commerce and Industry Minister was in Bangkok to sign the Free Trade Agreement (FTA) between India and ASEAN, thus opening new doors for the continued cooperation between the two countries.

## **7-2. Institutional Connectivity**

The key idea behind the current India-Thailand relationship is that of an enhanced partnership. The core policies governing Thailand relations remain Thailand's 'Look

West' policy complementing India's 'Look East' policy. An important factor of Thailand 'Look West' policy is, among other things, India's vast market of 1.1 billion. Thailand also recognised India's geo-political and economic weight in the region, as well as the extension of that weight in global affairs. The phenomenal rise of India has to be embraced and factored in the conduct of Thailand foreign policy towards India.

Thailand's bilateral diplomatic relations, cultivated over more than half a century, signify the efforts from both sides to maintain friendly relations and to enhance Thailand cooperation in the context of globalisation and a rapidly changing world. Cooperation between the two countries is multifaceted, taking into account the common interests and common challenges India and Thailand have. The long standing friendship and history of cooperation between the two countries is of great value to Thailand as stated by the Thai Ministry of Foreign Affairs.

Both countries are important regional partners linking South and Southeast Asia. They cooperate closely in the ASEAN, East Asia Summit (EAS) and BIMSTEC groupings as well as the Mekong Ganga Cooperation (MGC) and Asia Cooperation Dialogue (ACD). The implementation of the India-ASEAN Agreement on Trade in Goods from January 2010 is an important milestone of this partnership.

In working together to enhance security bilaterally and regionally, the two countries conduct annual dialogues to find ways and means to cope with security challenges, money laundering, international economic crimes, cyber-crimes, military, narcotics, terrorism, arms smuggling and illegal migratory flows. The annual dialogue enables both countries to achieve tangible progress, as is exemplified in the joint patrol of the Andaman Sea undertaken twice annually.

Furthermore, combined exercises between Thailand two armies and air forces are also carried out on a regular basis. Exchange of intelligence also greatly contributes to the strengthening of security cooperation in the region.

### **7-3. Trade, Business and Investment Connectivity**

Economic and commercial linkages form an important aspect of India's partnership with Thailand. The past few years have seen a rapid growth in this area. Bilateral trade has multiplied six times since 2000 to cross US\$ 6.6 billion in 2010. The global financial and economic crisis impacted the bilateral trade during 2009. The trade figure

for 2009 was US\$ 4.9 billion declining by 17% (Indian exports were US\$ 1.7 billion, down by 34%, while Thai exports were US\$ 3.2 billion a decline of 3.6%). However, trade data for Jan-Dec 2010 shows bilateral trade at US\$ 6.64 billion, an increase of 34 % over the corresponding figure of last year.

**Table 4: India's Trade with ASEAN Countries**  
(%share in India's export and import basket)

Countries	Export					
	1996-97	1997-98	2001-02	2006-07	2007-08	2008-09
Brunei	0.018	0.0065	0.0084	0.0066	0.0064	0.0095
Cambodia	0.0047	0.0085	0.0258	0.0413	0.0328	0.0256
Indonesia	1.7683	1.2571	1.2178	1.605	1.3254	1.3771
Lao PDR	0.0011	0.0009	0.0072	0.0019	0.0024	0.0053
Malaysia	1.5869	1.4085	1.7653	1.0322	1.5761	1.8769
Myanmar	0.135	0.1418	0.1389	0.1108	0.1138	0.1211
Philippines	0.5487	0.6863	0.5654	0.461	0.3798	0.4019
Singapore	2.9204	2.2266	2.2185	4.8028	4.5226	4.4908
Thailand	1.3358	0.9858	1.4446	1.143	1.1098	1.0376
Vietnam	0.3528	0.364	0.4978	0.7776	0.9836	0.9455
<b>Total</b>	<b>8.6717</b>	<b>7.086</b>	<b>7.8897</b>	<b>9.9822</b>	<b>10.0527</b>	<b>10.2913</b>
Countries	Import					
	1996-97	1997-98	2001-02	2006-07	2007-08	2008-09
Brunei	0.0001	0	0.0007	0.1536	0.0898	0.1369
Cambodia	0	0.0037	0.0022	0.0009	0.0011	0.0009
Indonesia	1.5257	1.7636	2.0166	2.2445	1.9184	2.2374
Lao PDR	0	0	0.0001	0.0002	0	0.0002
Malaysia	2.8194	2.8418	2.2048	2.8505	2.3882	2.3713
Myanmar	0.4528	0.54	0.7283	0.4213	0.322	0.3085
Philippines	0.042	0.0556	0.1845	0.0901	0.0814	0.0848
Singapore	2.1494	2.4154	2.5365	2.9554	3.2285	2.5146
Thailand	0.5462	0.5462	0.8229	0.9398	0.9151	0.8987
Vietnam	0.0211	0.0211	0.0368	0.0903	0.069	0.1355
<b>Total</b>	<b>8.1874</b>	<b>8.1874</b>	<b>8.5334</b>	<b>9.7466</b>	<b>9.0135</b>	<b>8.6888</b>

Source: Thai Ministry of Commerce.

Investment by Indian and Thai companies in each other's countries is growing. Indian FDI into Thailand is estimated to be around US\$ 1.5 billion since the 1970s.

Indian investment in Thailand was around US\$ 287 million in 2008 and US\$ 214 million in 2007 according to the Board of Investment of Thailand. Thailand has invested over US\$ 65 million in India (*April 2000-Dec 2009*) according to Department of Investment Policy Promotion of the Government of India. Thai Sources quote a higher figure of US\$ 800 million. The Board of Investment, Thailand received Indian investment proposals worth US\$ 50.82 million of which investments worth US\$ 46 million have been approved for January-October 2010.

The major Indian groups doing business in Thailand include: Tata group (automobiles, steel, software), Aditya Birla group (chemicals, textiles), Indo Rama group (chemicals), Ranbaxy, Dabur, Lupin (pharmaceuticals), BhartiAirtel, NIIT etc., reflecting the diverse sectors of interest.

Leading Thai companies in the fields of agro-processing, infrastructure, automotive, engineering, banking, housing and hospitality have active and growing business presence in India. Major Thai companies active in India are: C P Aquaculture (India) Ltd., Italian Thai Development Pcl., Krung Thai Bank Pcl., Charoen Pokphand (India) Private Limited, Stanley Electric Engineering India Pvt. Ltd., Thai Summit Neel Auto Pvt. Ltd., Thai Airways International Pcl., Precious Shipping (PSL) of Thailand, Preuksa Real Estate, Dusit and Amari group of hotels.

**Table 5: Doing Business 2010 Economy Rankings**

No.	Economy	Ease of Doing Business Rank		Starting a Business	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business
		2010	2009						
1	Singapore	1	1	4	2	5	1	13	2
2	Hong Kong, China	3	4	18	3	3	2	3	13
3	Thailand	12	13	55	12	88	12	24	48
4	Malaysia	23	20	88	4	24	35	59	57
5	Taiwan, China	46	61	29	73	92	33	90	11
6	China	89	83	151	93	130	44	18	65
7	Vietnam	93	92	116	172	147	74	32	127
8	Brunei	96	88	153	119	22	48	160	37
9	Indonesia	122	129	161	41	126	45	146	142
10	India	133	122	169	41	169	94	182	138
11	Philippines	144	140	162	132	135	68	118	153
12	Cambodia	145	135	173	73	58	127	141	183

Source: World Bank's Ease of Doing Business Survey, Doing Business 2010 Report.

The ASEAN-India Agreement on Trade in Goods was signed in Bangkok on 13 August 2009. Negotiations are continuing on concluding its Investments and Services sector components, as well as for a BIMSTEC FTA and an India-Thailand FTA.

An Early Harvest Scheme under the proposed India-Thailand FTA has been in place since September 2004 covering a total of 82 products. Another significant recent element has been the active promotion of trade and investment linkages between the north eastern states of India and Thailand.

#### **7-4. People Connectivity**

Based upon the already strong cultural ties between the two countries, a bilateral cultural agreement was signed in 1997 between the 2 countries. A cultural exchange programme was also initiated in 2007 to 2009, increasing the existing frequent cultural exchanges. Indian music and dance based upon the Ramayana are popular in Thailand. Bollywood serves as an incredible force of cultural association, as it has increased its presence in Thailand over the last few years.

Thailand is a favourite destination for the filming of Bollywood movies. New Delhi and Kolkata played host to a month long Festival of Thailand in 1997. Bangkok, in turn, is home to an Indian cultural centre since September 2009.

Currently, there are approximately 200,000 people of Indian origin residing in Thailand with 80% holding Thai citizenship. Most of them have made Thailand their home for many generations. They constitute a dynamic factor in broadening the friendship and deepening the understanding between the two countries. Indian businessmen also play an active role in promoting trade and investment activities in Thailand.

Thailand is an extremely popular holiday destination for Indian tourism. India is one of Thailand's fastest growing markets and the biggest source market for visitors from South Asia. In 2010, Indian visitor arrivals were upwards of 790,000 up 29% over 2009.

Thailand has a huge market for tourism and views Indian tourists as the fastest growing segment, and there are more than 140 flights to Thailand from various Indian cities. India is also looking to attract tourists from Thailand and is keen in developing Buddhist centres. The Thai tourists visit India mainly for spiritual tourism.

**Table 6: Number of tourism visiting**

Year	No. of visitors from India arriving in Thailand	No. of visitors from Thailand arriving in India
2007	506,237	51,562
2008	536,973	56,718
2009	614,566	67,305
2010	790,000	74,053

*Source:* Tourism Authority of Thailand and Ministry of Tourism and Sports.

### **7-5. Infrastructure Connectivity**

Thai infrastructure companies have been working on various infrastructure projects in India like the Kolkata airport and parts of Delhi metro. India and Thailand share maritime boundaries and both sides face common challenges of piracy, terrorism and smuggling. The two nations are already conducting joint and coordinated patrols on the north of Bay of Bengal up to Straits of Malacca.

The India – Myanmar – Thailand trilateral highway under the Mekong Ganga Cooperation (MGC) is another important link initiated in 2005. The 1,360 km Trilateral Highway with the cost of US\$ 700 million runs from Moreh in India to Maw Sot in Thailand through Bagan in Myanmar. On the other hand, the Diphu – Karong – Imphal – Moreh railway track in India is an example of the Indian initiatives to develop internal transport infrastructure. There are other projects on the pipeline including construction / up gradation of Rhi – Tidim and Rhi –Falam road sections in Myanmar. A deep seaport at Dawei, in Myanmar's southern tip, and the Dawei - Kanchanaburi road that will branch off from the highway would be part of the trilateral highway project (IBEF, 2004). Schemes such as project specific credit lines for the upgrade of Yangon – Mandalay Trunk line, India-sponsored optical fibre link between Moreh and Mandalay are on the way (MEA, GOI, 2004).

India's infrastructural initiatives with ASEAN neighbours actually provide a strong development impetus to the land-locked northeast region of India. The chicken's neck or the Siliguri corridor is a narrow stretch of land, which connects mainland to the northeast of India. This distance is over 1,600 km which is not just long but infested with geological perils and security threats. The development deficit in the Northeast India can be reduced by integrating the Northeast with ASEAN to reduce development

gaps and support the enhanced prosperity of the entire region (Aiyar, 2007). Over the years, there has been deliberate effort by the Indian Government's to project the Northeast region as the bridge to Southeast Asia (Karthikeyan, 2009). India's infrastructure ties with ASEAN through the northeast can be drawn parallel with China's attempt to link Xinjiang province to the neighbouring Central Asia (Clarke, 2008). Similar is the case of Yunnan province, where China has turned the once impoverished landlocked region, into a gateway to the Greater Mekong Sub-region (Nanfan Daily, 2010).

#### **7-6. The Future of Thai-India Connectivity: The Case of Dawei**

The strong partnership between Thailand and India has made remarkable progress in the past decades and has continued to flourish in all areas and at all levels. Thailand is committed to maintaining the momentum in terms of strengthening and deepening cooperation with India, especially as regards security and economic affairs. At the same time, both partners should make the most out of the full potential of Thailand-India partnership, in particular with regard to trade and investment. With the signing of the FTA, bilateral trade will increase significantly, and new infrastructure will be needed to facilitate connectivity linkages between the 2 countries. The case of Dawei port in Myanmar is an example in the development of a critical node that will accelerate connectivity between the 2 countries.

The Dawei Deep Sea Port and Special Economic Zone is an ambitious proposed project for the development of a major sea port and a major industrial zone including coal-fired power station on a 250-square-kilometre site near the city of Dawei in Myanmar. In May 2008, a Memorandum of Understanding was signed between the government of Thailand and Myanmar for the development of the Dawei deep seaport and road link to Bangkok (Thai Ministry of Transport, 2008) but the development was slow from an institutional perspective.

Nevertheless, in November 2010 Italian-Thai Development (ITD) announced that on November 2, it had signed a framework agreement with the Myanmar Port Authority, Ministry of Transport of the Union of Myanmar to develop the Dawei Deep Sea Port, Industrial Estate and Road Link to Thailand. In a one-page summary translation of the agreement Italian-Thai Development stated that ITD was granted a

Build Operate and Transfer (BOT) concession to develop the following projects in Dawei, in the Union of Myanmar:

- 1) A deep seaport.
- 2) An industrial estate and heavy industries such as a steel mill, fertilizer plant, power plant and other utility services.
- 3) A cross-border road, rail and pipeline link from the Designated Area in Dawei District to Thailand at Pu Nam Ron, Kanchanaburi Province.
- 4) Township for residential and commercial development and a tourism, resort and recreation complex.

ITD is authorised to invite suitable potential partners to invest in each activity accordingly. The company further disclosed that the agreement was for 60 years plus an extension period as agreed upon development phases in the project subject to each detailed project development plan. To implement the project successfully and without delay, ITD has to first construct a cross-border road from Dawei District, the Union of Myanmar, to Thailand at Pu Nam Ron, Kanchanaburi Province, and will then invite suitable partners for the development of the deep sea port. The cross-border road link development and deep sea port will be in phases, with the full phase investment to cost of approximately USD 2 Billion (ITD, 2011).

If successful, this development project will become a logistic and trading hub for the region. It will link the trading routes and international logistics between the countries in Southeast Asia and South China Sea, via the Andaman Sea, to the Indian Ocean. This new gateway will be able to service sea transport of goods to and from countries in the Middle East, Europe and Africa; thus saving tremendous transportation cost and time. This Project will undoubtedly increase trade, investment and economic growth of Thailand, the Union of Myanmar and the entire region as a whole.

The Dawei Deep Seaport and Industrial Estate project and the road/rail links to Thailand will be the first-ever special economic zone in Myanmar. The Dawei Deep Seaport and Industrial Estate is expected to cover an area of 250 square kilometres or 61,775 acres. The project will require spacious land to avert industrial congestion and environmental problems. It will also need to cater for future expansion (Zaw and Kudo, 2011).

The details of the development project areas follow:

Phase 1: January 1, 2011-December 31, 2015

- ▶ Deep Seaport Phase#1 (South port) with full scale of facilities;
- ▶ One stop service and township;
- ▶ Main Road Network in complex;
- ▶ Standard Public Utility in Industrial Estate. (reservoir, coal-fired power plant, drainage system, water supply system and wastewater treatment system) ;
- ▶ 4 lanes road from Dawei to Thailand's border.

Phase 2: January 1, 2013-December 31, 2018

- ▶ Extended 4 to 8 lanes road from Dawei to Thailand's border;
- ▶ Additional Public Utility;
- ▶ Shopping Centre and Government Complex.

Phase 3: January 1, 2016-December 31, 2020

- ▶ Deep Seaport Phase#2 (North port) with full scale of facilities;
- ▶ Full scale of Road Network in complex;
- ▶ Standard Gauge Railway from the project to Thailand, which will be connected with the high-speed freight train in Thailand (China's budget) ;
- ▶ High Voltage Line System from the power plant in Industrial Estate to Thailand;
- ▶ Petroleum and Gas Transmission Pipeline from the Project Site to Thailand.

Dawei deep seaport is expected to help support Thai policy in building a new deep-sea port in the western region to enhance the country's logistic competitiveness. The Dawei development project is situated in Burma and includes a land route linking Kanchanaburi and Dawei to facilitate cross-border transportation. If the Dawei development project is completed, it could become an effective link within the ASEAN countries according to the Master Plan on ASEAN Connectivity to help increase linkages to many destinations located in the west of Thailand, such as India and countries in South Asia, Europe and the Middle East, due to lower time and shorter

distance needed for sea freight. In addition, Dawei port will help enhance opportunities for investment in Thailand's western region and help boost economic growth which will generate higher income for both individual and business in that region and the vicinity.

However, there are risks toward the Dawei development project that should be monitored, such as sources of capital and the fact that it is a long-term project that may be vulnerable to future economic and political instability. Aside from its ability to attract more users over existing ports, other factors that should be considered are the development of infrastructure, water transport systems in Myanmar and cross-border transportation between Thailand and Myanmar that is now subject to limitations.

Other concerns toward this project include political risks there, especially the political situation in Myanmar and Thailand, as well as the overall diplomatic and trade relationship between Burma and other countries. The attitude of other nations toward those who will invest in Dawei development project as this could affect their business and the acceptance on their exports, particularly if their exports are not in line with trade regulations of Thai's trade partners. The opinions of foreign investors toward the project may have an influence on its progress.

Last but not the least the Dawei development project is expected to affect progress on other industrial development projects on the Andaman side of Thailand and the Thai logistic network in the future. As a result, all relevant parties should consider all positive and negative factors as well as short-term and long-term impacts carefully (Kasikorn Research Centre, 2010).

## **8. SUMMARY**

Thailand places strong importance on its relationship with India. As observed, trade and investment between the two countries are on the increase even though the Thai-India FTA is not working properly. This is coupled with the increase in the number of visitors from both countries.

Thailand has a clearly defined strategy to enhance its connectivity with India even though infrastructure links are still limited. Thailand is currently at the crossroads as from a Thai perspective the “official” priority is on the development of Pak Bara port on the Andaman Sea while a Thai private company has obtained a concession to develop Dawei port in Myanmar to act as a gateway with India, the Middle East and Europe.

From a national security perspective, it is preferable for Thailand to focus its infrastructure development on Pak Bara as the location is in the country and not subject to external factors. However, if a regional perspective is taken, the option to develop Dawei port seems to be more interesting as it offers a shorter access route to the Andaman Sea for businesses located in Thailand Eastern seaboard.

Since the development of Dawei is subject to private investment, it is possible to have both ports developed. Potential port competition on the Andaman may provide the impetus for enhanced logistics services that will support trade and investment connectivity along the Mekong-India Economic Corridor.

However, it remains to be seen if the Thai concessionaire will be able to raise enough funds to pursue the very ambitious Dawei port development project. Infrastructure connectivity within Thailand and up to the border with Myanmar is not an issue. The challenge is more in the infrastructure connectivity from the border to Dawei.

**APPENDIX. ONGOING AND PROSPECTIVE INFRASTRUCTURE PROJECTS  
FOR ASEAN-INDIA CONNECTIVITY: THAILAND**

Tier	Type	Sector	Sub-Sector	Project Name	Cost (US\$ mil)	Status
1	Public	Logistics	Railway	Bridge enhancement	406.7	Ongoing
1	Public	Logistics	Port / Maritime	Container yard construction at Laem Chabang Port	67.2	Ongoing
1	Public	Logistics	Airport	Development of 2nd Suwannabhumi Airport	2,089.0	Ongoing
1	Public	Logistics	Railway	Development of colour traffic light	379.6	Ongoing
1	Public	Logistics	Railway	Development of Kaengkhoi locomotive depot	33.4	Ongoing
1	Public	Logistics	Port / Maritime	Development of Laem Chabang Port, A0	59.5	Ongoing
1	Public	Logistics	Railway	Development of Sriracha and Ladkrabang locomotive depot	12.0	Ongoing
1	Public	Logistics	Airport	Development on Phuket Airport	192.6	Ongoing
1	Public	Logistics	Railway	Double-track construction (Jira-Khon Kaen)	434.8	Ongoing
1	Public	Logistics	Railway	Double-track construction (Lopburi-Pak Numpo)	262.7	Ongoing
1	Public	Logistics	Railway	Double-track construction (Mab Kabao-Jira)	437.1	Ongoing
1	Public	Logistics	Railway	Double-track construction (Nakonprathom-Nong Pladuk-Hua Hin)	554.8	Ongoing
1	Public	Logistics	Railway	Double-track construction (Prachubkirikhan-Chumporn)	568.2	Ongoing
1	Public	Logistics	Railway	Double-track construction on east coast (Chachoengsao-Klong 19-Kaengkhoi)	379.3	Ongoing
1	Public	Logistics	Railway	Double-track construction on east coast (Chachoengsao-Sriracha-Leam Chabang)	9.8	Ongoing
1	Public	Logistics	Port / Maritime	Dredging groove (coastal area)	91.9	Ongoing
1	Public	Logistics	Port / Maritime	Dredging groove (inland waterway)	50.9	Ongoing
1	Public	Logistics	Railway	Inland container depot, phase 2	202.7	Ongoing
1	Public	Logistics	Energy / Power	Management of 13 electric locomotive	71.7	Ongoing
1	Public	Logistics	Energy / Power	Management of 50 old GE Diesel Locomotive with Electric Locomotive	220.1	Ongoing
1	Public	Logistics	Railway	Railway enhancement, phase 5	284.3	Ongoing
1	Public	Logistics	Railway	Railway enhancement, phase 6	226.5	Ongoing
1	Public	Logistics	Energy / Power	Refurbish 56 diesel locomotive	112.3	Ongoing
1	Public	Logistics	Telecommunication	Telecommunication network installation	73.5	Ongoing
1	Public	Logistics	Port / Maritime	Development of Chumporn Port	77.5	Prospective
1	Public	Logistics	Railway	Development of container yard	6.7	Prospective
1	Public	Logistics	Port / Maritime	Development of Kantan Port, Trang	22.3	Prospective
1	Public	Logistics	Port / Maritime	Development of Laem Chabang Port, Basin3	1,002.7	Prospective
1	Public	Logistics	Port / Maritime	Development of Thai Gulf-Andaman landbridge	1,671.1	Prospective
1	Public	Logistics	Railway	Double-track construction, phase 2 (Chumporn-Surattani)	568.2	Prospective
1	Public	Logistics	Railway	Double-track construction, phase 2 (Hua Hin-Chumporn)	304.1	Prospective
1	Public	Logistics	Railway	Double-track construction, phase 2 (Kaengkhoi-BuaYai)	962.6	Prospective

Tier	Type	Sector	Sub-Sector	Project Name	Cost (US\$ mil)	Status
1	Public	Logistics	Railway	Double-track construction, phase 2 (Pak Numpo-Tapanhin)	250.7	Prospective
1	Public	Logistics	Port / Maritime	Port Transport Management Center in 2nd Chaingsan Port	4.9	Prospective
2	Public	Logistics	Road / Bridge	Development for 4-lane highway, phase 2	3,096.9	Ongoing
2	Public	Logistics	Port / Maritime	Development of 2nd Chaingsan Port, Chaingrai	26.9	Ongoing
2	Public	Logistics	Port / Maritime	Development of Ayutthaya waterway depot	7.4	Ongoing
2	Public	Logistics	Port / Maritime	Development of Klong Yai Port, Trat	43.3	Ongoing
2	Public	Logistics	Airport	Enhancement of runway strip and runway end safety area in Surattani Airport	6.0	Ongoing
2	Public	Logistics	Airport	Enhancement of runway strip in Naratiwas Airport	7.1	Ongoing
2	Public	Logistics	Road / Bridge	Highway development	91.5	Ongoing
2	Public	Logistics	Road / Bridge	Highway development for supporting multi-modal transportation	168.4	Ongoing
2	Public	Logistics	Road / Bridge	Highway enhancement	75.8	Ongoing
2	Public	Logistics	Road / Bridge	Inter-city motorway	10,588.2	Ongoing
2	Public	Logistics	Airport	Krabi Airport Terminal enhancement (1)	3.5	Ongoing
2	Public	Logistics	Airport	Krabi Airport Terminal enhancement (2)	2.6	Ongoing
2	Public	Logistics	Road / Bridge	Mekong landbridge in Nakorn Panom	38.3	Ongoing
2	Public	Logistics	Road / Bridge	Mekong River bridge in Chaingkong, Chaingrai	22.6	Ongoing
2	Public	Logistics	Airport	Nakonsrithammarat Airport Terminal enhancement	6.0	Ongoing
2	Public	Logistics	Road / Bridge	Road standard enhancement	1,319.4	Ongoing
2	Public	Logistics	Road / Bridge	Rural highway network for transport linkage	1,443.9	Ongoing
2	Public	Logistics	Port / Maritime	Development of 2nd Songkhla Port, phase 1	192.4	Prospective
2	Public	Logistics	Port / Maritime	Development of Anghong waterway depot	8.5	Prospective
2	Public	Logistics	Port / Maritime	Development of Pakbara Port, Satul	415.6	Prospective
2	Public	Logistics	Road / Bridge	Truck terminal at transportation hub province and border province Phase 1 (Chaingmai, Songkhla, Nongkai, Ubonrachatani, Chaingrai, Tak)	105.8	Prospective
2	Public	Logistics	Road / Bridge	Truck terminal at transportation hub province and border province Phase 2 (Mukdahan, Sakeaw, Surattani, Nakornrachasima, Khonkaen, Nakonsawan)	116.3	Prospective

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