

India's Trade Relation With ASEAN Countries: Recent Trends And Prospects

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ABSTRACT

During the pre-British period, India's foreign trades with different countries were wonderful. India was quite famous for her exporting goods specially textile handicrafts. However, that bright image, somehow, was erased during the British rule for dual exploitation of economic resources, as already explained by Dadabhai Naoroji (The Drain Theory). In the post-independence era also, India, could export her agricultural and agro based products to most of the western countries. In the recent trend, ie, after economic reforms, when a new trade policy has been prescribed and implemented by Narsimha Rao's government, the trade direction altered from west to East. That revolutionary policy was the Look East policy, which was implemented for making the base of foreign relationship with the eastern countries like Myanmar, Thailand, Cambodia Vietnam etc. Though the outlook of that policy was to strengthening the economic relation with these countries, yet some internal causes were also come to light that was to break the vicious chain of China that has been constructing along the boundary countries of India. It is worth mentioning that the look east policy became the Act East policy in 2014 by Present Prime Minister of India, Shree Narendra Modi that extend the view of the look east policy to economic as well as cultural unite with the eastern countries.

In this paper, the recent trend of India's trade with the ASEAN member countries and the prospects of building greater trading relation are highlighted.

Keywords: Look-East, Policy, ASEAN, Trade.

INTRODUCTION

India, since ancient and medieval time onwards, has been famous for its adequate natural resources that attracts many merchants. After the first voyage of Vasco-da-Gama (1497-1499), the Asian

countries, especially India, has been linked with Europe by an ocean route. And after that, even after colonism of British in India, India's trade relation has been successively growing and this direction of foreign trade of India had been in prior till the date of approving the Look East Policy (LEP). However, as the look east policy has been introduced and came into practice, the direction of trade has been altered. A relative soft-corner has been seemed for the eastern countries like Bangladesh, Myanmar, Thailand, Vietnam, Malaysia, Cambodia, Vietnam, Laos as per trade relation is concerned to India. However, eastern countries Japan, Australia has been retained their trade relation comparatively strong with India since independence onwards.

The Association of Southeast Asian Nations (ASEAN) is a regional intergovernmental organization comprising ten Southeast Asian countries, which promotes intergovernmental cooperation and facilitates economic, political security military, education and sociocultural integration among its members and other Asian countries. The Member countries of ASEAN are Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines Singapore, Thailand and Vietnam.

Objectives of the Paper

This paper has a humble attempt to find out-

- (i) The recent trend of India's trade (export and import) with the ASEAN.
- (ii) Major traded product of India and ASEAN countries.
- (iii) Investment flows between India and ASEAN.

Methodology

As per methodology is concerned, secondary data are used for analysis. And for this, mainly internet is kept as assistance. However, a number of books are also followed for this purpose. Again for reference, a newspaper (Especially, Assam Tribune) and some other reference books are also followed. Again, For discussion and analysis purpose, descriptive method, with necessary diagrams and table has been utilized.

Discussion and Analysis :

A brief History and Current economic status of ASEAN

ASEAN was preceded by an organization formed on 31st July, 1961, called the Association of Southeast Asia (ASA), of which member countries were Philippines, Federation of Malaya and Thailand. ASEAN was created on 8 august, 1967 with five member countries Indonesia, Philippines, Malaysia, Singapore and Thailand. Then, Brunei joined ASEAN in 1984 as the 6th member; after that Vietnam in 1995, Laos and Myanmar in 1997, and Cambodia in 1999.

The primary aims and objectives of ASEAN are-

- i) To accelerate economic growth, social progress, and cultural development in the region.
- ii) To promote regional peace, collaboration and mutual assistance on matters of common interest.
- iii) To provide assistance to each other in the form of training and research facilities.
- iv) To collaborate for better utilization of resources to make sure of faster growth in agriculture and industry in this bloc.
- v) To raise the standard of living of the people of this region.
- vi) To promote Southeast Asian studies for better cooperation.

ASEAN is a fast expanding trade bloc in Asia with a growing economic clout. With a combined population of 651 million, ASEAN's aggregate Economic size surpasses US\$ 3.0 trillion. The growing intra-Asia trade and growing inflows of investment glister the bloc's economy with wonderful GDP growth. In the last decade, intra-Asia trade has tripled the value, rising more rapidly than either extra-Asia trade, which has doubled in value ASEAN comprising 10 nations, if treated as a single entity, would ranked as the third largest economy, in Asia and seventh largest in the world. The activity of ASEAN, as a union of 10 countries having different cultural background and socio-economic practices, really impressive.

India's relation with ASEAN

India became a sectoral dialogue partner of ASEAN in 1992, gradually became full dialogue partner in December,1995 and Summit Level partner in 2002. Currently, there are 30 dialogue mechanisms between India and ASEAN, including an annual Summit and seven ministerial dialogues. This relation is upgraded up to Strategic partnership in 2012. The year 2017 has marked 25th year of dialogue partnership and 15th year of summit level partnership between ASEAN and India. Over the years, India and ASEAN have been cooperating with each other by implementing various projects in the field of agriculture, environment and climate change, science and technology, human resource development, tourism etc. At the 9th Delhi Dialogue with ASEAN, India's foreign minister Sushma Swaraj describe the future of India-ASEAN cooperation in terms of three C's- Commerce, Connectivity and Culture.

Various programs and projects totaling over US \$ 48 million have been proposed since September 2011 till date to ASEAN which are under processing. Some of them are as follows-

- Space project envisaging establishment of a tracking, data reception or processing station in HO Chi Minh city, Vietnam.
- Up-gradation of telemetry tracking and command station in Biak, Indonesia.
- Setting up of centres of excellence in software development and training in CLMV countries.

- E-network for provision of tele-medicine and tele-education in CLMV countries, quick impact projects in CLMV etc.

Again, through various agreements, India and ASEAN countries have been attached since recent years. Some of them are-

- ASEAN-India Comprehensive Economic Cooperation Agreement
- Trade in Goods Agreement
- Trade in Services & Investment Agreement
- Regional Comprehensive Economic Partnership Agreement
- Mekong-Ganga Cooperation
- India's Act East Policy

India's trade with ASEAN countries (overall) in the recent years are presented through the following table.

Table 1 : India-ASEAN Merchandise Trade (U.S.\$ Billion)

Year	India's export to ASEAN	Share in India's total export	India's import from ASEAN	Share in India's total import	Balance of Trade	Total Trade
2005-06	10.41	10.10	10.88	7.3	-0.47	21.29
2006-07	12.61	10.0	18.11	9.7	-5.50	30.72
2007-08	16.41	10.1	22.67	9.0	-6.26	39.08
2008-09	19.14	10.3	26.20	8.6	-7.06	45.34
2009-10	18.11	10.1	25.80	8.9	-7.69	43.91
2010-11	25.63	10.3	30.61	8.3	-4.98	56.24
2011-12	36.74	12.0	42.16	8.6	-5.42	78.9
2012-13	33.00	11.0	42.87	8.7	-9.87	75.87
2013-14	33.13	10.5	41.28	9.2	-8.15	74.41
2014-15	31.81	10.2	44.71	10.0	-12.90	76.52
2015-16	25.20	9.6	39.84	10.5	-14.64	65.04
2016-17	30.96	11.22	40.62	10.56	-9.66	71.58
2017-18 (april-October)	18.13	10.88	26.59	10.32	-8.46	44.72

Source : Import Export Data Bank, Government of India, Department of Commerce.

<http://www.commerce.nic.in/eidb/default.asp>

From the table above it is seen that Indo-ASEAN trade is improving quantitatively. From 2005-06 to 2016-17 its trading volume increased by about three times. Both import and export increases and become double as of 2005-06. However, the implementation of Act-east policy

cannot print deep impact in their trade. 2011-12 can be marked as the highest traded year between India and ASEAN (US \$ 78.9 Billion).

The balance of trade situation is also unsatisfactory for India. It gets its bottom point in the year 2015-16. From the perspective of Indian trade, if an outlook is made on the percentage share of India's export and import, it is clear that in spite of being practiced of various projects between India and ASEAN, India's export percentage to ASEAN as compared to the rest of the world has not been increased, but consistent around 10-11%. Import, however, increasing year by year, but at a retarding rate.

India's traded product with ASEAN Countries

Petroleum oil and meat product records about 15 and 10.5 percent of India's export to ASEAN countries. Transport equipment occupies third space with 8.5 percent of India's export to ASEAN. On the contrast, Palm oil records the highest share (14.5%) in India's import from ASEAN. However, Coal also dominating products of India's import from ASEAN that left behind other products with 12.2% share in total import from ASEAN.

The major products of India's export to and import from each ASEAN countries are listed below.

<u>Country</u>	<u>Major Export Product</u>	<u>Major Import Products</u>
1) Brunei	Transport Vehicles	Mineral fuels
2) Cambodia	Pharmaceutical Products	Wood and wooden articles
3) Indonesia	Organic Chemical	Mineral fuels
4) Lao PDR	Electrical Machinery and Equipment.	Pearls, Precious or Semi-precious stones.
5) Malaysia	Mineral fuels, mineral oils and Of their distillation.	Animal or vegetable fats.
6) Myanmar	Sugar and Sugar Confectionary	Electrical machinery and Equipment.
7) Philippines	Machinery & mechanical Appliances	Electrical machinery and equipment
8) Thailand	Pearls, precious and semi-precious Stones and metals.	Machinery and mechanical Appliances.
9) Singapore	Mineral fuels	Electrical machinery, Appliances.
10) Vietnam	Meat and Edible meat	Electrical machinery and Equipment.

Source: Import Export Data Bank, Government of India, Department of Commerce.

The most growing export product of India to ASEAN countries recorded by Aircraft and Parts with 44% CAGR preceding which Sugar recorded a 36.3% CAGR from 2005-06 to 2015-16.

On the contrary, petroleum products import from ASEAN countries recorded 77.6% CAGR while Pharmaceutical products is stand at second position of import growth with 39.1% CAGR from 2005-06 to 2015-16.

ASEAN-India Bilateral Investment: Recent Trends

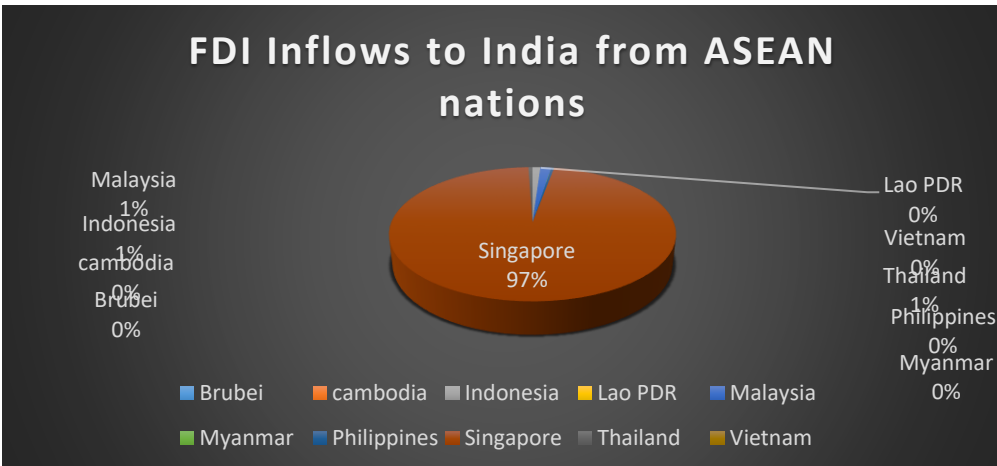
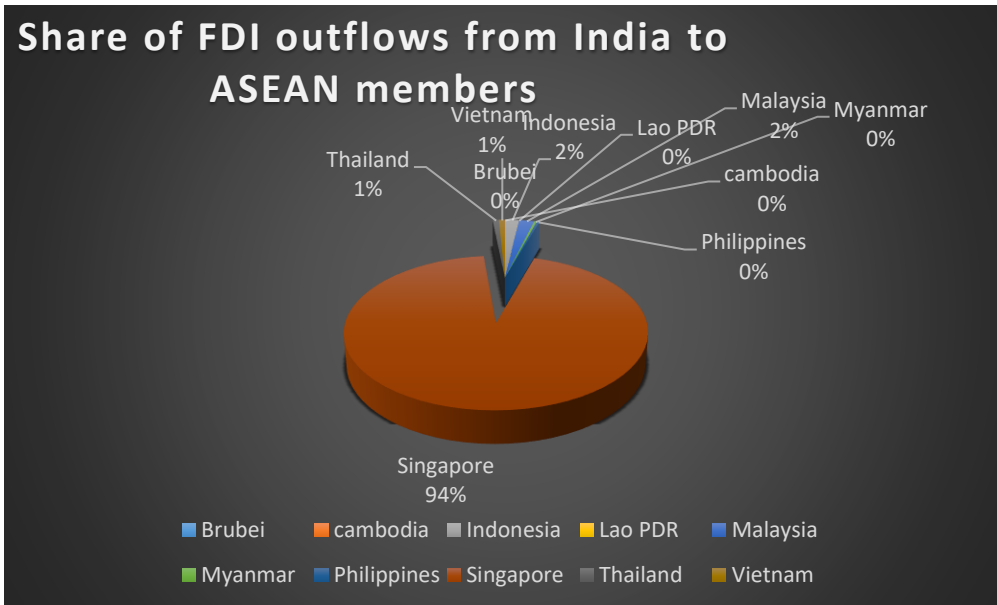
Looking back to past two decades, India was inevitably in a very thin relation with ASEAN as concerned to investment inflows and outflows from and to India and ASEAN. The share of ASEAN in India's total approved FDI inflows increased many times from 1996 to 2016 (2% to 17.4%). Again ASEAN share in India's FDI outflows increases from 0.16% in 1996 to 22.9% in 2016.

Table 2 :India's bilateral FDI flows with ASEAN

Countries	FDI outflows from India US \$ million (April 1996 to March 2017)	FDI inflows to India US \$ million (April 2000 to June 2017)
Brunei	2.3	0.18
Cambodia	27.9	0.05
Indonesia	1,220.5	626.88
Lao PDR	16.1	0
Malaysia	1383.4	859.12
Myanmar	230.6	8.97
Philippines	249.5	225.28
Singapore	65783.6	57,600.41
Thailand	570.6	324.69
Vietnam	529.2	4.76
ASEAN total	70,013	59,650.34

Source : Reserve Bank of India, Dept. of Commerce, Govt. of India

India-ASEAN investment relation is not satisfactory at all if Singapore is excluded. Unlike other members of ASEAN, Singapore is trying to brighten the relation so as to concern the last two decades. Both inflows and outflows of investment of Singapore and India carrying a weightage over the Indo-ASEAN investment relation. However, Malaysia and Indonesia have also follows a significant effect in both investment inflows and outflows from and to India.



From the above two diagrams, it is again clear that Singapore retains its investment relation strong with India, while other ASEAN countries have about a nil relation in this concern.

Major Findings :

India and ASEAN nations are connected now by many projects and programs. However, this growing relation is very recent. And therefore, the fruitfulness has not been gained yet by either parties.

- 1) Trade relation between India and ASEAN have continued to improve showing about three fold increment (from 21.29 US billion \$ to 71.58 US billion \$) in merchandise trade. In 2016, India was the 11th largest nation to retain trade relation with ASEAN.
- 2) As per concern India’s major traded commodity with ASEAN, Petroleum oil records highest position with about 15%, while meat products records 2nd position with about

- 10.5 percent of India's export to ASEAN countries. On the contrast, Palm oil records the highest share (14.5%) in India's import from ASEAN
- 3) Reflecting the investment relation of India and ASEAN, India has the highest and foremost relation with Singapore from last decade of 20th century onwards. However, Malaysia and Indonesia, in recent time, showing an improvement in their investment relation with India.

Conclusion:

ASEAN economic potential is undoubtedly impressive. ASEAN as one entity, occupies as the 3rd largest economy in Asia and 7th largest in the World. India's relation with ASEAN is improving continuously. Indo-ASEAN growing trade is accompanied by a rising trade deficit. Under ASEAN Free Trade Agreement (AFTA) entered into force on January 1, 2010, tariffs on over about 4,000 product lines are eliminated. Though the Indo-ASEAN trade and investment relation was not on focused in 20th century, but after Act-East policy was introduced and implemented, the study and analysis has been prior as it will be beneficial for the policy makers of foreign trade. Indo-ASEAN trade with ASEAN-India Comprehensive Economic Cooperation Agreement, Trade in Goods Agreement, Trade in Services & Investment Agreement, Regional Comprehensive Economic Partnership Agreement, Mekong Ganga cooperation, Look-East policy etc. are expected to be improve more in near future so that both the bloc can enjoy economic, social, security benefits with diverse culture.

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