



IMPACT OF TRADE BETWEEN



INDIA AND ASEAN COUNTRIES

ON GROWTH AND DEVELOPMENT

SUBMITTED BY

GAURANSHI MISHRA (Roll no. 1392)

DEEPASHA MISHRA (Roll no. 1210)

SUPERVISED BY

Ms. RICHIKA RANA

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ABSTRACT

Global –localization is a development by which regional economies, societies and cultures incorporated through a global network of International Trade, Transportation and Investments between countries. In this paper we are probably going to provide a view of trade between INDIA and ASEAN countries (10 Southeast Asian Countries: Brunei, Singapore, Thailand, -Laos, Cambodia, Indonesia, Malaysia, Philippines, Myanmar and Vietnam). The Association of South East Asian Nations [ASEAN] is an important trading partner for India. India and ASEAN countries have a good history of trade and international cooperation. Both have tried hard to expand and progress their international ties. Through its Act East Policy, India seeks deeper economic integration with ASEAN. The Indian-ASEAN free trade agreement (India-ASEAN FTA) has been major step in direction of enriching and intensifying cross border trade. After years of deliberation and efforts, the agreement became functional in the year 2010 and since then, the international trade agreement between India and ASEAN has become more significant for each and every related to it, than it ever was. In this article we tried to investigate the pattern and potential of trade between India and ASEAN. Our study include the results related to comparative advantage in trade services, focus on the cooperation in the transportation sector in the context of two, opportunities created in the name of providing employment and also try to provide glimpse of sectors in which India can do better and give good competition in trade but is not because of distortionary domestic policies of country. But keeping this all aside India still offers a bigger market to do business and increase trade with ASEAN. Currently during Covid-19 India supplied lowest cost chemicals and affordable pharmaceutical products to fight together against crisis like situation. At last we will try to analyze the challenges and focus on recommendation to overcome those challenges.

KEYWORDS: Globalization, International Trade, Free Trade, International cooperation, Act East Policy.

1. Historical Background

India's trade relationship with Southeast Asia has numerous components. The trade between India's coastal kingdoms Orissa and Southern India and Southeast Asia such as Thailand, Malaysia and Cambodia are well documented. During the Vietnam conflict, India supported North Vietnam due to its strong opposition at that time to the United States, While during Cold War period India's ties with Southeast Asia, given closeness to the Soviet Union. India also had reasonable ties with

Malaysia and was amongst the first countries to grant diplomatic and strategically important status to Singapore in 1965. Additionally, Buddhism and Hinduism both religions maintain a strong presence in Southeast Asia, with epics like the Mahabharata and Ramayana being part of the ethos of the Southeast Asia.

If we look at [ASEAN](#) so we could find that it was established on 8th August 1967, with just 5 members (Indonesia, Malaysia, Philippines, Thailand and Singapore) in Bangkok Thailand with motto of **“One Vision, One Identity, One Community”** to create a common front against the spread of communism and promote political, social and economic stability amid rising tension in the Asia- Pacific region during that decade.

2. INTRODUCTION

“India-ASEAN partnership may be just 25 years old. But, India’s ties with Southeast Asia stretch back more than two millennia.”- Mr. Narendra Modi (Prime Minister of India)

As India progressed towards a more open and liberal trade-investment regime in the early 1990s, its interest in engaging with its Eastern and South-Eastern neighbours deepened and in present **ASEAN is being India’s fourth trading partner**. Since the annual trade between India and ASEAN stood at approximately \$86 billion of U.S. dollar in fiscal year 2020.

After independence, during Nehru era various efforts were made by the country to build closer partnership with the Southeast Asian countries but however all the efforts failed to reinforce the economic, political or strategic partnership between India and ASEAN and reason was mainly the dominance of China born communities in many Southeast Asian countries. But the launch of **India’s “Look East Policy” in 1992**, by the India’s Prime Minister during that time, PV Narasimha Rao, along with then Finance Minister Dr. Manmohan Singh, which was later rechristened the **“Act East Policy”** and was a watershed event, this policy represents India’s efforts to cultivate economic and strategic relations with Asia.

In the same year, India also became a dialogue partner with ASEAN. Rao’s main aim was to integrate India’s economy with a region with which India had historical and cultural links. It was with this in mind, that channels were also opened with Myanmar’s dictatorship in the mid-1990. The Indian policymakers had long ago realized the importance of the ASEAN region. The Act East Policy was a push in right direction, focused on the strengthening relations through greater economic and cultural exchanges. These all points examine how economic relations between India and ASEAN, especially in the areas of trade and investment changed over time. Although India and ASEAN share a dynamic relationship that goes well beyond economies, that is of the easy movement of goods, services and generating employment through trade and investment. It is thus necessary to review the value-chain integration between them, which enables greater economic cooperation given adequate connectivity links. There are also few challenges in transportation

sector connectivity and trade barriers and other complications in trade that need immediate consideration by policymakers.

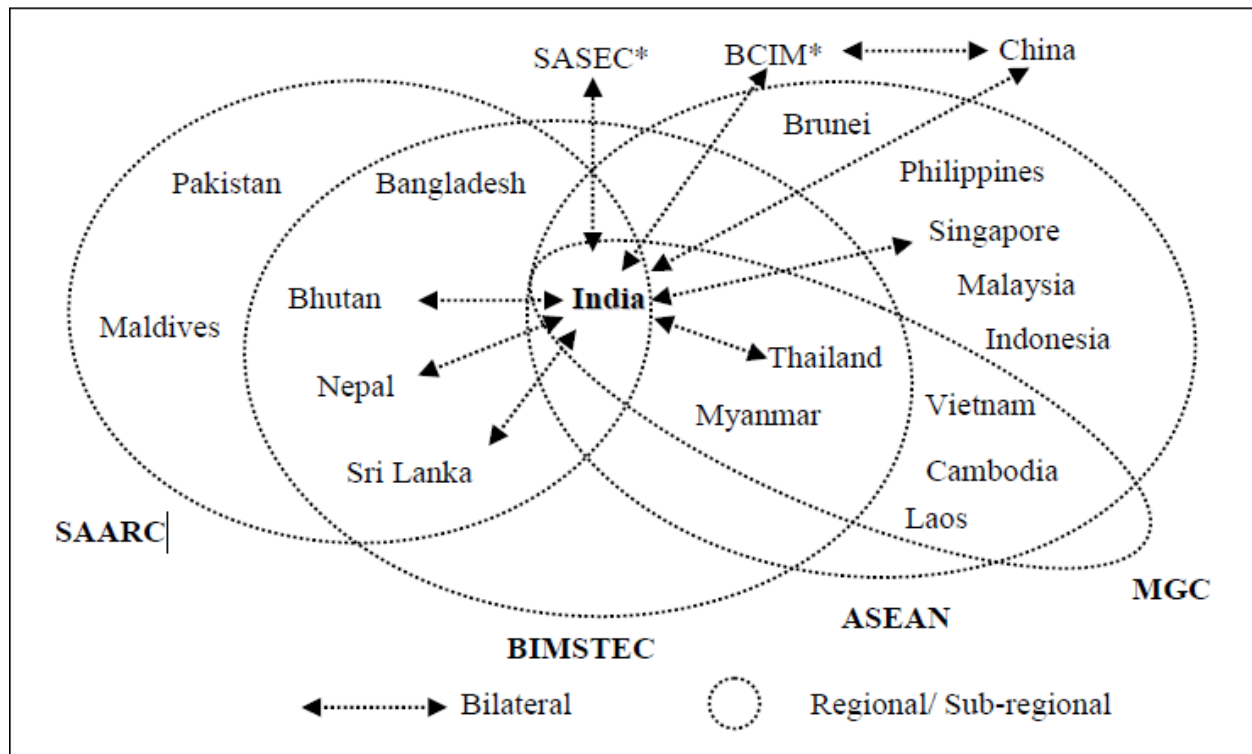


Figure1: India's Economic Engagement with her Eastern Neighbours

*Source-Rajat Tyagi, Anchal Bansal, Varun Kaul, Debdeep De, Information Technology and Quantitative Management (ITQM2017).

India-ASEAN relations has evolved over time, with India graduating from the Southeast Asian grouping's Sectoral of Dialogue Partner in 1992 to the Summit level Partner in 2002. Since then, both sides have been actively engaged in fostering economic, security, political and cultural cooperation. One of the main milestones in this direction is also the [Free Trade Agreement \[FTA\] between India and ASEAN](#). The work on the agreement, in terms of layout, began way back in 2003 and was finally finalized in 2009. The agreement came into effect on 1st January 2010. The agreement has given a tremendous boost to the creation of one of the world's largest FTA's- a market of almost 1.9 billion people with combined GDP of USD 5.7 trillion. The ASEAN-India FTA has seen tariff liberalization of over 90 percent of products traded between the two dynamic regions and now a similar agreement regarding investments and services has also come into being. In 2012, during the first ever Commemorative Summit of India and ASEAN, and all leaders decided to engage into the strategic partnership. The year 2017 also marked 25 years of dialogue partnership between India and ASEAN, and five years of the strategic partnership. Since FTA has doubled the trade between them, but in recent months during pandemic growth has faltered in 2019-2020, but there is still untapped potential for further enhancing ASEAN-India trade.

So, in this paper we will be trying to show all economic relations which help in describing the trade potential between India-ASEAN.

3. LITERATURE REVIEW

So, to get good and better understanding of the trade relation between India-ASEAN we tried to go through some research papers.

3.1. Rajat Tyagi, Anchal Bansal, Varun Kaul, Debdeep De “INDIA-ASEAN FTA: Analysis of Cooperation in transportation Sector” The scientific committee of the 5th International Conference on Information Technology and Quantitative Management, ITQM 2017.

The main objective of this paper is to show trade relation between ASEAN-India, which includes the free trade agreement between both followed by an insight of transportation sector which have important role in trade for export-import functions. Paper concludes highlighting sincere issues related to the transportation sector and provide outline of how to facilitate the development of the sector.

3.2. Ashok Sengupta, “Trade and Investment Relations of India and ASEAN countries: Opportunity and Challenges” The School of Management Sciences (SMS) Lucknow, 11 January 2021.

This paper puts stress on the trade potential of Indian with other south eastern countries. Study also includes information on international trade, trade services and various sectors. It assesses and analyses challenges and recommendations to overcome those challenges.

3.3. Suvayan Neogi, Chandni Dawani “India’s Export Opportunities in the ASEAN Market” The gains and pains of Financial Integration and Trade Liberalization, 26 November 2019.

The paper would examine India’s trade prospects with the ASEAN particularly in export-import trade. This paper would identify new products that India can export to the ASEAN, which will increase its share in ASEAN’s market.

3.4. Dr. Prabir DE, “ASEAN-India Development and Cooperation Report 2021: Avenues for Cooperation in Indo-Pacific, ASEAN-India Centre (AIC)” Research and Information System for Developing Countries (RIS), New Delhi, AIC-RIS (2020).

The report paper has 14 chapters that examine in depth the different aspects of the issues related to growth and development challenges in the Covid-19 era; emerging trends and new challenges in ASEAN-India trade relations, such as trade network, trade corridors and dealing with corona pandemic. It also makes specific recommendations for way towards moving in the desired direction for robust ASEAN-India partnership.

3.5. Chumki Handique, “India-ASEAN Trade Potentials-Revisiting the Context in the Middle of Covid-19 Pandemic” Journal of Critical Reviews, ISSN-2394-5125, Vol7, Issue 19, 2020.

The study of the paper analyses the trends, pattern, and growth of trade between India and ASEAN, particularly five major nations of ASEAN, during the pre Covid-19 era. With latest paper analyzed the effect of Covid-19 pandemic on trade relationship.

4. OBJECTIVE OF THE STUDY

1. To study the India-ASEAN trade trends in boosting the trade relations between them, that by analyzing the results of export-import creation between them.
2. To get an overview of trade relations between India-ASEAN countries, regarding transportation sector and try to interpret how the ASEAN-India FTA helped in increasing the trade through transportation sector.
3. To analyze briefly the impact of investment on the trade pattern of both ASEAN-India.
4. To study the overview of the India's employment trend due to bilateral FTA between ASEAN-India, and also impact on employment generation due to uprising of killing pandemic Covid-19.
5. To have a brief overview through the current meeting between both of them (ASEAN-India).

5. ECONOMIC RELATIONSHIP AND TREND BETWEEN ASEAN-INDIA TRADE PARTNERSHIP:

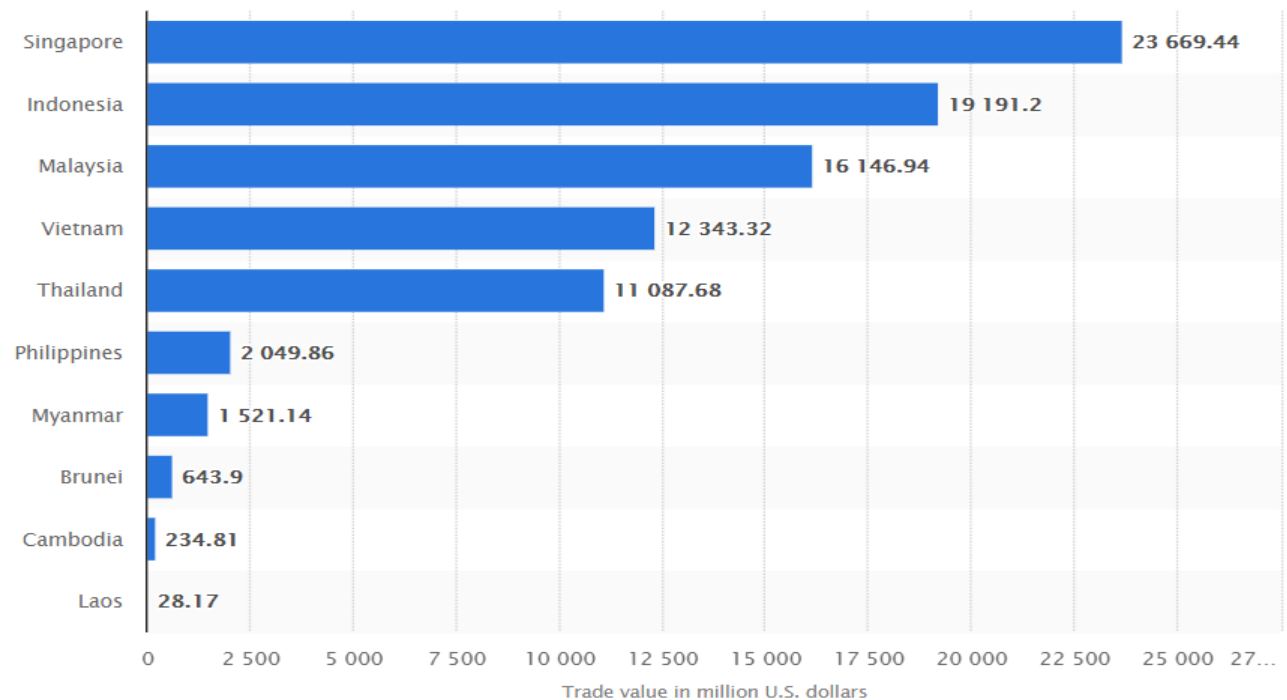
Under this topic we would be analyzing various economic issues relating to trade relationship between ASEAN-India such as export-import relation, investment impact, employment scenario, sectoral development and impact of Covid-19 on their trade relations.

5.1. Impact on India-ASEAN Growth in Trade (Export-Import) :

The economic relationship between India and ASEAN began in 1992 as both regions recognized each other's trade capabilities. The relationship has since strengthened with growing India's manufacturing capacity and the rise of ASEAN's service sector exports. The two regions share similarities in their levels of economic development; they are home to rapidly expanding markets and aim to address infrastructure challenges. These similarities provide space for continued and diversified trade in goods and services.

Economic engagement in terms of the free movement of goods, services and capital thus offers mutual benefits for India-ASEAN. This was all due to signing of the ASEAN-India Free Trade Agreement (AIFTA) in 2009. The trade treaty has definitely boosted bilateral trade.

Figure 5.1.1. Value of India Trade with ASEAN countries For Year 2020



*Source- Statista 2021

The above drawn figure concludes that the value of trade between India and the ASEAN region amounted to over 86 billion U.S. dollars in fiscal year 2020. The largest portion of this trade came from Singapore, valued at over 23 billion dollars that year. Of the entire trade pattern, trade between India and Singapore has increased; imports into India had a higher value than its exports. The below mentioned figure clearly describe that Indian imports are far greater than that of Indian exports to ASEAN but as we focus trade deficit has increased and it is of no doubt but exports are also increasing with decreasing rate.

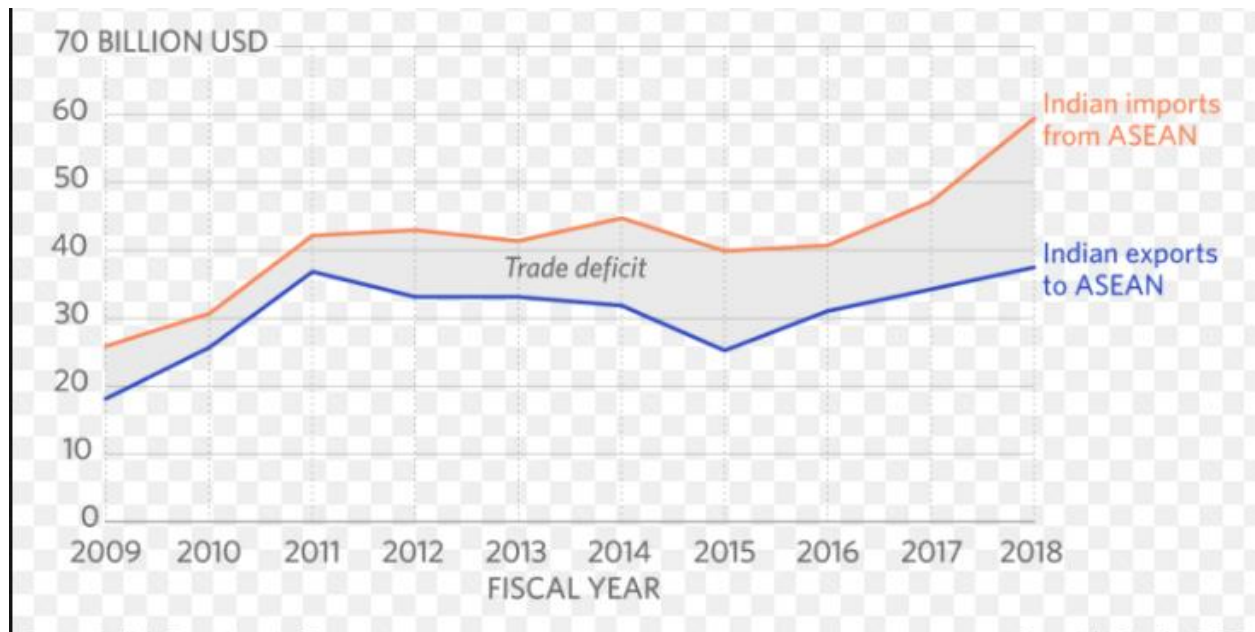


Figure 5.1.2. India's Trade with ASEAN Countries

*Source- India's Department of Commerce

If we talk about country wise trade with ASEAN countries of India as shown in TABLE 5.1.1. The value of **Indian goods exported to Singapore** was the highest within the ASEAN region in fiscal year 2020-2021, amounting to almost \$9 billion U.S. dollars. With Malaysia placed in second position with \$6 billion U.S. Dollars' worth of exports. If we consider imports we would get the data showing Indonesia playing crucial role but lowered down due to Covid-19 at almost \$13 billion Dollars which was even less than by approx. \$1 dollars by second positioned importing country Singapore.

Below TABLE 5.1.2. showed that India's total Export had been increasing continuously to \$37.47 USD till 2019 which has started to decline up to \$31.49 USD showing negative growth rate which is far less than negative growth rate in 2019-2020 than in year 2020-2021. Now if consider India's total Imports to ASEAN we notice that India's imports which were started to rise to \$59.32USD in year 2018-2019 again started to fall due to pandemic and in present scenario it is \$47.42 showing a positive trend of 14.36% in year 2020-2021. This data provide view also of total trade which was rising with ASEAN but has been halted by corona crisis from 86.92 USD to 78.90 USD.

But there are great chances of increasing India's export to double after 2025 which is halted by covid, as India increasing its export potential in medical chemicals and medicines supply to ASEAN countries.

TABLE 5.1.1. Country wise Trade

ASEAN	EXPORT (Bn. USD)				IMPORT (Bn. USD)			
Country	2017-18	2018-19	2019-20	2020-21	2017-18	2018-19	2019-20	2020-21
SINGAPORE	10.20	11.57	8.92	8.68	7.47	16.28	14.75	13.30
MALAYSIA	5.70	6.44	6.36	6.06	9.01	10.82	9.78	8.37
VIETNAM SOC REP	7.81	6.51	5.06	5.00	5.02	7.19	7.28	6.12
THAILAND	3.65	4.44	4.3	4.24	7.13	7.44	6.79	5.68
INDONESIA	3.96	5.28	4.13	5.03	16.44	15.85	15.06	12.47
PHILIPPINES	1.69	1.74	1.53	1.46	0.76	0.58	0.52	0.57
MYANMAR	0.97	1.21	0.97	0.77	0.64	0.52	0.55	0.53
CAMBODIA	0.12	0.20	0.19	0.17	0.06	0.04	0.05	0.040
BRUNEI	0.06	0.06	0.06	0.06	0.43	0.59	0.59	0.33
LAO PD RP	0.03	0.04	0.03	0.03	0.17	0	0	0
ASEAN	34.2	37.47	31.55	31.49	47.13	59.32	55.37	47.42
World	303.53	330.08	313.36	291.81	465.58	514.08	474.71	394.44
% Share	11.27	11.35	10.07	10.79	10.12	11.54	11.66	12.02

*Source- Government of India (Ministry of Commerce and Industry)

TABLE 5.1.2. Bilateral Trade Data (2014-2021) April-March

India's trade with ASEAN	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
EXPORT (Bn.USD)	31.81	25.13	30.96	34.20	37.47	31.55	31.49
% Growth	-3.99	-21.00	23.19	10.47	9.56	-15.82	-0.19
IMPORT (Bn.USD)	44.71	39.91	40.62	47.13	59.32	55.37	47.42
% Growth	8.33	-10.75	1.77	16.04	25.86	-6.66	-14.36
TOTAL(Bn. USD)	76.53	65.04	71.58	81.34	96.80	86.92	78.90
TRADE BALANCE (Bn. USD)	-12.90	-14.78	-9.66	-12.93	-21.85	-23.82	-15.93

*Source- Government of India (Ministry of Commerce and Industry)

❖ **How to Increase Exports and Benefits for Exporters:**

- To increase exports Indian products must be helped and government must try to give importance to regional market that provides substantial advantages.

- Elimination of tariff by ASEAN countries will encourage Indian exporters to increase exports and ASEAN consumers would also demand more cheap prices of goods.
- Integration of ASEAN countries into a single market is an important point because the market is stronger and provides large scope to export goods to large population.

5.2. INVESTMENT PATTERN DUE TO TRADE

The foreign direct investment (FDI) is one of the fundamental instruments of economic growth. The importance of FDI is, in fact, much higher in the Asian economy because of their inability to generate internal savings in response to their investment needs.

ASEAN has been an important axis of regional economic cooperation and FTA in East Asia. The strong dynamics of ASEAN have been lucrative for attracting investments from the global investors.

India, one of the promising economies in the world economic system is one of the famous destinations for investors. Both the size of the Indian economy, rising incomes and expanding middle class and huge investment requirements for India's infrastructure investment offers lucrative investment opportunities.

Together, ASEAN and India have a combined GDP of USD 5.7 trillion¹

ASEAN accounts for approximately 12.5% of investment flows into India since 2000.

ASEAN – India Agreement on Trade in Services and Investment Agreement

The ASEAN-India Trade in Services and Investment Agreement came into effect in 2015. Select articles contained in the Services Agreement include transparency, domestic regulations, recognition, market access, and national treatment, increasing participation of developing countries, joint committee on services, review, dispute settlement and denial of benefits. The Investment Agreement primarily focuses on protection of investment to ensure fair and equitable treatment for investors, non-discriminatory treatment in expropriation or nationalization, and fair compensation.

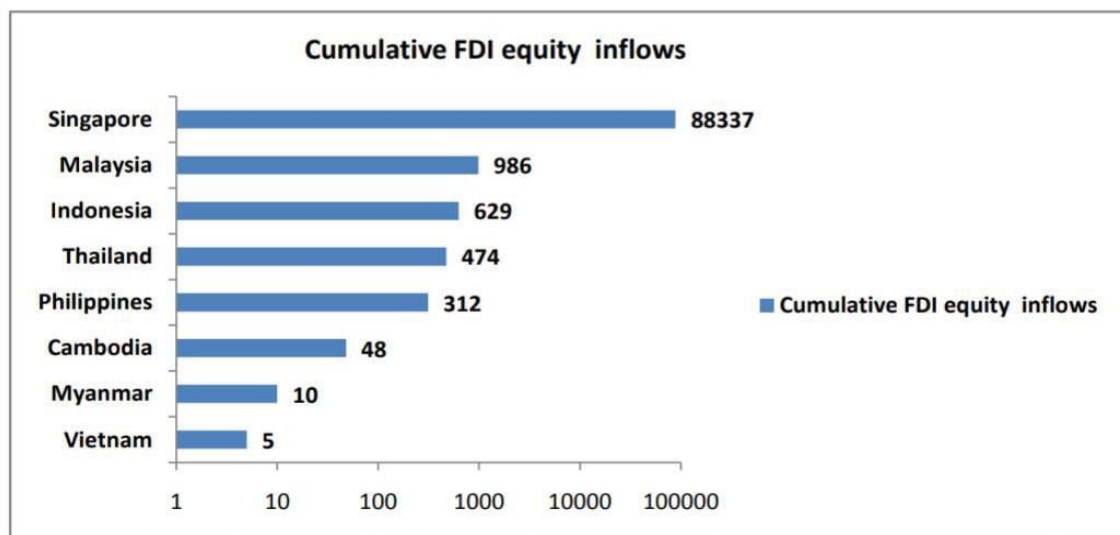
Benefits of FTA in services and investment

- a) Facilitates the movement of manpower and investment between India and ASEAN.
- b) Assists to reduce our trade deficit with ASEAN.
- c) It has the potential to boost Indian – ASEAN trade to more than USD 100 billion.
- d) Contains information on movement of natural persons – business visitors, managers, executives, specialists and contractual service suppliers. This facilitates movement of Indian service professional in ASEAN countries

¹ Source: World bank

- Over the years, India-ASEAN trade and investment relations have been growing steadily.
- Keeping into consideration the geographical proximity of India with the ASEAN countries, it is very important that we strengthen our economic linkages. Trade and investment can play an instrumental role in furthering our ties with ASEAN region. During April 2000 to June 2019, Foreign Direct Investment (FDI) equity inflows² into India from ASEAN economies stand at USD 91 billion.

FIGURE 5.2.1 (2019) CONTRIBUTION OF ASEAN ECONOMIES IN INDIA'S FDI INFLOWS (in USD million)



Source: PHD Research Bureau, PHDCCI compiled from Department for promotion of Industry and Internal Trade, Government of India.

Amongst the ASEAN economies investing in India, Singapore ranks the highest with cumulative FDI inflows of USD 88337 million from April 2000 to June 2019, followed by Malaysia (USD 986 million), Indonesia (USD 629 million), Thailand (USD 474 million), Philippines (USD 312 million), among others.

Singapore constitutes 97% of the total FDI inflows in India while the remaining 3% of the total FDI inflows is accounted by the joint contribution of Malaysia, Indonesia, Thailand, Philippines, Cambodia, Myanmar, Vietnam and Brunei.

² FDI net inflows are the value of inward direct investment made by non-resident investors in the reporting economy. FDI net outflows are the value of outward direct investment made by the residents of the reporting economy to external economies.

TABLE 5.2.1 SHARE OF ASEAN ECONOMIES IN INDIA'S FDI EQUITY INFLOWS (in USD millions)

Rank	Name of the Country	Cumulative FDI equity inflows from April 2000 to June 2019	% age of inflows of respective country in India's total inflows from ASEAN
1	Singapore	88337	97
2	Malaysia	986	1
3	Indonesia	629	0.7
4	Thailand	474	0.5
5	Philippines	312	0.4
6	Cambodia	48	0.2
7	Myanmar	10	0.01
8	Vietnam	5	0.01
9	Brunei	0.4	-
10	Lao PDR	NA	-
	India's total FDI equity inflows from ASEAN countries	90802	100%

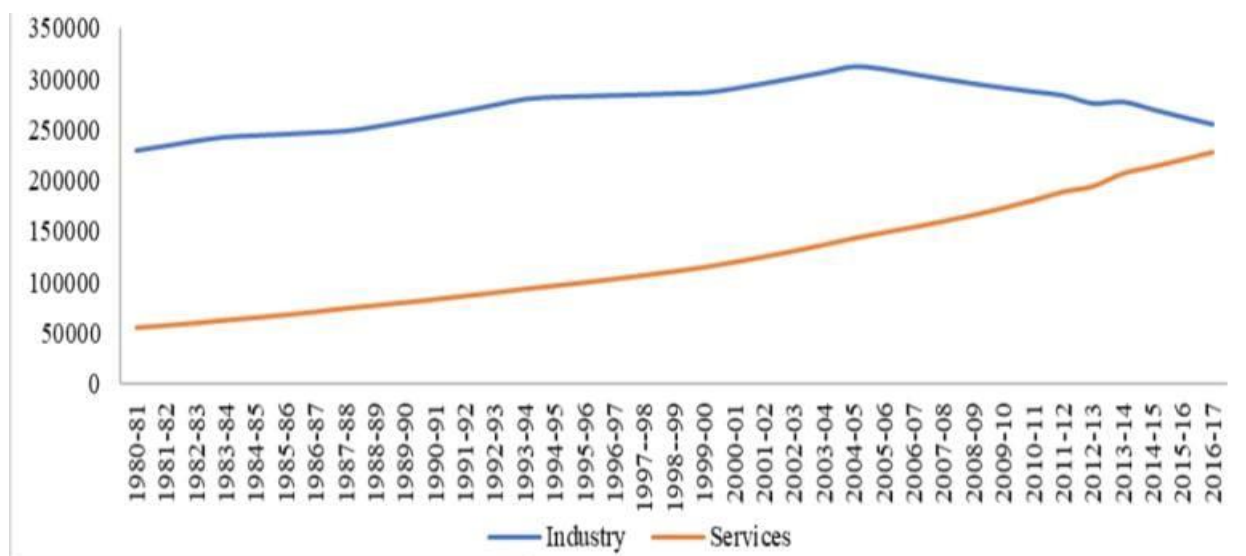
Source: PHD Research Bureau, PHDCCI compiled from Department for promotion of Industry and Internal Trade, Government of India. Note: Share of ASEAN's FDI in India's total FDI is approximately 21%.

5.3 EMPLOYMENT SCENERIO

MANUFACTURING SECTOR: Domestic production in Indian manufacturing sector failed to generate adequate employment opportunities but jobs supported by exports from the sector has been on the rise. Of the different FTAs signed by India, AIFTA involves one of the largest trade volumes. AIFTA fetches employment growth in manufacturing. But the beneficiaries of this gain are the unskilled labour who benefit both in terms of greater employment and higher wages. Higher usage of unskilled labour in conjunction with increased imported inputs also fetches productivity gains for the country. However, skilled labour employment is hit. Overall impact of AIFTA on manufacturing sector remains positive due to increased trade and employment gains.

SERVICE SECTOR: India has seen a consistent increase in overall employment in the service sector as seen in figure 5.3.1 mainly due to fast growth in business services, construction and the financial services sectors (Aggarwal and Goldar, 2019).

FIGURE 5.3.1 TREND IN EMPLOYMENT (in 1000s)³



INDUSTRY: Figure 5.3.1 (above) shows that the overall employment in India's industrial sector saw an increase since the early 1980s till 2004-05, albeit at a slower pace (since the slope is flat). But after 2004-05, industrial sector employment has been on a secular declining trend. Thus, there is a structural break at 2004-05, after which industrial sector has registered a decline in the rate of employment growth in the recent period of 2004-2017. One way to explain the decline in employment after 2004(out of the many other) can be the ineffective utilization of the potential of exports to ASEAN to contribute to growth in employment in industrial sector. This becomes more apparent when we look at the trade performance of labour-intensive industries, the export share of which has been weakening. While export and import have had favorable impact on industrial sector employment prior to 2004-05, AIFTA led to decline in industrial sector employment post 2004-05.

5.4 IMPORTANCE OF TRANSPORTATION AND CONNECTIVITY

- Connectivity is important because it promotes trade, brings people closer, and integrates the economies. Improving connectivity is essential for a region's prosperity, continued growth, and, most importantly, for poverty reduction. Improved connectivity lowers costs and increases reliability. One of the major obstacles to the expansion of trade between India and ASEAN is the high cost of moving goods across the borders. Improved connectivity would reduce trade costs,

³ SOURCE : WORKING PAPER 190/2020 - Impact of Trade with ASEAN on India's Employment in Industrial Sector, By Devasmita Jena, Swati Saini, MADRAS SCHOOL OF ECONOMICS

raise country's comparative advantage and trade flows, expand markets, and reduce poverty, and increase country's welfare and quality of life of its citizens.

Multiple effective cross border and national transport projects mean stronger ASEAN–India connectivity. An integrated connectivity would also provide substantial benefits to landlocked and small island countries of the region as well as to poor and small countries by giving them low-cost access to world market.

At this very initial stage, the emerging regional physical overland connectivity architecture between India and ASEAN is showing two important features: first, the national connectivity having regional implications such as Delhi–Mumbai Industrial Corridor (DMIC), and second, the regional connectivity showing regional (or international) implications such as Mekong–India Economic Corridor (MIEC), Trilateral Highway (TH) between India, Myanmar, and Thailand, along the Asian Highway (AH) No. 1, and Kaladan Multimodal Transit Transport Project (KMTTP).

AIRWAYS: To develop connectivity through water, ASEAN and India are working on the Kaladan Multi-Modal Transit Transport Project (KMMTTP). The project was initiated by the Indian government in 2008 and is entirely funded by India. The purpose is to seek an alternative route through Myanmar for the transportation of goods to the northeast region of India.

FIGURE 5.4.1 (Kaladan Multi-Modal Transit Transport Project)⁴



ROADWAYS AND RAILWAYS: Other projects, such as a railway link between New Delhi in India to Hanoi in Vietnam; the Mekong–India Economic Corridor (MIEC) connecting South and Southeast Asia; and Stilwell road and Dawei deep-sea port in Myanmar are under consideration. The MIEC involves the integration of four Mekong countries – Vietnam, Myanmar, Thailand, and Cambodia — along with India, connecting Ho Chi Minh City, Dawei,

⁴ Source: <https://thediplomat.com/2017/12/asean-and-india-converge-on-connectivity/>

Bangkok, and Phnom Penh with Chennai. The corridor will provide opportunities for the participant countries to develop infrastructure, enhance their economic base with the region, and especially reduce the transit distance between India and ASEAN countries.

FIGURE 5.4.2 (The Mekong-India Economic Corridor)⁵



India and ASEAN economies need to develop regional transportation and transit system that offers efficient transportation options and low ‘transaction costs’ that are competitive with those found elsewhere. Thus they must develop a transportation and transit facilitation system that will greatly reduce current physical and nonphysical barriers to transportation and transit – by means of both physical infrastructure (such as multi-modal corridors and terminals) and non-physical infrastructure (reformed policies and procedures, regulations, and incentives for efficient transportation and transit).

6. Growth and Key Development Challenges during Covid-19 Period between ASEAN-INDIA:

The coronavirus (Covid-19) outbreak has disrupted people lives and interrupted economic activities across the world. A health crisis has generated an economic crisis globally. The IMF has reported that the impact of Covid-19 on economic growth is even worse than the global financial crisis of 2007-08, and the global growth is expected to contract by 4.4 percent in the year 2020, and 5.2 percent in 2021. According to IMF, the cumulative loss in output relative to the pre-

⁵ Source: ERIA (2009), ‘The Mekong-India Economic Corridor’, ERIA (ed.), Mekong-India Economic Corridor Development-Concept Paper. ERIA Research Project Report 2008-4-2, pp.5-6. Jakarta: ERIA.

pandemic projected path is expected to grow to US\$ 28 trillion by 2025 (IMF, 2020). Therefore, the pandemic driven global crisis is going to have long lasting effects on countries including ASEAN economies and India.

ASEAN and India have been witnessing high economic shock, which has shaken the economies, both internally and externally. Today, ASEAN and India have a common challenge to mobilize the needed resources to fight against Corona pandemic, revive the domestic production, promote MSMEs, stabilize the macroeconomic situation, many more other issues. At same time, ASEAN and India have to strengthen and re-establish the supply chains, manage trade balance and capital flows, monitor foreign exchange reserves, etc. ASEAN and India must invest in safeguarding economies from Covid-19 crisis in the future. Under such a changing environment, ASEAN and India have newer developmental challenges, which have also opened new opportunities, and scope of joint efforts to upscale trade and investment relations, engagement in traditional and non-traditional areas of cooperation (such as, ICT, Digital Innovation, Industrial Revolution and so on).

Although it might seem too early to talk about the economies of the Covid-19 outbreak, because it has not completely vanished from the world many more decisions are left to take from its observation, (Barua, 2020). We may not be able to make any robust analysis regarding the effect of Covid-19 on India-ASEAN trade, since it is too early to assess the impact. So, with the data available for a limited time, we attempt to study the effects of Covid-19 upon India-ASEAN trade. However, it is estimated that India has suffered a loss of roughly 30.3 Lakh Crore (roughly 13.5%) of the Indian Economy (kicker et.al, 2020).

In this section we present the recent trend and growth in India-ASEAN trade since the outbreak of the Covid-19 pandemic worldwide.

TABLE6.1. Annual Growth (%) of India's Exports to ASEAN-5 Major Countries (2019-2020)

Countries	Jan	Feb	Mar	Apr	May	June
Indonesia	-22.29	-12.77	-21.83	-48.79	-4.35	-0.03
Malaysia	-4.75	-0.37	-1.12	-30.93	-12.40	8.19
Philippines	-9.21	-12.48	-71.97	-56.24	-31.10	43.22
Singapore	-12.00	-12.53	-22.90	-19.51	-38.98	-22.55
Thailand	-1.77	-0.88	-3.20	-71.92	-60.85	-44.99

*Source- Department of Commerce, System of India's monthly trade, Government of India

TABLE6.2. Annual Growth (%) of India's Imports from ASEAN-5 Major Countries (2019-2020)

Countries	Jan	Feb	Mar	Apr	May	June
Indonesia	-22.29	-12.77	-21.83	-48.79	-4.35	-3.11
Malaysia	-4.75	-0.37	-1.12	-30.93	-12.40	8.19
Philippines	-7.85	-9.21	-12.48	-71.97	-56.24	-31.10
Singapore	-12.00	-12.53	-22.90	-19.51	-38.98	-22.55
Thailand	-1.77	-0.88	-3.20	-71.92	-60.85	-44.99

*Source-Department of Commerce, System of India's monthly trade, Government of India

Both the above drawn table shows annual growth rate of India's import from and export to the 5 major nations of ASEAN during the year of 2019-2020. There is undoubtedly a decline in import as well as export during Covid-19 outbreak. However on the brighter side, the negative growth rates have been decreasing as also shown by Table 5.1.2 and in fact some growth rates are positive towards the months of May and June. This shows that there is every possibility that India's trade relations with ASEAN nations will bounce back very soon. However, many economists expect recoveries from the second half of the year. Japan Centre for Economic Research and Nikkei conducted a quarterly consensus survey, in June, 2020, among the five biggest ASEAN members- Indonesia, Malaysia, The Philippines, Singapore and Thailand and India. The survey took the opinion of several economists regarding their expectations from Indo-ASEAN trade and the survey result indicated that many economists are positive and expect recovery in India-ASEAN trade towards the second half of the year.

- We have tried to analyze trend, pattern and growth of International Trade of India with ASEAN nations. This pandemic has taught us that a country should not solely rely on another country for major portion of its imports. This is because if problem arises in the exporting country, this may cause supply chain disruptions in the recipient country. So, government also has responsibility of developing its own infrastructure and must reduce restrictions on trade as it is worst.

7. 17th ASEAN-India Summit, A Turning point of ASEAN-India relations in post-Covid world:

Recently, India took part in 17th ASEAN-India Summit on November 2020 under Prime Minister of country at the invitation of H.E. Nguyen Xuan Phuc, Prime Minister of Vietnam, and the current chair of ASEAN group. And it was attended by all 10 members of ASEAN group and was conducted in virtual format.

The summit focused on measures to recover from the economic turmoil triggered by the Covid-19 pandemic and ways to further broad-base strategic ties. India-ASEAN had made decisions on various problems and worked over it, and some of them are mentioned down. Below are mentioned major topics discussed between them that made 17th Summit so much important.

❖ Regulating Covid-19 Pandemic:

- India welcomed ASEAN's initiatives to fight the pandemic and announced a contribution of USD 1 million to Covid-19 ASEAN Response Fund.
- It also underlined the importance of cooperation and regular exchanges in the field of traditional medicines as a source of healthy and holistic living.

❖ Trade and Investment:

- India underlined the importance of diversification and resilience of supply chains for post-Covid-19 economic recovery.
- India called for an early review of ASEAN-India Trade in Goods Agreement ([AITIGA](#)), which is pending for a long time.

❖ Connectivity:

- Also discussed over the importance of the greater physical and digital connectivity, India reiterated its offer of USD 1 billion Line of Credit to support ASEAN connectivity.

➤ India's Significance Highlighted by ASEAN:

- Towards promoting peace and stability in the region and India's support to ASEAN centrality.
- Welcome the adoption of the new ASEAN-India Plan of Action for 2021-2025.
- Acknowledged India's capacity-building initiatives, including the PhD Fellowship Programme at IITs and setting up of Centre's for Excellence in Software Development and Training.

➤ Today even many businesses of the world are viewing India as the hub of the supply chain. India has moved ahead with the mantra of 'Make for World' alongside 'Make in India'. ASEAN and India can leverage the emerging scenario and support each other to build new and halted supply chains. Both of them must upgrade the skilling, improve logistics services and strengthen the transportation infrastructure.

❖ Way Ahead:

- A cohesive and responsive ASEAN is essential for security and growth for all in the region and cementing the connection between India and ASEAN on all fronts, including economic, political, social, digital, financial, and maritime.
- ASEAN-India Strategic Partnership stands foundation of shared geographical, historical and civilizational tie. A fruitful exchange with ASEAN-India leaders and a successful Summit will further strengthen this relationship.

8. ADVANTAGES AND OPPORTUNITIES

- a) The existence of interdependence between India and ASEAN countries will not only boost the productivity, efficiency and capital flows in the member countries but also provides a base for attaining high economic growth in the region.
- b) Trade with ASEAN countries has expanded the market for Indian as well as the member countries' consumers and producers. ASEAN has also lowered intra-regional tariffs through the Common Effective Preferential Tariff (CEPT) Scheme on exports under the FTA. This means Indian goods and raw material exporters to ASEAN are more competitive.
- c) Indian cooperation with ASEAN in science, technology, research and development, and capacity building can provide a foundation for broader cooperation in building an Asian economic community.
- d) ASEAN countries are an important base for export-oriented manufacturing, particularly in electrical and electronic products, automobiles and related equipment, as well as other light manufacturing goods. Indian companies could compensate for their current lack of competitiveness in these areas by forging partnerships with ASEAN firms. The agreement has made access to ASEAN markets easier; it also provides a platform for Indian companies that want to engage with ASEAN companies by offering their expertise and technological capabilities in exporting to third country markets.
- e) **TOURISM:** The ASEAN region is a top tourist destination accounting for around 38 percent of all tourist travels. In 2011, the number of Indian tourists to ASEAN was 2.71 million. In 2019, the number of tourist arrivals from India rose to 5.32 million. India can grow its outbound tourism services by tapping into ASEAN's tourism sector potential.
- f) **HEALTHCARE SECTOR:** India with its large healthcare market, estimated to be worth around US\$200 billion currently, is interested in connecting its top stakeholders, business leaders, and senior government officials with those of ASEAN, especially by way of B2B meetings. While this is also driven by the immediate and mutual goal of combatting the COVID-19 pandemic, over the long-term, such engagement is key to increasing cooperation in the medical and medical-related sectors.
- g) **OPPORTUNITIES UNDER DIGITAL ECONOMY:** COVID-19 has accelerated ASEAN's adoption of its digital economy, which is expected to have a gross merchandise value of US\$300 billion by 2025.

With over 400 million internet users in the region, ASEAN's digital economy presents a unique opportunity for Indian investors, especially for Indian expertise in the field of information technology (IT). The sector accounted for eight percent of India's GDP in 2020, with exports expecting to reach US\$150 billion by 2021

9. ISSUES THAT NEED TO BE ADDRESSED

- a) Despite the size and potential of the ASEAN market, India still suffers from a trade deficit, which stood at US\$24 billion in 2020. As such, India is keen to renegotiate⁶ the terms of AIFTA to level the trade balance.
- b) The current India-ASEAN FTA has strict limitations on rules of origin (35% or more value added from the country where the goods are being imported) without any product specific rules (PSR), which make trade in value chains tougher. This is because value chains involve trade in parts and components and a product imported by a country involves value added by different countries in the chain. Thereby, the possibility of a high value originating in a particular country reduces.
- c) Another problem is that service sectors and particularly professional services in most ASEAN countries remain highly protected. India needs to push for progressive improvements in market access and ensure equal national treatment for service suppliers, as demand is expected to be coming from both producer and consumer services. India's focus should be on easing restrictions on work permits, especially for professionals, and on increasing flexibility for expatriate workers in the areas of allowances to work, duration of stay, and multiple entry visas for business travelers and professionals.
- d) Between 1996-97 and 2018-19, India's share of trade with ASEAN in total trade both in terms of imports and exports have risen. However, in the recent decade (between 2006-07 and 2018-2019), while India's aggregate share of imports from ASEAN increased far more than its share of aggregate exports to ASEAN, resulting in steep worsening India's trade balance with ASEAN. Employment in India's industrial during 1996-2004 was on a steady rising trend, after which it declined.

10. CONCLUSION

Trade relation between two counties or between two regions always create win –win situations. In this paper we found that India economics development is equally dependent on ASEAN counties as it is with western counties. Important factor is that we all are developing countries and do extremely well in last 20-25 years to grow ourselves.

ASEAN is one of the most economically dynamic regions of the world today. Economic engagement with ASEAN has been, and will remain, a crucial element of India's Act East policy and strategy. India's close economic and cultural links with ASEAN provide a strong foundation on which the two regions have built a robust, modern and multifaceted strategic partnership. Strengthening ASEAN, expanding connectivity and deepening India-ASEAN economic integration are among key priorities of India's "Act East Policy"

⁶ For more information: <https://www.india-briefing.com/news/india-asean-agree-to-review-fta-scope-address-uneven-market-access-20805.html/>

The Government of India is making significant efforts to increase partnership with ASEAN in the areas of mutual interests. Several high level summits have been held between India and ASEAN where leaders of the two regions have reiterated to further strengthen trade and economic relations in terms of capacity building and partnerships in areas such as agriculture and food processing, ICT, engineering, IT/ITeS, healthcare and pharmaceuticals, education and skill development, tourism, among others.

India and ASEAN are together a home to 1.9 billion people, having a combined economy of USD 5.7 trillion and a substantial share of world resources. With shared land and maritime boundaries, ASEAN-India relations are firmly embedded in culture, commerce and connectivity. To take plurilateral economic relations to the next level, India signed an FTA in goods with ASEAN in 2009 known as the ASEAN-India Free Trade Agreement (AIFTA).

Since 2010, when the ASEAN-India FTA for goods was activated, trade between the two partners has almost doubled to reach over \$87 billion in 2019-20.

Indian-ASEAN cooperation holds immense potential for the future to transform into a sound economic partnership in the form of a robust trade bloc. The influence of commerce and connectivity remains vital to enhance trade and investment ties between India and ASEAN. Greater flow of goods, services, skilled workers and investments are expected to only enhance economic relations further.

11.SUGGESTIONS

(PATH AHEAD)

One of the key challenges to Indian exports in these uncertain times is to maintain competitiveness in global and regional markets by improving trade facilitation, not only at home, but also with trade partners.

Along with it, upgrading the ASEAN-India FTA and its effective utilization may perhaps add the required momentum to trade flows.

- To strengthen trade relations, ASEAN and India should address matters related to sensitive lists, non-tariff measures, and customs cooperation, among others.
- Another great opportunity to scale up the ASEAN-India engagement is the development of value chains. The current value-chain linkages between ASEAN and India are not substantial; total trade in parts and components between them amounted to about \$5.8 billion in 2018.
- **INVESTMENT REFORM** is another challenge for both India and ASEAN. ASEAN and India should cooperate towards designing appropriate policies, simplifying investment regimes and streamlining investment processes to further strengthen the value

chain and investment linkages. India's 'Atmanirbhar Bharat' or 'Self-Reliant India' Mission offers investment opportunities to ASEAN countries.⁷

- **TRANSPORTATION SECTOR:** ASEAN-India connectivity could serve as a basis for Indo-Pacific infrastructure cooperation. The India-Myanmar-Thailand Trilateral Highway and its extension to Cambodia, Lao PDR and Vietnam is pivotal to the next phase of ASEAN-India relation. In the post-COVID-19, restoring connectivity and resilience of supply chains will be key to ASEAN-India economic integration, particularly the development of India's Northeast India. The ASEAN-India Plan of Action (POA) (2021-2025) recommends for transformation.
- In the post- Covid scenario, restoring the connectivity and resilience of supply chains will hold the key to economic integration, particularly the development of India's northeast. The supply chain resilience initiative (SCRI) between India, Japan and Australia (with ASEAN likely to join) will aid the development of the ASEAN-India economic corridor. It may also facilitate investment and act as a spur for growth in the region.

India should also develop its own infrastructure as a part of its Act East policy with full rigor. Thus, in this uncertain and gloomy environment, boosting confidence in trade and global market seems to be the first priority. Harmonizing and simplifying tariffs, restrictions and customs would boost the confidence of the traders and at the same time help in maintaining the supply chain intact. Unnecessary export restricts, inward looking policies and trade barriers would do little good. Significant government support is necessary with efforts to reduce trade-tensions. In this period of severe economic crisis, there is nothing worse than restricting trade.

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