

Is India In Win-Win Situation W.R.T. ASEAN Bilateral Trade?

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Abstract

In the wake of the end of the cold war in the year 1991 and the collapse of socialist ideology, India started to have a liaison with the USA and its collaborating countries such as South Korea, South east countries. Country's demand augmented to open the doors of the economy and enhance trade with overseas countries to safeguard the country from the wrenching Balance of Payment crisis. India started to build relations with neighboring countries to strengthen the EXIM policy. So India announced 'Look East Policy' in the year 1992 to explore the resources of north eastern states and bring regional balance. But by seeking China's dominance over South east asian countries created threat in our Indian ocean so we shifted from diplomatic, "Look East Policy" to most strategic "Act East Policy". The significance of SouthEast Asia to India in the fields of economy, polity, social, defence, maritime trade, and security dimensions so that ASEAN holds a prominent position as India's fourth-largest trading partner. Bilateral trade in which ASEAN countries gained phenomenally as their exports are more than imports through Free Trade Agreement. Despite all India's to and fro trade with ASEAN is of non-oil and non-mineral product which is a significant achievement and showcases the trade integrity. India's import of textiles, electronic goods, chemicals, and machinery are vital for its manufacturing and service sector which portrays a good sign of trade. Lastly to enhance the trade, India needs to diversify the export effectively. Thus India will be

in a Win-Win situation from bilateral trade with ASEAN countries.

Key Words- India- ASEAN bilateral trade, Export diversification, Export of non-oil and non-mineral products

Introduction:-

On the historic day of August 8, 1967, a momentous event unfolded as the Foreign Ministers of Indonesia, Malaysia, the Philippines, Singapore, and Thailand convened at the Department of Foreign Affairs building in Bangkok, Thailand. In a remarkable display of collaboration, these visionary leaders, namely Adam Malik of Indonesia, Narciso R. Ramos of the Philippines, Tun Abdul Razak of Malaysia, S. Rajaratnam of Singapore, and Thanat Khoman of Thailand, came together to shape the future of Southeast Asia. Their collective effort resulted in the signing of a pivotal document that would give rise to the Association of Southeast Asian Nations (ASEAN). This gathering marked the birth of ASEAN, now acknowledged as one of the most successful intergovernmental organizations in the developing world. The document that encapsulated this historic moment, known as the ASEAN Declaration, was characterized by its concise and straightforward composition, consisting of five succinct articles. The primary objective of this declaration was to formally announce the establishment of ASEAN, serving as a platform for fostering regional cooperation among the Southeast Asian countries.

The ASEAN Declaration outlined the multifaceted goals and objectives of the association, spanning areas such as economic, social, cultural, technical, and educational collaboration. It underscored the significance of maintaining peace and stability within the region, emphasizing core values such as fairness, adherence to the rule of law, and a steadfast commitment to the principles outlined in the United Nations Charter.

The Founding Fathers, through their collective vision and determination, laid the groundwork for an enduring regional partnership that continues to shape the socio-economic and cultural landscape of Southeast Asia. The ASEAN Declaration stands as a testament to their foresight and dedication, providing a blueprint for the ongoing success of ASEAN as it navigates the complexities of regional cooperation and integration.

Of particular note was the provision indicating that ASEAN would be open for participation to all states within the Southeast Asian region that aligned with its core aims, principles, and objectives. The declaration proudly proclaimed ASEAN as a representation of the collective determination of Southeast Asian nations to come together in a spirit of friendship and cooperation. Through collective endeavors and shared sacrifices, their goal was to secure enduring peace, freedom, and prosperity for their respective populations and future generations.

Throughout history, India has maintained profound and enduring relations with South-east Asia, marked by interconnectedness in aspects like religion, trade, and culture. Kingdoms such as Srivijaya, Sailendra, Mataram, Kediri, Singhasari, Majapahit, Funan, Champa, and Chenla have shared deep historical bonds with India, reflecting a rich tapestry of civilizational values and religious teachings. The influence of Sanskrit texts and epics has left an indelible mark on the cultural landscape of Southeast Asia.

The significance of South East Asia to India spans across economic, political, social, defence, maritime trade, and security dimensions. ASEAN holds a prominent position as India's fourth-largest trading partner. The bilateral trade between India and ASEAN reached approximately \$78 billion in 2021, constituting around 10% of India's total trade volume. Noteworthy, India's exports to ASEAN countries constitute 11.28% of its overall export output. Investment flows have also been substantial, fostering mutual growth, with ASEAN contributing to about 18.28% of investments flowing into India since the turn of the millennium.

India's exports to ASEAN primarily encompass organic chemicals, minerals, ships, iron and steel, pharmaceuticals, as well as cotton and tobacco. In return, India imports key goods from ASEAN, including coal, palm oil, telephones, light vessels, and electronic circuits. It is worth highlighting that the strategic importance of this region extends to its oil reserves, rendering it susceptible to geopolitical maneuvering by major global powers.

Objectives:-

1. To understand the strategic relation of India with SouthEast Asian Nations particularly ASEAN

2. To learn the resemblance of economy, culture, geo-political environment of India and South East Asian Countries
3. To Study India's role in the ASEAN economy to counter the China's dominance
4. To study SWOT analysis in strengthening the relation between India and ASEAN

Research Methodology

Hypothesis:-

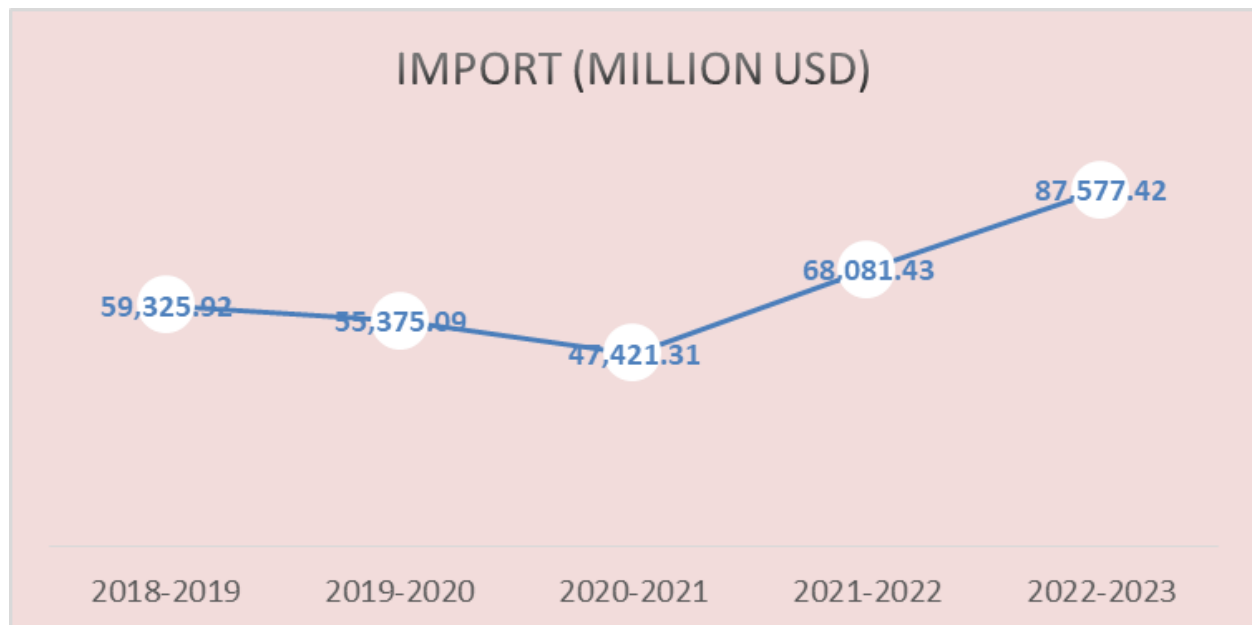
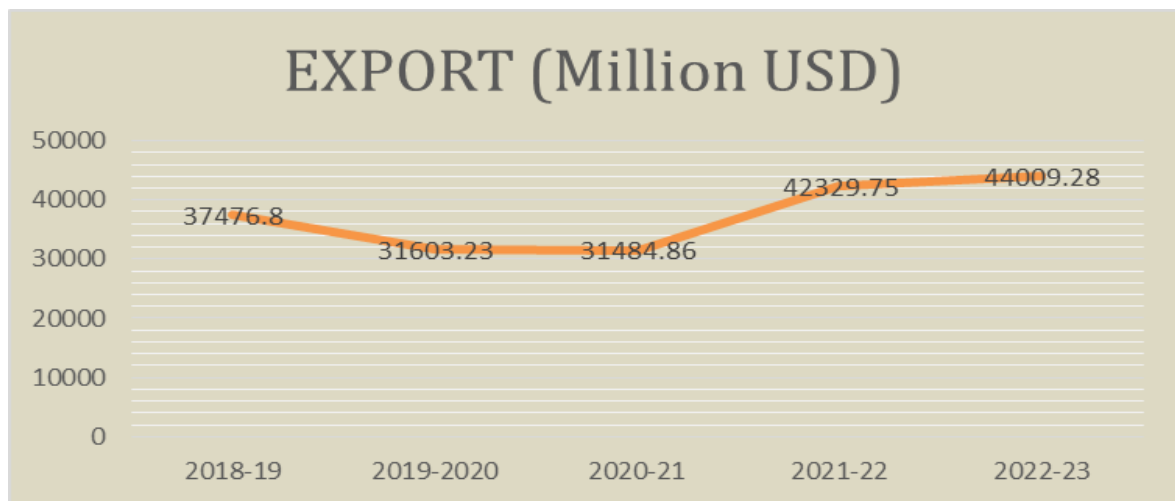
1. India is planning to augment the strategic relation to counter the China's dominance
2. India's 'Act East' policy is playing significant role with respect to ASEAN economies

Table No. 1 India's EXIM policy with ASEAN economies from 2017-18 to 2022-23

Year	India's Export to ASEAN countries (Million USD)	Share(%)	India's Import from ASEAN countries (Million USD)	Share(%)
2018-19	37,476.80	11.35	59,325.92	11.54
2019-2020	31,603.23	10.09	55,375.09	11.67
2020-21	31,484.86	12.02	47,421.31	12.02

2021-22	42,329.75	10.03	68,081.43	11.11
2022-23	44,009.28	9.77	87,577.42	12.27

Source:- www.dgft.gov.in- Ministry of Commerce and Industry, Department of Commerce Trade Intelligence and Analytics Wing Data Management, Dissemination & Publication Division (Data Analytics Unit)



From Table no. 1 It is noticed that India's annual growth in export is augmented by 17.43% from the year 2018-19 to 2022-23. The export drastically decreased in the year 2019-2020 due to outbreak of Covid- 19 pandemic. The global exports of goods and services declined by 5 per percent during 2020-21 to 2021-22 because the transport and travel industry were severely impacted due to nationwide lockdowns in Q2 2020. The reason for this slowdown includes both domestic and global factors. Currency volatility, and fluctuations in the commodity prices, including that of crude oil, led to a major fall in the value of petroleum products, which forms a major part of India's total merchandise. At last we can say that the growth is showing 'V' trend in its bilateral trade.

Table 2. Export and Import data of individual ASEAN nations from 2017 to 2023

Sr. No.	ASEAN Countries	Year	Export (Million USD)	Import (Million USD)
1.	Brunei	2022-23	69.48	303.99
		2021-22	43.16	394.44
2.	Cambodia	2022-23	220.43	146.02
		2021-22	198.37	94.88
3.	Indonesia	2022-23	10,024.30	28,820.41
		2021-22	8,471.51	17,702.83
4.	Laos	2022-23	16.98	74.30
		2021-22	14.65	0.80

5.	Malaysia	2022-23	7,156.16	12,734.94
		2021-22	6,995.04	12,424.20
6.	Myanmar	2022-23	807.00	954.74
		2021-22	893.03	1001.87
7.	Phillipines	2022-23	2,094.15	959.59
		2021-22	2,107.24	729.12
8.	Singapore	2022-23	11,992.94	23,595.35
		2021-22	11,150.61	18,962.19
9.	Thailand	2022-23	5,709.81	11,193.36
		2021-22	5,751.30	9,332.59
10.	Vietnam	2022-23	5,909.16	8794.73
		2021-22	6,702.67	7,438.52

Source:- www.dgft.gov.in- Ministry of Commerce and Industry, Department of Commerce Trade Intelligence and Analytics Wing Data Management, Dissemination & Publication Division (Data Analytics Unit)

Table no. 2 depicts that India only stands in favorable Balance of Trade in case of Cambodia and Philippines countries out of ASEAN countries. The difference between export and import value is much less in the case of Cambodia and the Philippines. In

the case of other countries India's import is more compared to export. Our country's import is significant from Indonesia followed by Singapore and Malaysia and the bilateral trade is in deficit. On the contrary to this India's import is more from ASEAN countries. But despite this India's export is augmenting gradually. Annual growth rate of India's export of each ASEAN countries are as follows—

1. Brunei - 60% favourable BoT
2. Cambodia - (-)11.12% unfavourable BoT
3. Indonesia - 18.32% favorable BoT
4. Laos - 15.90% favourable BoT
5. Malaysia - 2.30% favourable BoT
6. Myanmar - 9.63% unfavourable BoT
7. Phillipines - (-) 0.62% unfavourable BoT
8. Singapore - 7.55% favourable BoT
9. Thiland - (-)0.72% unfavourable BoT
10. Vietnam - 11.83% favourable BoT

The reason behind our country's less share of export and more of import in case of bilateral trade between India - ASEAN is lack of export diversification.

India -ASEAN countries decided to celebrate the following relations.

India's association with ASEAN has become a fundamental pillar of our foreign policy. This connection has developed from the 'Look East Policy' introduced in the early 1990s. As a result of this policy, India progressed from being a Sectoral Partner of ASEAN in 1992 to a Dialogue Partner in 1996, and eventually achieved the status of a Summit-level Partner in 2002. Hence the India - ASEAN relation is building just like a pyramid.

Figure no. - 1



Source:- www.asean.org, www.commerce.gov.in

How India and Myanmar augmented the strategic relations

Figure no. - 2



Source:- www.asean.org, www.commerce.gov.in

India- ASEAN relations are strengthening through joint military operations. The example is IMBAX (India-Myanmar Bilateral Army Exercise). To control the insurgency on the Indo - Myanmar border, the Arakan army is deployed. Myanmar is considered to be a vital

gateway to trade with India because of ties with the south east asian countries. The well known companies of India such as Essar, GAIL, ONGC have invested in Myanmar's energy sector. In addition to this India is engaged in other sectors also such as manufacturing, banking, insurance, information technology, education, health, agricultural research, agro-processing, upgradation of roads, small power projects and livelihood activities etc. Our country is currently constructing the Kaladan Multi-Modal Transit Transport, a project integrating road, river, and port facilities, with the aim of connecting Kolkata to Sittwe in Myanmar and extending further to India's northeast via Myanmar's Kaladan River. Simultaneously, India, Myanmar, and Thailand are collaborating on the construction of the Asian Trilateral Highway. This highway is designed to establish a vital connection between India and ASEAN, contributing to increased trade and commerce within the ASEAN–India Free trade area and fostering economic ties with the broader Southeast Asia region. To strengthen the Act East Policy, India has also rendered the soft loan of \$2 billion. India and Myanmar also share cultural ties in terms of Buddhist heritage and shared history of colonialism. In that direction, India is undertaking some key initiatives in the restoration of the Ananda Temple in Bagan and the repair and conservation of a large number of damaged pagodas.

Figure no.- 3



Source:- www.asean.org, www.thehindu.com

How should India tackle Chinese dominance in the Indo-Pacific region?

1. Emphasizing the importance of upholding freedom of navigation, adhering to a rules-based order, and fostering a stable trade environment, it is crucial for India to concentrate on the link between the Indo-China border area and the East China Sea. Collaborating with Japan and the US becomes imperative in managing challenges posed by China. Both Japan and the US have shown a willingness to support India in modernizing its defense capabilities along the Indo-China border.
2. To bolster India's military preparedness, there should be a sharing of anti-submarine capabilities know-how among Japan, the US, and Australia. Additionally, investing in infrastructure development in regional countries proves beneficial, as seen in Bangladesh's preference for Japan's Martabali port project over China's Sonadia port. The success of projects like the Trincomalee port with Japanese assistance in Sri Lanka could diminish the significance of China's Hambantota port. The Asia-Africa Growth Corridor, a product of Indo-Japanese cooperation,

is positioned to counter China's expanding influence in Africa.

3. Strategic attention should be given to the Andaman and Nicobar Islands due to their proximity to the Malacca Straits, offering an excellent vantage point for monitoring China's submarine activities. Modernizing infrastructure on these islands is essential for deploying larger warships and aircraft.
4. In navigating the Indo-Pacific region, India should form maritime alliances, such as the Quad (comprising India, Australia, the US, and Japan), with different nations, including the US, to safeguard its interests in the South China Sea without inciting conflict with China.
5. India's active participation in regional mechanisms like the Indian Ocean Rim Association (IORA), the East Asia Summit, and the Association of Southeast Asian Nations (ASEAN) Defence Ministers Meeting Plus underscores its increasing involvement in the Indo-Pacific. Striking a delicate balance among the diverse interests of stakeholders poses a key challenge, requiring India to meticulously design its Indo-Pacific policy while considering long-term strategic and economic interests.

Research findings:-

The negotiations for the ASEAN-India FTA took seven years and were concluded with the signing of the ASEAN-India Trade in Goods Agreement on January 1, 2010. The FTA marked the beginning of a new era in ASEAN-India partnership.

Trade Growth and Imbalance:

Over a decade, from 2010-11 to 2022-23, ASEAN-India trade doubled from \$57 billion to \$131 billion. India's exports to ASEAN increased from \$25.63 billion to \$43.51 billion, while imports rose from \$30.61 billion to \$87.59 billion. The trade balance with ASEAN deteriorated, turning into a deficit with Vietnam but maintaining surpluses with Cambodia, Lao PDR, the Philippines, and Myanmar. Trade Trends and Global Headwinds:

Global challenges, such as the collapse in oil prices (2014-2016), the US-China trade war (2016 onward), and the COVID-19

pandemic, impacted ASEAN-India trade. Both regions experienced V-shaped recoveries in global trade post-pandemic.

FTA Review and Future Considerations: ASEAN and India are set to review the FTA in goods, with a focus on strengthening production linkages and improving market access in strategic trade areas. India aims to enhance production linkages, while ASEAN aims to expand exports to the Indian market. Recommendations include reducing barriers to trade, particularly non-tariff barriers, and improving digital and physical connectivity.

Quality of Trade Integration: Non-oil and non-mineral trade is highlighted as a better representation of the quality of trade integration. India's non-oil and non-mineral exports to ASEAN increased, including textiles, electronic goods, chemicals, and machinery. Diversification away from minerals and mineral fuels suggests higher value addition, aligning with the objectives of the ASEAN-India Trade in Goods Agreement.

Export Growth: India's exports to the ASEAN region increased from \$25.13 billion in the fiscal year 2015-16 to \$31.49 billion in the fiscal year 2020.

Future Focus: The future review of the FTA aims to address concerns about trade imbalances and explore ways to enhance economic cooperation. In summary, the passage provides a comprehensive overview of the ASEAN-India FTA, its impact on trade, and the challenges and opportunities for future collaboration. Agreement (FTA) and its impact on bilateral trade between the two regions.

Conclusion:-

From the above research findings we can say that India is trying to strengthen production linkage and South east asian nations are trying to encourage export to India. Both the sides witnessed V-shaped recovery in the trade in the post pandemic period. India needs to work on the soft power with the south east asian nations to counter the overdominance of China. India is badly known for delaying the projects so there is inadequacy of trust factor indeed. On the contrary, China has initiated an ambitious project such as One Belt One Road to enhance trade. China's investment is huge compared to India in many southeast asian nations, and are mainly

on key projects such as infrastructure in the energy sector, education and health etc. In addition to this export diversification may augment the trade with southeast asian nations. Export diversification can be classified into horizontal and vertical export diversification. Horizontal export diversification is meant to diversify the exports into different sectors and decrease export instability by reducing the dependence on a few export goods in a volatile export market. Vertical export diversification means expanding the exports from primary to manufacturing and services sectors. Expanding exports beyond primary exports to manufacturing and services exports helps long-term growth and better knowledge spillover benefits to other sectors. So, a well-balanced horizontal and vertical export diversification signifies sustainable export growth. China's presence in the Indian ocean is also shattering the sustainable vision of southeast asian nations henceforth India can play the diplomatic role to counter China's aggressive involvement and can gain the cooperation from the ASEANs. This is being observed that India earns less in the bilateral trade with ASEANs, but to counter the low utilization rate of India's FTA, Indian firms must compare the Most Favored Nation (MFN) duty and trade agreement duties for a product as, company benefits from an agreement only when the customs duty under pact is lower than the MFN duty. Our country should also emphasize the collaboration in science, technology, and academic realms, encouraging knowledge exchange and research cooperation among partner nations. Furthermore, the promotion of trade, connectivity, and maritime transport is a central pillar to boost economic development and connectivity in the Indo-Pacific region. Once India gets successful in bridging the above discussed gaps, there will be a win-win situation through the bilateral relations with southeast asian nations.

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Appendix:-



Image No. 1:- Kaladan Multi-Modal Transit Transport