



Trade Analysis of India with ASEAN-5 Nations Chattan Singh Yadav

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Abstract - Regional economic integration is a post-Second World War phenomenon which contributed significantly for the development of nations. The ASEAN was established on 8 August 1967 with the core objective of economic integration to accelerate the growth, social progress and cultural development. India has been pursuing a policy to strengthen its relationship with ASEAN countries since the time of its independence. India's trade with Southeast Asia received a significant impetus in the early 1990s, with the launching of Look East Policy, after which the partners have been trading intensively and extensively. The study at hand examines the trend and composition of trade between India and ASEAN's top 5 trading partner countries Singapore, Indonesia, Vietnam, Malaysia and Thailand from 2000 to 2022 at aggregate level. Moreover, India's exports are elastic to ASEAN import demand and to India's relative export price competitiveness, which can help India to gain market access. In addition, AFTA has caused the trade to divert from nations outside the agreement to FTA's member nations leading to trade diversion rather than trade creation. Finally, the paper looks into economic implication of RCEP using SMART Simulation Model. It found that in a scenario where India introduces 100% tariff cut for all RCEP members, results into further increase in India's imports and reduced tariff revenue. Hence, the paper provides all economic evidence to support India's decision to stay out of RCEP, given the current scenario and India's experience with the past trade agreements.

Keywords - Trade, Analysis, India, ASEAN-5, Nations

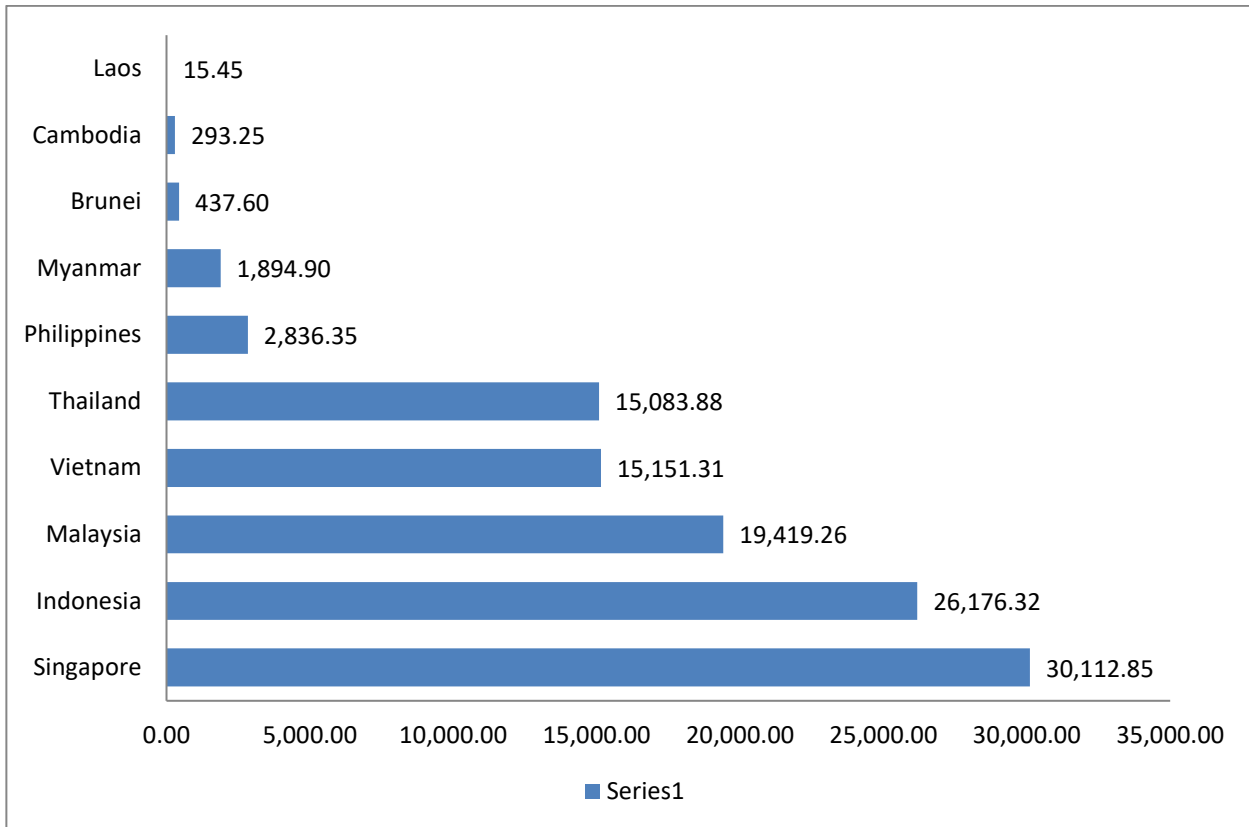
Introduction- India-ASEAN trade relations have been growing steadily, with ASEAN being India's fourth largest trading partner. Both sides have set a target of at least US\$ 110 billion in two-way trade by 2022 compared to US\$ 71 billion in 2016-17. The trade relations between India and the Association of South-East Asian Nations (ASEAN) comprising of Indonesia, Singapore, Philippines, Malaysia, Brunei, Thailand, Cambodia, Lao, Myanmar and Vietnam have seen an upsurge since the last decade. The meaning of ASEAN-5 nations is the largest trading partner of ASEAN countries (Singapore, Indonesia, Malaysia, Thailand and Vietnam) and the share of total trade with India respectively is; 27%, 24%, 18%, 14% and 13%.The region

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was an emerging and promising trade bloc, with a high growth rate and immense trade potential. To enhance India's trade and economic partnership with the region, during the government of Prime Minister P.V. Narasimha Rao in 1991, the 'Look East Policy' was conceived. This was coupled with transition of Indian economy from a protectionist to a liberal economy. The policy continued to enjoy support from all the successive governments of India. ASEAN countries, in particular were at the helm of this policy. Trade and economic cooperation and engagement slowly and steadily started to thrive between India and ASEAN. Singapore is among India's largest trade and investment partner in ASEAN and accounted for 27.3 % of our overall trade with ASEAN in 2021-22. Singapore is the leading source of Foreign Direct Investment into India. Over the last 20 years the total investment into India from Singapore is almost 136.653 billion and accounts for nearly 23 percent of the total FDI inflows. Indonesia is the 2nd largest trading partner of India in the ASEAN region. The bilateral trade increased from US\$ 6.9 billion in 2007 to US\$ 21.01 billion in 2021 between India and Indonesia. Malaysia has emerged as the third largest trading partner for India from the ASEAN region and India is the largest trading partner for Malaysia among the countries of the Southeast Asian region. Bilateral trade reached US\$ 17 billion in FY 2021-22 this includes exports worth approx. US\$ 12 billion and imports worth approx. US\$ 7 billion. . Malaysia is the 4th largest trading partner of India in the ASEAN region. During FY 2021, bilateral trade between India and Vietnam reached around US\$ 14 billion. Vietnam occupies the 101st position in FDI equity inflows into India with a cumulative FDI amount of US\$ 5.35 million from April 2000 – September 2022. Vietnam occupies a central position in India's Act East Policy as also in the Indo-Pacific strategy. According to Indian data for the financial year April 2021-March 2022, bilateral trade posted a growth of 27% and reached US\$ 14.14 billion. Indian exports to Vietnam amounted to US\$ 6.70 billion (an increase of 34%) while Indian imports from Vietnam amounted to US\$ 7.44 billion (an increase of 21%). Thailand is fifth largest trading partner in ASEAN region with India. In 2020, the trade figures stood at US\$ 9.76 billion despite the pandemic situation. In 2021, it reached a record high of around US\$ 15 billion. Thailand occupies the 26th position in FDI equity inflows into India with a cumulative FDI amount of US\$ 1,172 million from April 2022 to September 2022.

Top products that India exports to ASEAN countries are petroleum, beef, and crustaceans, flat rolled products of iron, alloyed steel and diamonds. Beef is the most demanded product in ASEAN nations and India is the largest beef exporter in the world. India imports palm oil, coal, electronic gadgets, and automatic data processing machines from the ASEAN countries. Apart from studying India's trade flows with ASEAN, the paper estimates the economic implication of RCEP by carrying out the similar analysis of India's trade performance with 5 other FTA partners, both at an aggregate and a product level.

Value of Indian trade with ASEAN countries in financial year 2022, by country (in million U.S. dollars)

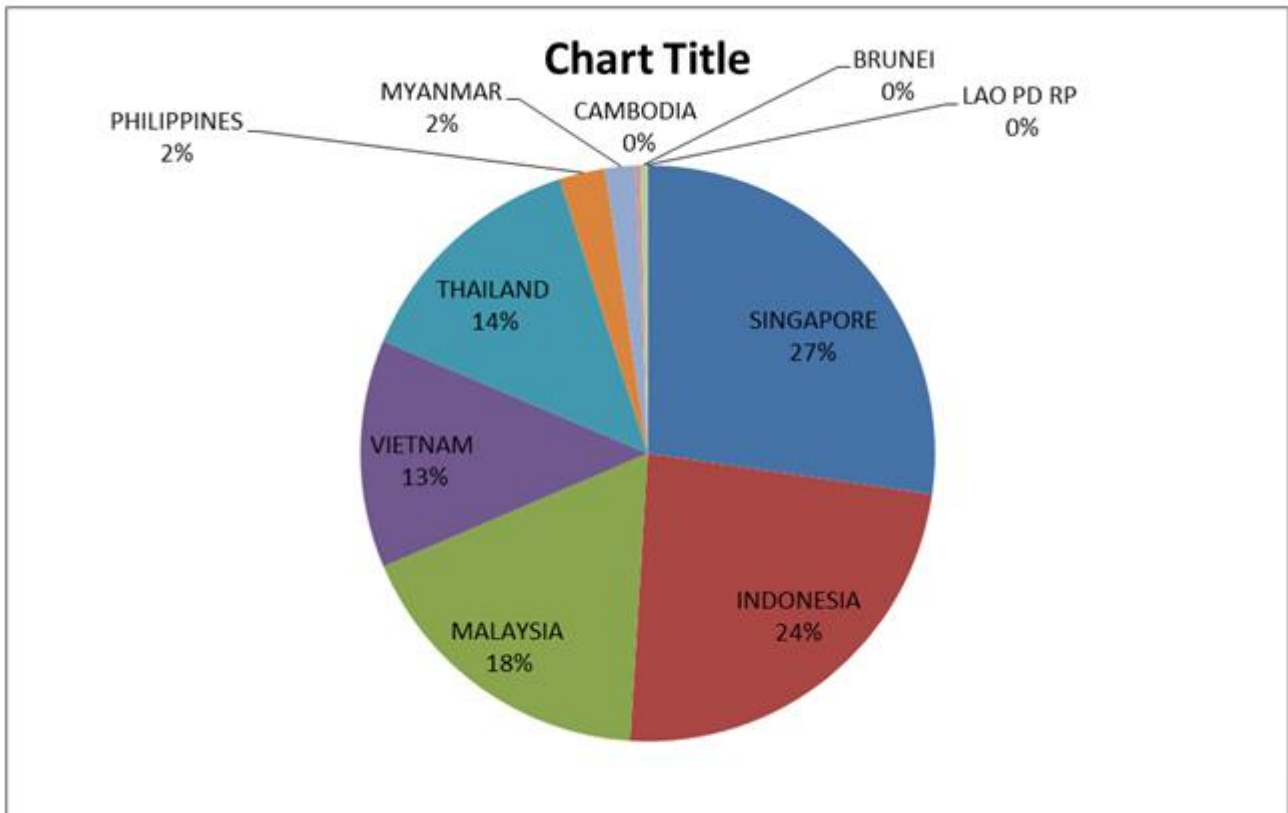


DGCI&S; Department of Commerce (India)/India; DGCI&S; FY 2022.

Country wise trade figures (USD \$ Billion)

ASEAN Country	Total Trade (USD Million)	ASEAN Country	Total Trade (USD Million)
SINGAPORE	30,112.80	MYANMAR	1,894.90
INDONESIA	26,174.34	CAMBODIA	293.25
MALAYSIA	19,419.24	BRUNEI	437.6
VIETNAM	14,141.19	LAO PD RP	15.45
THAILAND	15,083.88	Total Trade with ASEAN	11040871
PHILIPPINES	2,836.35	% Share	10.66

Source: Department of Commerce, ministry of commerce and industry, Government of India.



REVIEW OF LITERATURE - In the proposed research work, the review of all possible academic literature available in the domain of Indo-ASEAN trade relations has been conducted which facilitated the development of new insight to explore the various facets of the problem.

Zhang (2006) explains that India is one of the two critical poles of ASEAN's external Asian policy, and also finds that economic and trade cooperation has deepened, gradually and new cooperation fields such as investment and tourism have been added to the lists.

Mohanty (2007) explored India's launching of the 'Look East Policy' in early 1990s with a view to connect with South East Asian countries. As ASEAN was one of the major emerging trade bloc with a sound and stable trading environment and immense potential. This policy was one of India's major post-Cold War diplomatic reorientation and the policy acted as a catalyst in increasing economic interaction between India and ASEAN.

Asher and Palit (2008) and Chanda and Sasidaran (2008) explored India's Look East Policy, initiated in 1992 and found that India's economic engagement with Southeast Asia has expanded rapidly since the early 1990s, suggesting that India's future regional initiatives with the region are crucial to assure the realization of its long term economic, strategic, and geo-political objectives.

Pradnya (2009) highlighted on certain prospective areas of expanding economic cooperation between India and the ASEAN countries. The assessment found that economic relations between India and the ASEAN have tremendous scope for expanding trade and economic relations.

Dr. Veeramani S & Anam (2018) draws attention to growing trade deficit between India and ASEAN. Study suggests that low market access, high non-tariff barriers, cheap imports from ASEAN, Heavy imports of

essential commodities and less exports of comparative advantage products of India are some major reasons behind the growing Trade Deficit. The paper uses the RCA and DS-RCA Index to look at the India's comparative advantage in goods and services with respect to a particular destination. To deal this gap with positive trade policies and action, actions must be taken by the government through making required changes in the policies like putting barriers on cheap imports from ASEAN, encouraging exports in commodity categories in which DS-RCA analysis has indicated comparative advantage separately for each ASEAN member nation, work for improved market access of Indian goods through removal of non-tariff barriers through progressive and constant consultation with ASEAN members.

OBJECTIVES OF THE STUDY - Objectives spell out the basic philosophy of the whole study. In the present study, following objectives have been undertaken:

1. To examine trade patterns (exports, imports and trade deficit) between India and ASEAN -5 nations (Singapore, Indonesia, Malaysia, Vietnam and Thailand) separately at an aggregate level.

Data Source and Methodology- The present study is fundamentally based on secondary sources of information. In order to accomplish the objective of the study, the bilateral trade data for the period 2000-2022 (in US\$) has been obtained from *'Department of commerce, ministry of commerce and industry, Government of India'* Database. We collected data from the International Trade Centre (ITC). Data are collected for India and other ASEAN-5 nations (Singapore, Indonesia, Malaysia, Vietnam and Thailand) on exports and imports. The data collected cover the time period between 2000 and 2022. Although India announced its 'Look East Policy' during 1991, it was only during the second phase, starting from 2004 that the 'Look East Policy' was expanded. The rationale for choosing the time period between 2001 and 2018 is that most of the policy-level changes for the betterment of India-ASEAN trade relations started happening since early 2000. To maintain uniformity of our results, we collected data based on ITC HS Codes, which are provided by International Trade Centre.

Table-1.

Country Yrs.	Singapore		Indonesia		Vietnam	
	Export	Import	Export	Import	Export	Import
1996-97	977.47	841.10	591.86	597.05	118.07	1.70
1997-98	774.53	1,002.00	437.27	731.63	126.60	8.73
1998-99	517.53	1,384.16	185.27	829.10	125.43	9.14
1999-2000	672.71	1,160.31	325.58	953.70	154.37	11.52
2000-01	877.11	1,463.91	399.75	910.24	225.90	12.39
2001-02	972.31	1,304.09	533.71	1,036.81	218.17	18.91
2002-03	1,421.58	1,434.81	826.06	1,380.87	337.39	29.18
2003-04	2,124.83	2,085.37	1,127.20	2,122.06	410.43	38.21
2004-05	4,000.61	2,651.40	1,332.60	2,617.74	555.96	86.50
2005-06	5,425.29	3,353.77	1,380.20	3,008.11	690.68	131.39

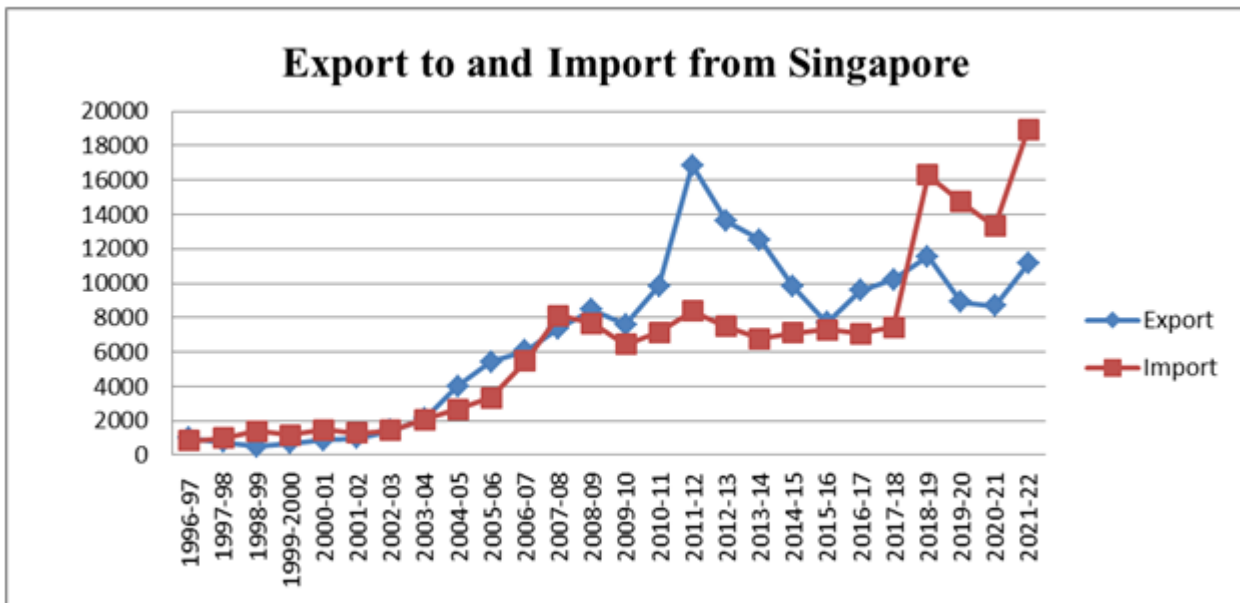
2006-07	6,053.84	5,484.32	2,032.96	4,181.96	985.69	167.38
2007-08	7,379.20	8,122.63	2,164.17	4,821.25	1,610.09	173.68
2008-09	8,444.93	7,654.86	2,559.82	6,666.34	1,738.65	408.66
2009-10	7,592.17	6,454.57	3,063.36	8,656.66	1,838.95	521.81
2010-11	9,825.44	7,139.31	5,700.78	9,918.63	2,651.44	1,064.90
2011-12	16,857.71	8,388.49	6,677.99	14,765.93	3,719.09	1,722.87
2012-13	13,619.24	7,486.38	5,331.30	14,879.49	3,967.37	2,314.78
2013-14	12,510.54	6,762.49	4,850.20	14,748.30	5,441.94	2,594.25
2014-15	9,809.36	7,124.47	4,043.32	15,004.64	6,257.88	3,003.35
2015-16	7,719.81	7,308.38	2,819.49	13,131.93	5,265.99	2,560.39
2016-17	9,564.58	7,086.57	3,488.12	13,427.99	6,786.56	3,320.56
2017-18	10,202.82	7,466.99	3,963.77	16,438.80	7,813.08	5,018.55
2018-19	11,572.27	16,281.64	5,275.60	15,849.67	6,507.38	7,192.23
2019-20	8,922.66	14,746.78	4,129.33	15,061.87	5,059.90	7,283.42
2020-21	8,675.50	13,304.92	5,026.21	12,470.17	4,999.64	6,120.66
2021-22	11,150.61	18,962.19	8,471.51	17,702.83	6,702.67	7,438.52
<i>Source: Import Export Data Bank, Government of India, Department of Commerce</i>						

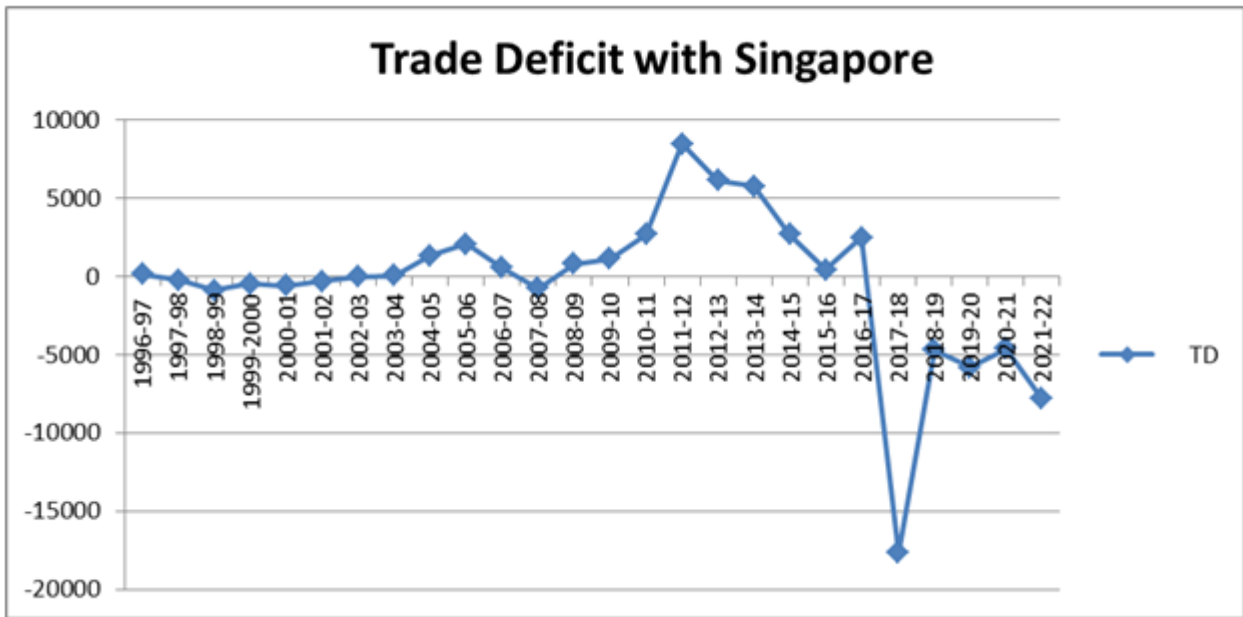
Table-2.

Country Yrs.	Malaysia			Thailand		
	Export	Import	TD	Export	Import	TD
1996-97	531.14	1,103.29	-572.15	447.08	197.19	249.89
1997-98	489.95	1,178.89	-688.94	342.90	226.57	116.33
1998-99	321.69	1,608.36	-1,286.67	321.00	273.11	47.89
1999-2000	447.09	1,949.41	-1,502.32	449.59	326.02	123.57
2000-01	608.15	1,176.80	-568.65	530.12	337.92	192.2
2001-02	773.69	1,133.54	-359.85	633.13	423.09	210.04
2002-03	749.37	1,465.42	-716.05	711.20	379.00	332.2
2003-04	892.76	2,046.55	-1,153.79	831.68	609.05	222.63
2004-05	1,084.06	2,299.01	-1,214.95	901.39	865.88	35.51
2005-06	1,161.86	2,415.61	-1,253.75	1,075.31	1,211.58	-136.27
2006-07	1,305.22	5,290.31	-3,985.09	1,445.54	1,747.75	-302.21
2007-08	2,575.26	6,012.90	-3,437.64	1,810.87	2,300.93	-490.06
2008-09	3,419.97	7,184.78	-3,764.81	1,938.31	2,703.82	-765.51
2009-10	2,835.41	5,176.78	-2,341.37	1,740.16	2,931.52	-1,191.36

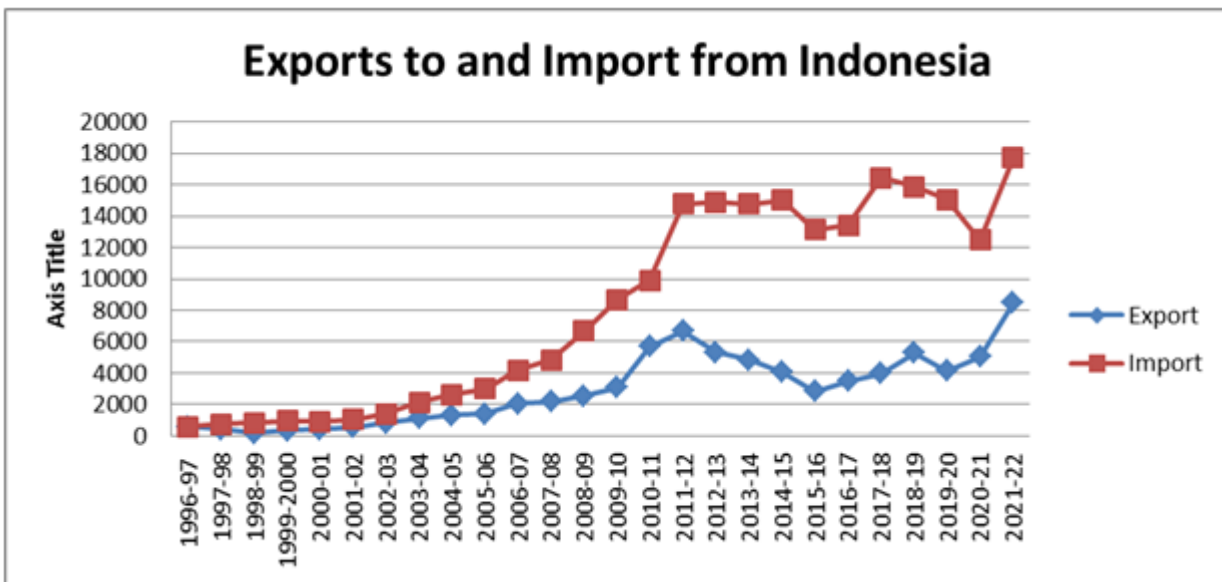
2010-11	3,871.17	6,523.58	-2,652.41	2,274.21	4,272.09	-1,997.88
2011-12	3,980.36	9,473.64	-5,493.28	2,961.01	5,283.84	-2,322.83
2012-13	4,444.07	9,951.06	-5,506.99	3,733.17	5,352.61	-1,619.44
2013-14	4,197.93	9,229.88	-5,031.95	3,703.27	5,340.20	-1,636.93
2014-15	5,816.55	11,117.74	-5,301.19	3,464.83	5,865.88	-2,401.05
2015-16	3,706.83	9,083.83	-5,377.00	2,987.86	5,510.16	-2,522.30
2016-17	5,224.86	8,933.59	-3,708.73	3,133.44	5,415.40	-2,281.96
2017-18	5,701.56	9,011.58	-3,310.02	3,653.83	7,134.46	-3,480.63
2018-19	6,436.30	10,818.60	-4,382.30	4,441.40	7,441.81	-3,000.41
2019-20	6,364.66	9,782.28	-3,417.62	4,299.30	6788.38	-2,489.08
2020-21	6,057.68	8,373.05	-2,315.37	4237.59	5682.27	-1,444.68
2021-22	6,995.04	12,424.20	-5,429.16	5,751.30	9,332.59	-3,581.29

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



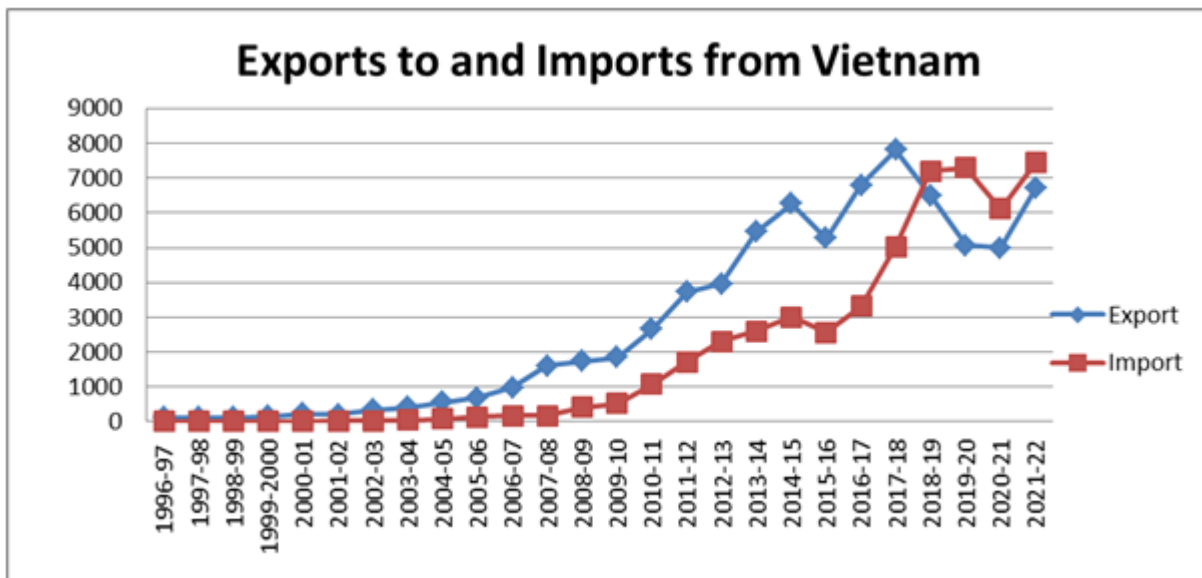


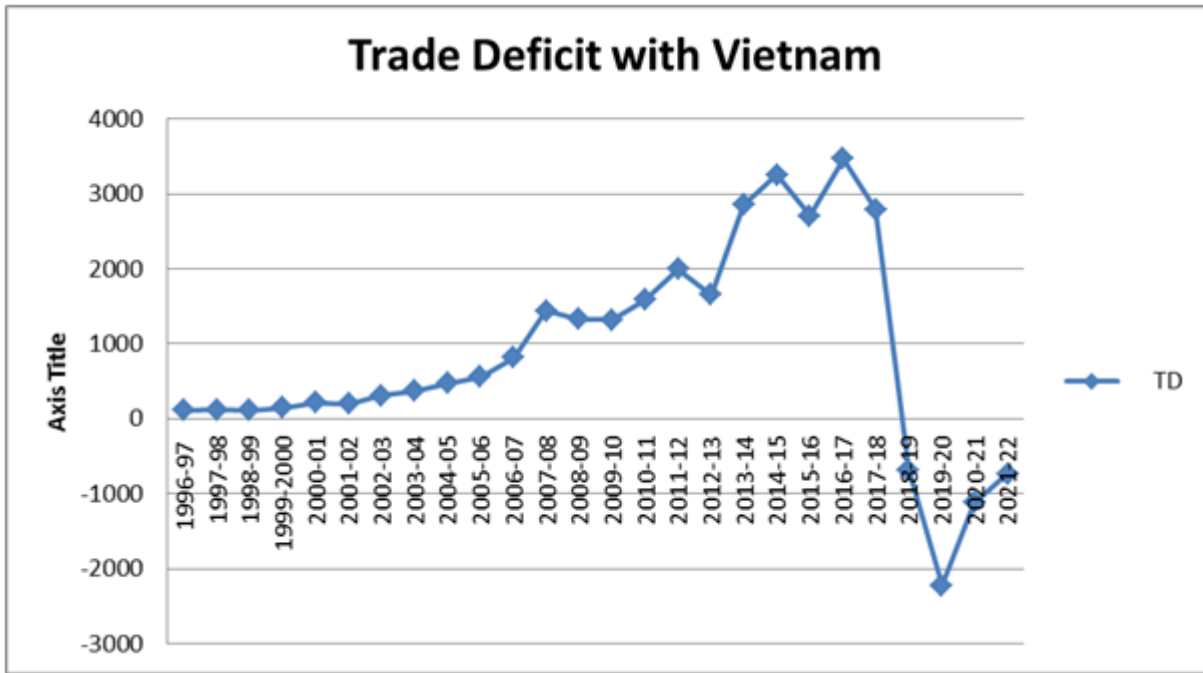
Singapore accounts for 28.01% of India’s exports to ASEAN and 27.95% of imports from ASEAN with overall trade deficit share of 27.82%. Thus, Singapore is big trading partner in terms of total trade with India. The Figure shows the trends of exports and imports of India-Singapore for the period 1991-2020. The exports and imports were almost of same magnitude till 2009-10. However, the exports picked up faster than imports recording huge trade surplus for the period 2010-16 as India entered into FTA with ASEAN in 2010. Afterwards, the imports widened than the exports leading to huge trade deficits for the period 2016-20.



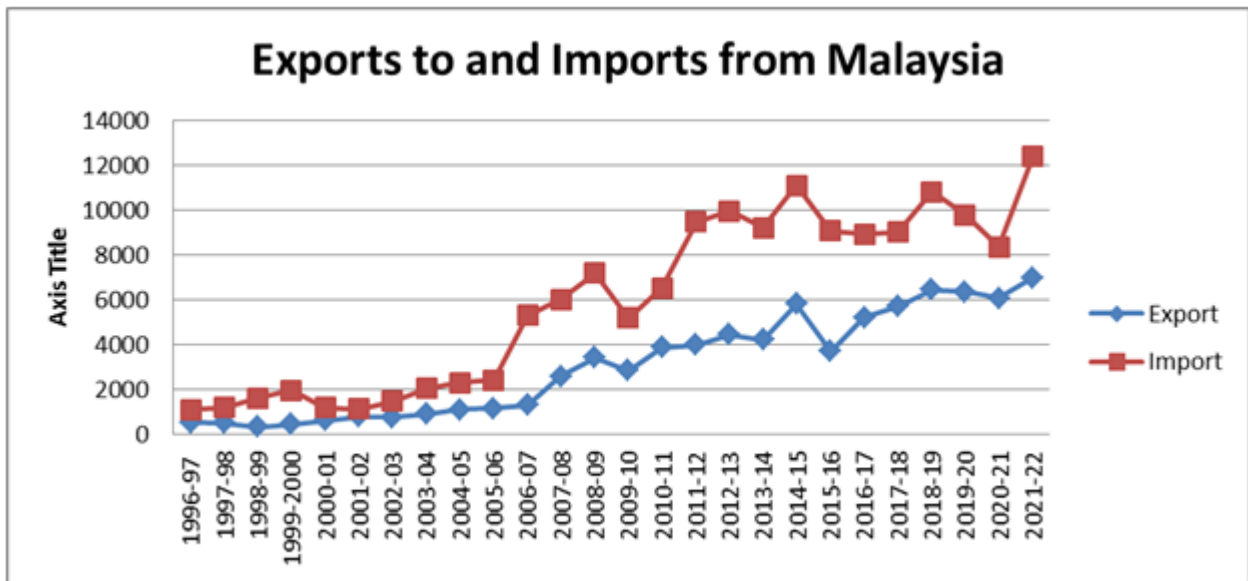


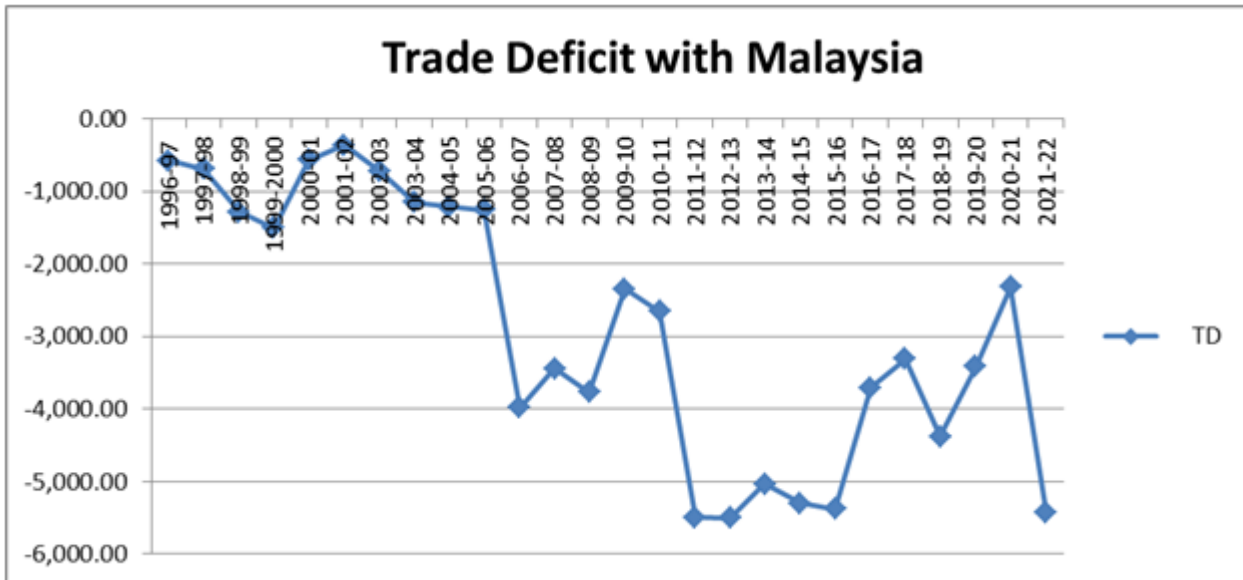
Indonesia is the 2nd largest trading partner of India in the ASEAN region. The bilateral trade increased from US\$ 6.9 billion in 2007 to US\$ 21.01 billion in 2021 between India and Indonesia. India has a comparative advantage with respect to both world as well as Indonesia in products such as animals; vegetables, chemicals and minerals, and the value of exports for these products have been significant in recent year except for minerals. Thus, India can improve its export value for minerals. Further, the products such as fuels, textile and metals are the one where India has a comparative advantage with respect to world, but not with Indonesia, so there is scope of building exports of these products to improve export performance and reduce trade deficits.



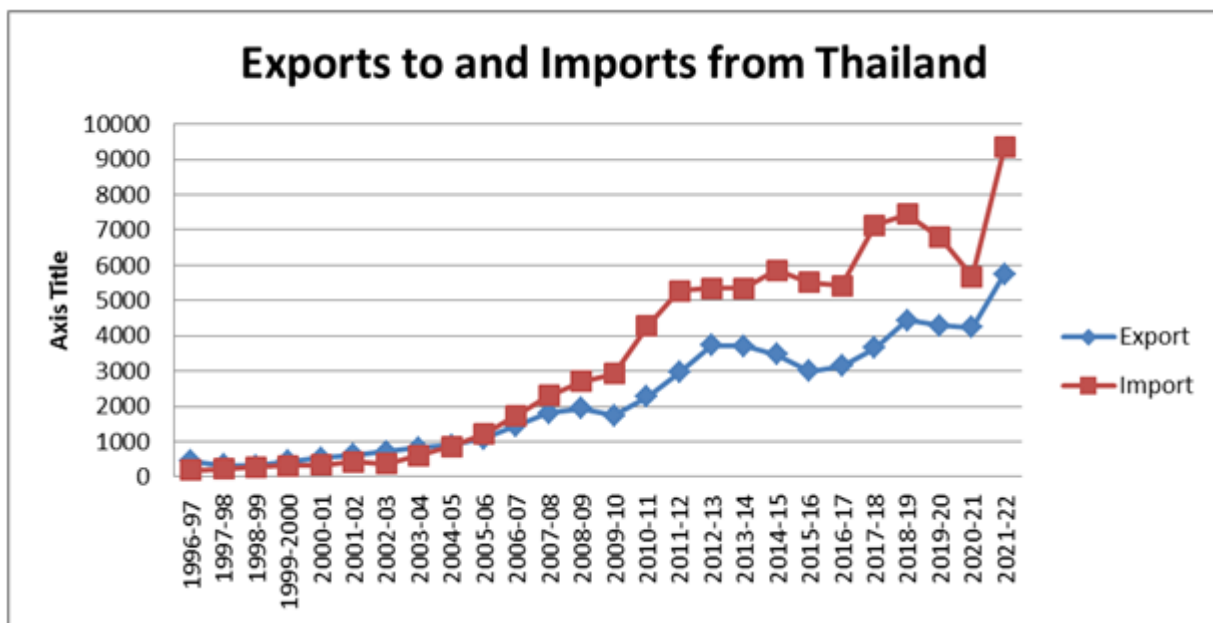


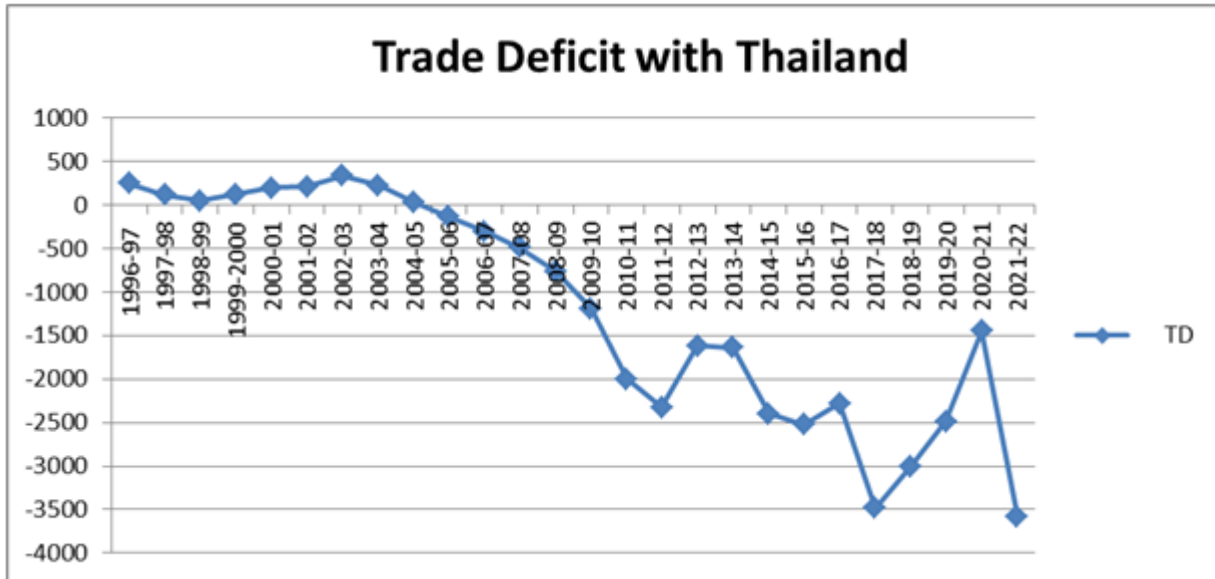
During FY 2021, bilateral trade between India and Vietnam reached around US\$ 14 billion. Vietnam occupies a central position in India’s Act East Policy as also in the Indo-Pacific strategy. According to Indian data for the financial year April 2021-March 2022, bilateral trade posted a growth of 27% and reached US\$ 14.14 billion. Indian exports to Vietnam amounted to US\$ 6.70 billion (an increase of 34%) while Indian imports from Vietnam amounted to US\$ 7.44 billion (an increase of 21%). Vietnam is trying to diversify its trade and intends to make use of India’s growing market. The key Vietnamese exported products to India are mobile phones and components, computers, electronic products and components, chemicals, plastics, rubber, coffee, pepper, and cashew. The main Indian exported products to Vietnam are iron and steel products, textile materials, fishery, corn, pharmaceutical, pharmaceutical raw materials, and auto spare parts.





Malaysia accounts for 20.91% of India’s exports to ASEAN and 16.75% of imports from ASEAN with overall trade deficit share of 8.21%. Thus, Malaysia is big trading partner in terms of total trade with India. The Figure 11 and 12 shows the trends of exports and imports of India-Malaysia for the period 1991-2020. The exports and imports were almost of same magnitude till 2001-02. However, the imports picked up faster than exports recording huge trade deficit. As India entered into FTA with ASEAN in 2010, the gap between exports and imports further widened leading to huge trade deficits.





Thailand accounts for 12.75% of India’s exports to ASEAN and 11.86% of imports from ASEAN with overall trade deficit share of 10.03%. Thus, Thailand is big trading partner in terms of total trade with India. The Figure 17 and 18 shows the trends of exports and imports of India-Thailand for the period 1991-2020. The exports and imports were almost of same magnitude till 2006-07. However, the imports picked up faster than exports recording huge trade deficit for the period 2007-20. As India entered into FTA with ASEAN in 2010, the gap between the exports and imports has been even more significant resulting into huge trade deficit.

Conclusion- The study discovers an overall rise in India's trade deficit with ASEAN countries from 1991 to 2021. Since India signed a free trade agreement with ASEAN in 2010, the disparity between India's exports and imports from ASEAN countries has widened, creating a significant trade deficit. The research also identifies a list of product areas in which India has a comparative advantage, although ASEAN trade volume is low. This offers the opportunity to reduce India's trade deficits by concentrating exports of these product categories to countries where they have a competitive advantage due to their geographic location. In addition, the report comes to the conclusion that AFTA has generally resulted in trade diversion rather than trade creation. Moreover, over the same period of 1991 to 2020, India also experienced a significant trade imbalance with 5 additional FTA partners. The simulation model offers the helpful insights that an Indian tariff reduction of 100% would result in a significant increase in imports, a decrease in tariff income, a rise in consumer surplus, and improved trade flows. Given the current situation and India's experience with existing trade agreements, all these arguments in favour of India's choice to abstain from RCEP negotiations.

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