

## Commerce and Trade between India and South East Asia since Time Immemorial (with particular reference to ASEAN Countries)

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### ABSTRACT

India's association with South East Asia dates back to the 6th century BC. The geographical proximity of these areas to the borders of India and favorable conditions for trade attracted the merchant class of India. Most of the countries in South East Asia are member countries of ASEAN. In order to establish economic, commercial and strategic relations with ASEAN countries, the Government of India launched the Look East Policy in the 1990s itself. India's Look East Policy An attempt to pursue a policy of active engagement with the countries of South East Asia. Establishing trade and economic relations with these countries was the focus of this policy. In 2014, Narendra Modi's government changed the name of Look East Policy to Act East Policy and expanded the scope of this policy. Apart from this policy, the annually summit has further strengthened the relations between India and South East Asia and made a different identity on the global stage. 2009 to 2022 import-export has increased every year in the trade sector of goods with these countries but very little progress has been made in the field of service and investment. India's trade balance with ASEAN countries has been unfavorable But ever since India withdrew from the Regional Comprehensive Economic Partnership Agreement(RCEP) the interest of the people of South East Asia towards India has decreased. India needs to respond to South East Asian concerns. It will raise Indian influence in the region which is very much needed. It is also very important for India's national interest to resolve the current issues with ASEAN countries.

**Key words:** ASEAN, Look East Policy, Import-Export, RCEP, Balance of Payment etc.

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### **1.)INTRODUCTION**

Historically, India was a very developed economy with strong trade links with other countries of the world. India's trade relations with South East Asia go back centuries. Southeast Asia is comprised of eleven countries namely Burma, Brunei, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, Vietnam and Timor-Leste. Out of these, the first ten countries are the member countries of the ASEAN. In ancient times, traders of India used to travel these countries in search of gold and tin metals. Since these nation is geographically located near the border of India, That's why the culture, ethics, standard of living, business dealings of all these countries have had a lot of impact on each other, business-friendly conditions in these areas attracted the business class of India. India is making its own identity in ASEAN countries for its art and architecture. Many remnants of Indian symbols are visible in their art, culture and civilization. Words from Sanskrit, Pali and Dravidian languages are still used in mixed form in the local languages of South East Asian regions. Needless to say that Southeast Asian countries are indias close neighbours with whom its relations date back to time immemorial.

### **2.)30 YEARS OF SUCCESSFUL RELATIONSHIP (INDIA – ASEAN)**

The Association of South East Asia Nations (ASEAN) was born in 1967 and was aimed at promoting regional trade and investment. Burma, Brunei, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand and Vietnam are the member countries of the ASEAN. India began formal engagement with ASEAN in 1992 as a

“Sectoral Dialogue Partner” and subsequently as a “Dialogue Partner” in 1996. Under the leadership of Prime Minister P V Narasimhan Rao and Finance Minister Manmohan Singh, the policy of economic liberalization was adopted in 1991. The development of multilateral relations between India and ASEAN started after the economic liberalization in the country. In the 1990s India only for the establishment of practical relations from idealistic relations between India and ASEAN countries introduced Look East Policy. Afterwards India became a regional dialogue partner of ASEAN in 1992. Then After three years, this relationship was elevated to the status of full dialogue partner. Along with this, India also became a member of ASEAN Regional Forum (ARF) the most influential regional conference associated with ASEAN.

Since the early 2000s, relations between India and ASEAN have grown closer. The summit talks between the two sides started in the year 2002. Hence it has also become a part of ASEAN Defense Ministers Plus Meetings (ADMM+). At the 20 year Commemorative Summit Meeting in New Delhi (December 2012) our Dialogue Partnership was further elevated to a Strategic Partnership.. ASEAN-India co-operation committee was established to function as a key institutional mechanism to provide substantive content to different sectors of cooperation. On the occasion of completion of 30 years of this link, in the ASEAN-India Friendship Summit 2022, both sides reiterated their resolve for future visit.

Going forward, strong economic linkages and complementarities between India and ASEAN economies will lead to greater economic integration to the mutual benefit of all. The major objective behind the formation of partnership was to explore all avenues for better exploitation of geographical proximity and natural endowments among themselves and to devise a means of escape from dependence on the more prosperous global markets (Kahler, 1995).

### 3.)OBJECTIVES

- To study and analysis of trade relations between India and ASEAN counties.
- To study of opportunities for future investment market in India of ASEAN countries.
- Shifting trends in the perception between India and ASEAN.
- To study the Size of the ASEAN Economies and country wise India's trade potential with ASEAN member countries.
- To analyze the India's exports to ASEAN compared to ASEAN's exports to India during the period 2015-16 to 2021-22.

### 4.)COMMERCE AND TRADE

The ASEAN-India Trade in Goods Agreement (AITIGA) entered into force on 1 January 2010. The signing of the AITIGA on 13 August 2009 in Bangkok paved the way for the creation of one of the world's largest free trade areas with more than 1.9 billion people and a combined GDP of US\$ 5.36 trillion. The ASEAN-India Trade in Services Agreement was signed by all Parties on 13 November 2014 and had entered into force on 1 July 2015. India's total trade with ASEAN has increased since the signing of the FTA. It stood at US\$ 96.79 billion in 2018-19 and is estimated to reach US\$ 300 billion by 2025.

India has over one billion population of which a major section is comprised of the middle class. As India believed in the socialistic drives and the nationalization for centuries, its relationship with ASEAN was limited. In 1991-92, when India embarked on the policy of Liberalisation, the ASEAN group accounted for 6% of India's total exports but for ASEAN it was less than 1% of their global trade. This situation started change in the commercial relationship between India and ASEAN countries. Economic paradigm is the main thrust of co- operation with

the ASEAN. Currently ASEAN Group is the 3rd largest market in the world - 6th largest economy in the world - 3rd largest position in Asia.

Trade turnover and the growing investments between India and ASEAN display confidence in each other and enhanced scope for closer partnership. India exports gems, precious stones, cotton and fabric, urea and fertilizers etc. and imports pulses, rubber, fibre and inorganic chemicals.

Malaysia is our third largest trading partner in ASEAN. India is the largest trading partner of Malaysia among south asian countries. The two ways trade between India and Malasiya has also touched billion plus now. India imports palm oil, petroleum, crude petroleum, refined petroleum and non ferrous base metals and exports raw aluminium, refined petroleum, chemicals, molasses and vegetables etc.

The value of Indian goods exported to Singapore was the highest within the ASEAN region in fiscal year 2021. Singapore is among India's largest trade and investment partner in ASEAN and accounted for 27.3 % of our overall trade. India imports engineering goods, palm oil, organic chemicals, glass and telecommunication equipments and exports textiles, spices, fodders, inorganic chemicals, jute etc.

Trading figures with Burma, Brunei, Cambodia, Indonesia, Laos, Philippines and Vietnam have also shown increasing trends. India's total trade with ASEAN was \$42.3 billion in the 2021-22 financial year. This is over 10 percent of India's global trade. The trade between the two blocks was driven by economic complementarities that prevail. After the signing of the FTA, exports from India to ASEAN member countries Thailand, Cambodia, Vietnam, Malaysia, Philippines and Laos People's Democratic Republic increased substantially. The largest increase in India's imports came from Vietnam, followed by the Philippines, Malaysia, Singapore, and Thailand. Sectors that have registered significant growth in exports are textiles, food products, other food crops, wood and wood products, fisheries, mineral products, machinery, beverages, tobacco, and leather and leather products.

**TABLE 1: INDIA'S TRADE WITH INDIVIDUAL ASEAN COUNTRIES (2020-21)**

Trade Figures in Billion USD							
S. No.	Country	Export (2020-21)	Export (April2021-Feb22)	Import (2020-21)	Import (April2021-Feb22)	Total Trade	Total Trade(April2021-Feb22)
1.	Brunei	0.062	0.039	0.329	0.378	0.392	0.418
2.	Cambodia	0.168	0.175	0.039	0.081	0.208	0.257
3.	Indonesia	5.026	7.522	12.470	15.520	17.496	23.043
4.	Lao PDR	0.027	0.014	0.001	0.00075	0.029	0.015
5.	Malaysia	6.057	6.317	8.373	11.195	14.430	17.513
6.	Myanmar	0.772	0.807	0.526	0.865	1.299	1.673
7.	Philippines	1.457	1.902	0.572	0.665	2.029	2.568
8.	Singapore	8.675	10.228	13.304	16.593	21.980	26.822
9.	Thailand	4.237	5.156	5.682	8.295	9.919	13.452
10.	Vietnam	4.999	6.130	6.120	6.508	11.120	12.638
Source:DGFT							

**Table:2Value of exports from India to ASEAN in financial year 2021, by destination country**

(in million U.S. dollars)

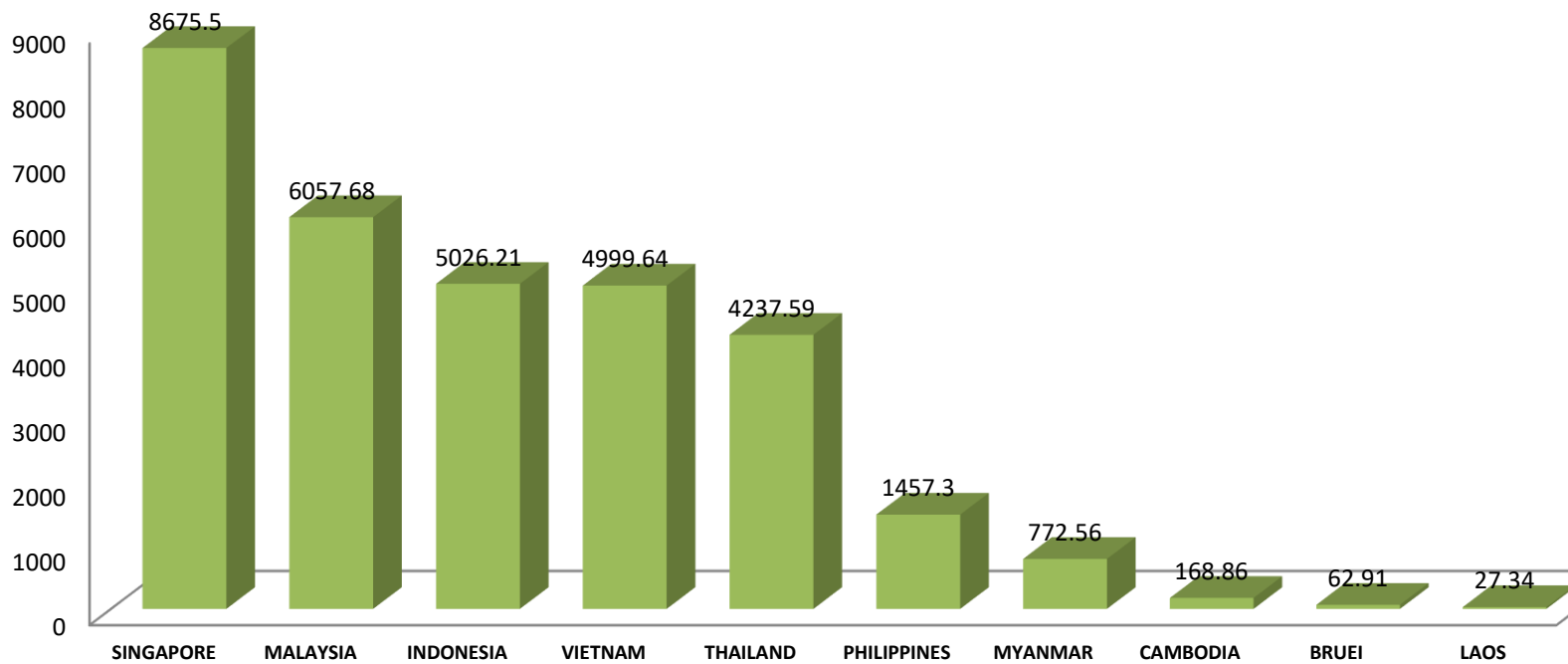


Table:3

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

Source: Ministry of Commerce and Industry(GOI)

## 5.)FINDINGS

- India's merchandise exports and imports both have increasing trend over the period of 2015-2016 to 2021-2022, but the growth rate of imports is higher than exports, and because of this, India is facing the unfavorable balance of trade with ASEAN countries.
- The study finds that ASEAN's share in India's trade improved marginally; Though the percentage share of ASEAN countries in India's total trade has seen a very small increase during the study period, it has positive trend in terms of percentage share in exports, imports and total trade, so it may be said that the trade between India and ASEAN countries are going in an affirmative direction.
- The study presents that ASEAN (Singapore, Malaysia, Indonesia, Vietnam and Thailand) 5 countries are India's main export destinations, which absorbs more than 70 percent share of India's exports. Though in recent years India's exports direction has been diversified with the very small increase in its exports share with Philippines, Cambodia, Brunei and Myanmar but Vietnam is the only country, which emerged as a rising star during the study period.
- Due to Corona virus, negative decrease has been registered in the field of exports from the year 2018-19 to the year 2019-20. But there is positive growth shown in this category in 2021-22. One thing is clear from this that after recovering from the effect of Covid19, the economy of the country improved, as well as the inflow of foreign exchange in the country also increased.
- The study presents that, there has been a decrease in imports from 2018-19 to 2020-21, but there has been a huge increase in 2021-22. Growth in India's exports to ASEAN in recent years has been much higher in comparison to other destinations.



## 6.) MAJOR CHALLENGES BETWEEN INDIA-ASEAN BUSINESS RELATIONS

- The outcome of FTAs with ASEAN countries is not positive for India. Due to this India's exports did not increase to the extent that imports increased. The main reason for this was that India had to cut taxes more than other ASEAN countries and exempted a large amount of products from import duty, on the other hand, did not get proper support from ASEAN countries.
- India's trade balance with ASEAN countries has been unfavorable But ever since India withdrew from the Regional Comprehensive Economic Partnership Agreement(RCEP) the interest of the people of South East Asia towards India has decreased. According to survey; Last year, more than 50% ASEAN respondents felt that the Regional Comprehensive Economic Partnership(RCEP) will be worse off without India, with a majority seeing India's exit from the trading bloc as damaging India-ASEAN relations.
- According to third the state of south east Asia 2021 survey; only 1% respondents of ASEAN countries believe that rising Indian protectionism and nationalism will affect their prospectus. Less than 1% respondents would select India as the preferred country for higher education or tourism;on this count, ASEAN respondents prefer the west,Japan,China and Korea ahead of India.
- China's expansionist policy, economic and military activities have always been a matter of concern for India and ASEAN.

ASEAN lacks strong institutions; In fact, ASEAN has always lacked strong institutions for the implementation of its collective

decisions. Also different countries have their different preferences.

- Each member faces its own unique social, economic and political challenges, As a result, it seems that each member state has no choice but to resolve its internal affairs.

## 7.)WHAT SHOULD BE THE WAY FORWARD

- India needs to respond to South East Asian concerns this will raise Indian influence in the much needed region. It is also very important for India's national interest to resolve the current issues with ASEAN countries. India needs to develop its tourism sector more.
- We need a lot of improvement in the education system of the country. When recent National Education Policy 2020 will be completely adopted in our education system and NEP is fully implemented in our education system, then India's education system will be different in itself in the whole world.
- The students of other countries will come to study in our country and the students of India will not have to go to other countries for higher education. From these we can expect that, foreign investment will increase in the field of education sector
- In settling such disputes with other countries of ASEAN, which have been going on for years, we should help them, this will strengthen the administrative relations of those countries with our country.
- The art and architecture of India has greatly influenced the regions of Southeast Asia since ancient times That's why India should work for their further expansion in these field.
- Very little work has been done between India and ASEAN countries in the field of service and investment. Cooperation in this area will be important in helping the ASEAN-India economic integration process. Establishing a strong network of financial mechanisms will boost trade as it will enable convenient payment options for business transactions.
- Investment: Between 2000-2021 cumulative FDIs from ASEAN to India was \$117.88 billion. These were mainly accounted for by Singaporean investments in India (\$115 billion). Indian investment into ASEAN since April 2019 till March 2022 is US\$ 55.5 billion out of which US\$ 51.5 billion investment is in Singapore. Therefore, there is a great need for India that apart from Singapore, India's investment sector should increase with other ASEAN countries.

- Strong maritime connectivity between India and ASEAN countries is essential it will provide cheaper logistics and increase trade of goods and services between nations.

## 8.)CONCLUSION

India's relation with Southeast Asia has been deep-rooted and integrated with one another. Trade relations between the Indian and the ASEAN countries is beneficial for both. Today the world economy is moving towards the path of globalisation. Achievement of the goal of globalization is not an overnight phenomenon. It requires lots of efforts not only on domestic front, but also on the external front of the economy. India finds a good opportunity towards exporting goods to the ASEAN countries consequent upon free trade agreement and also ASEAN countries find good opportunity towards exporting their goods to the India. The development of ASEAN India free trade agreement can reduce the tariff barriers and other trade barriers between these countries. For the betterment of India, it should export more quantity of goods and import less quantity of goods from the ASEAN countries with a view to avoid the balance of payment problem. India has a lot of associations with culturally ASEAN countries. India's popular Ramayana stories are organized in Indonesia even today. This area is a fine example of cultural coordination. That's why India should try to strengthen economic connectivity as well as cultural connectivity in the context of these areas.

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