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Prospects of India's Trade Relations with the ASEAN Countries: An Analysis

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ABSTRACT

The paper focuses on the regional cooperation through trade, infrastructure development, and strategic partnerships, India can ensure a peaceful and prosperous South India and ASEAN share deep civilization links through Buddhism, maritime trade routes, and cultural exchange. Asia. : India's exports to ASEAN countries grew at an average annual rate of 1.7% to $39 billion by 2024-25. India's trade deficit with ASEAN has increased over the years. The Paper explores the India-ASEAN relations aim to facilitate economic, cultural, and social development and maintain peace and security among the nations. India and the ASEAN have a wide range of areas of cooperation as ASEAN is one of the important pillars of India's Act East Policy.

Keywords: ASEAN, trade, economic, development, cooperation, exchange, relations and resources

INTRODUCTION

In the modern era, trade has rightly been termed as an engine of growth an activator of change and barometer of economic progress. South-East Asian countries have realized that for a faster development of their economy, there is an imperative need for regional economic co-operation. Various regional groupings are working in this field to protect their trade interests. As India aims to become a $5–7 trillion economy, ASEAN plays a crucial role in trade, connectivity, and security cooperation. ASEAN represents India's fourth-largest trading partner, accounting for 11% of global trade.

On August 8, 1967, ASEAN (Association of South-East Asian Nations) came into existence with five member countries named: Indonesia, Philippines, Malaysia, Singapore and Thailand. Brunei joined ASEAN after her Independence in 1984. Vietnam also became the member of ASEAN in 1995. Laos and Myanmar got its membership in 1997 and in April 1999. Cambodia also became the member of ASEAN, with the object of securing mutual understanding and cooperation. At present the total membership of ASEAN stands at ten.

ASEAN is known for its hetero generous region (with diverse socio-economic multi-lingual, multi-cultural objectives) and geographical features. Except this diversity, ASEAN countries share some common features such as low economic growth rate, high inflation rate, lack of basic infrastructural facilities, and high rate of population growth, mass poverty and lack of sound environment for industrialization. "Much of India's trade with ASEAN is directed towards Singapore, Malaysia, and Thailand, with whom India holds strong economic relations"(Baru, Sanjay 2001)

Almost all ASEAN countries, except Singapore, are quite rich in natural resources and their economies are predominantly agricultural. They are keen to effect a transformation in their economies-from merchandising to manufacturing. However, the pace of growth of their economies has so far been rather tardy. Factors like the want of foreign exchange, technology, financial resources are hampering the economic development of these countries. As developing countries, they are keenly desirous to join hands with such other developing and and developed countries as can their problems of poverty, industrial and technological backwardness. They have very limited import con-the articles of their requirements on the basis of price and quality without India's proximity to these countries could give her the prime advantage of low freight cost and improve her trade prospects in this region. India also realized the importance of regional economic cooperation. In fact, both can derive benefits from each other by mutual cooperation. While ASEAN can help India by supplying the much needed raw materials, India in turn can help them by not only tapping their vast market potential but in many other ways also such as supplying finished goods, technical know-how and consultancy services etc.

President Marcos of the Philippines once warned the ASEAN countries that the Japanese slogans of regional cooperation were a facade to facilitate their industrial growth and market penetration. These countries are already getting wary of the tightening grip of developed countries like U.S.A. over their economies. It is a golden opportunity for India to carry on effective dialogue with these countries and penetrate the ASEAN market and consequently expand her trade and economic co-operation with them.

India has an important stake in the economic development of the ASEAN. Both India and the member countries of ASEAN stand to benefit from each other through the expansion of trade, financial, commercial and technical collaboration. People of ASEAN countries provide a long term flourishing market for several traditional and non-traditional items exported from India. "The ASEAN–India Free Trade Area (AIFTA) is a free trade area among the ten member states of the Association of Southeast Asian Nations (ASEAN) and the Republic of India. The initial framework agreement was signed on 8 October 2003 in Bali, Indonesia and the final agreement was on 13 August 2009. The free trade area came into effect on 1 January 2010" (Vijian, P. 2010)

The commodity composition c Indian exports have undergone some radical changes. Traditional items no longer occupy a predominant position in Indian exports whereas non-traditional items like engineering goods, jems and jewellery, machinery and equipments, medicine and pharmaceuticals, paper manufactures, leather and marine products, computer accessories etc. have shown a remarkable upsurge during the last decade. The composition of imports fundamental also reflects some changes. Thanks to the Green Revolution that India no longer imports food grains. The weightage of consumer goods declined considerably due to indigenous mass production. In the fields of manufacturing machinery and machine parts etc. India has taken big strides. Now, India imports only highly sophisticated technology oriented machinery. Yet the commodity composition of Indian trade with ASEAN despite stray changes here and there remains largely the same. India's imports from ASEAN mainly consist of raw materials and exports comprise manufactures and capital goods. Of course ASEAN countries have been trying their best to gain self-reliance which tends to affect India's major export items.

In fact, India is still in search of a strong export commodity base which can sustain India's exports on a long term basis. For example India's trade with Brunei, Cambodia, Laos, Myanmar and Vietnam has never been but marginal. Although all these countries are rich in natural resources, especially Brunei, which is rich enough in crude petroleum and natural gas and India has an acute - shortage of these products, yet there has been practically low trade between the two countries. Similarly India's total trade volume with the - Philippines is quite small. India's share in Philippines' total imports is practically negligible e.g., about 0.8 per cent even though the balance of trade has mostly remained in favour - of India. India has fairly good chances of stepping up her exports of agricultural implements and equipments and for undertaking subcontracting and turnkey projects. Indian products like meat, rice, wheat, iron and steel, electrical and electrical machinery, pharmaceutical products, yarns and transport equipment have good prospects in the Philippines. Both countries can extend trade through counter trade arrangements involving the Philippines, fertilizers and coconut oil in exchange of India's iron ore, railway equipments and textile machinery. India can accelerate the pace of her trade with the Philippines through the establishment of joint ventures.

India's trade with Thailand also, in terms of both volume and value, has been very meagre accounting for just about 0.3 per cent of Thailand's total imports. Even so, India's exports have steadily risen while her imports have shown wide fluctuations. Because of India's self sufficiency in food grains as a result of the Green Revolution, there is a considerable shortfall in importing rice from Thailand. In fact Indo-Thai trade has practically been one sided in nature and mostly in favour of India. India has established world renowned joint mostly in favour of India. India has established world renowned joint ventures in Thailand and has also been providing consultancy facilities in installing giant units.

Malaysia is one of the richest member countries of ASEAN and enjoys a favourable trade balance due to her heavy exports. India's share is very low, being less than one per cent of Malaysia's overall external trade. Malaysia has enjoyed favourable trade balance with India due to India's huge imports of vegetable oils and electronic goods. In spite of occasional political pinpricks, India has taken initiative to extend her trade in diverse fields through the establishment of joint ventures and turnkey projects. The Malaysian Government is also in favour to further strengthening trade relations with India.

India has a close trade linkage with Singapore due to her free entre-pot facilities. Moreover Singapore provides the benefit of international market to India. Yet in her trade with Singapore, India has contributed very little while India's import from this country is maximum than any other P-ASEAN country. Indian entrepreneurs have a keen interest in the trade establishment of joint ventures in Singapore for enhancing relations. Undoubtedly Singapore provides vast avenues for trade expansion. It is for India to take full advantage of this market potential.

Indonesia is a big market for India in all ASEAN countries. About one half of the working population of Indonesia is employed in agriculture. Poverty and unemployment are two major problems in Indonesia. Indonesia is India's second largest export market in ASEAN (after Singapore). Bilateral trade, which has tended to be in Indonesia's favour, is likely to cross the US $ 2.5 billion mark in 2003. "ASEAN-India trade grew at over 22 percent annually during the 2005-2011 period. Trade between India and ASEAN in 1964-2002 increased by more than 37 percent to $79 billion, which was more than the target of $70 billion set in 2009" (Keck, Zachary 2012) .India in all one half of the working population of

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There is obviously an ample scope for India to expand her trade with ASEAN, She should develop the required infrastructure shipping facilities, joint marketing strategy, bridging information gap, ware-housing facilities, credit facilities and trade agreements. Further, governments in several ASEAN countries have emerged as potential buyers, thanks to their economic development plans. Indian exporters can take advantage of this favourable situation and participate in the development of these countries. Rail and road trans-port, power generation and distribution, telecommunication and civil engineering offer a great scope for mutually beneficial economic co-operation.

ASEAN as an organization important role to play facilitating trade and investment The ASEAN Free Trade Area (AFTA and the ASEAN Investment A (AIA) have laid the foundation ASEAN members. among the greater cooperation SEAN holds large number of technical meeting on wide range of subjects relating to trade facilitation, technology, particularly IT and standards. ASEAN may consider permitting LAN participates as an observer in selected technical meetings relating to trade facilitation and standards. ASEAN and India could also use their dialogue partner relationships to expand technological cooperation, educational exchanges, and rules governing movement of natural persons, and commerce. “Before the agreement was signed, the Chief Minister of Kerala, V.S. Achuthanandan, led a delegation to the Indian Prime Minister protesting against the FTA. The state of Kerala is an important exporter in the national export of plantation products. It fears that cheap imports of rubber, coffee, and fish would lower domestic production, adversely affecting farmers and ultimately its economy” (Devraj, Ranjit 2009)

To further strengthen the institutional base for engagement, and to forge Asia wide cooperation, India's participation in ASEAN plus Three (China, Japan, and South Korea) annual meetings; or alternatively, holding of ASEAN-India annual summit merits serious consideration. “At the 10th ASEAN-India Summit in New Delhi on 20 December 2012, India and ASEAN concluded negotiations for FTAs in services and investments. The two sides expect bilateral trade to increase to $100 billion by 2015, and $200 billion within a decade” (Keck, Zachary 2012)

During the 1990s, ASEAN as an organization, and many of its members demonstrated greater willingness to enhance economic and political relations with India. There are more contentious issues between the two sides as was the case during the Cold War period. India now has greater capacity and economic and technological momentum to sustain its growth in the 21st century. Encouraging acceptance of Indian capabilities in the ICT sector in particular has perceptibly altered the environment in which India's relations with major powers, particularly the United States are being conducted. This has had a positive impact on India-ASEAN relations as well.

The economic opportunities between India and ASEAN are primarily in the ICT sector; biotechnology, and life sciences; infrastructure; logistics; tourism services; educational services; manpower flows; and in commercial use of nuclear and space technologies. While the general areas of opportunities overlap, to realize these opportunities, India will need to evolve strategies and tactics both with ASEAN as an organization, and bilaterally with each individual country. Both sides have much to gain from cooperating with each sector. Some bilateral relationships however, will not be able to realize the potential unless high-level political decision is made to do so. Thus, Malaysia has been rather slow to take advantage of India's tourism potential; and to pursue an aggressive strategy to leverage India's strengths in ICT to its advantage.

ICT to its advantage, Cooperation between ASEAN and India in various multilateral agreements, such as the WTO, particularly on issues relating to the workings of Intellectual Property rights regime involving access to life-saving drugs at affordable prices could bring mutual benefits. “While there are many benefits to the ASEAN-India FTA, there is concern in India that the agreement will have several negative impacts on the economy. As previously stated, the two regions aim to reduce their tariffs on a majority of their traded goods. This will allow them to increase the market access of their products. It is criticized, however, that India will not experience as great an increase in market access to ASEAN countries as ASEAN will in India” (Sikdar, Chandrima; Biswajit Nag 2011)

India needs to vigorously pursue its 'Look East' policy, and continue its efforts to engage each and every ASEAN member in a mutually beneficial manner. It would therefore need to considerably strengthen its emphasis on commercial diplomacy, and coordination between business associations and diplomatic missions. ASEAN on the other hand, is strongly urged to

facilitate India's participation in all regional fora in which it has considerable leverage. Some of the ASEAN countries, particularly Malaysia, Singapore, and Thailand need to enhance the presence of their commercial and promotional agencies in India to build on the existing bilateral relations. ASEAN countries may also consider further measures to attract professional and technical talent from India, and to better utilize the possibilities provided by the presence of the Indian Diaspora, the way United States has done. Continued nurturing of the relations along these lines by the two sides is essential to translate the economic opportunities into reality. "Kerala has already experienced a flooding of its market with inexpensive imports under the South Asia Free Trade Agreement of 2006. Cheap coconuts from Sri Lanka and palm oil from Malaysia has since hindered Kerala's coconut cultivation" (Devraj, Ranjit 2009)

Trade with ASEAN countries is a new experience for India and some initial difficulties are naturally bound to be there. Some are political considerations economic requirements of all ASEAN countries are not the same; increasing trend of intra-trade among all member countries of ASEAN; India's stiff competition with other developed nations like U.S.A., Japan, China; lack of effective investment policy in India; inordinate delays in the processing of proposals and their actual clearance from India; lack of providing effective client service in ASEAN countries from India. In addition to the above India has been experiencing a number of other problems, some of which are packaging and high costs of Indian products, efficient and sufficient transport facilities in the way of India o ASEAN, ignorance of Indian export To remove all these problems, following suggestions can boost India's trade with ASEAN countries, if implemented earnestly. These are, India has to negotiate new trade agreements with all ASEAN countries. India should concentrate on high quality products on cheaper rates. India should establish more client service offices there, to provide more rights to EXIM Banks, to participate more in joint venture, and turnkey projects in manufactures and service sector there, effective trans-port and communication system should also be improved etc.

The future prospects of Indo-ASEAN trade are bright enough thanks to a geographical proximity, cordinal political relations and traditional commercial links, rising standard of living, growing industrialization, comparative cost advantage and complementarily in production of primary commodities etc.. There is an immense scope for larger commodity exchange and supply of services and consultancy services and establishment of joint ventures. Besides, there are new opportunities for India to enter into long-term know-how and consultancy services to ASEAN countries. "As a dominant exporter of light manufacturing products, ASEAN has competitive tariff rates that make it difficult for India to gain access to the industry market in ASEAN countries" (Pal, Parthapratim; 2008)

India is now in a position to meet the various developmental and other requirements of the ASEAN region. Among food articles India can export meat, preferably processed and packed, instant tea and coffee, cashew, nuts, spices, fruit and vegetables, sugar and honey etc. She can also export readymade garments, leather goods and footwear, handicrafts, sanitary fittings, ornamental accessories, precious and semi-precious stones, jewellery, electric appliances etc. Moreover, there is an ample scope for exporting sports goods, medicine and pharmaceuticals, bicycles, sewing machines and tools, machinery and transport equipment etc. Since most ASEAN countries import manufactured products, India can supply a lot of engineering goods like pipes, tubes, diesel engines and parts, iron and steel, non ferrous metal, metal and metal manufacturing machines, builder's hardware's etc. It is also heartening that India's - reputation is gradually increasing due to improved quality and fair prices of Indian products. Indian exporters and government should make earnest efforts for Indo-ASEAN trade to multiply for the mutual -benefit of the parties concerned.

CONCLUSION

To conclude ASEAN countries have embarked upon ambitious programme of industrialization and follow largely an open door policy towards foreign capital and related economic matters. For India this scenario is both an 'opportunity' and a 'challenge'. One of the serious bottle-necks is the information gap. Much of the Indian skills and technological achievements are still unknown to the world outside. At present India has the capability of producing goods of high quality conforming to international standards. The need of the hour is to bridge the gap between the nature and specifications of Indian products and that required in ASEAN countries and to take remedial measures to maintain liaison with the ASEAN regional parties on a continuous basis through the exchange of experts, organization of seminars and symposia and trade fairs and exhibitions.

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