



India-Asean Economic Engagement in Post Cold War Era

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ABSTRACT

This paper aimed at giving a comprehensive view about India's economic engagement with regional grouping of South East Asian countries i.e. ASEAN. This paper has given a description of India-ASEAN merchandise trade, trade in services, their mutual investment and visit of tourists between these countries. This paper also gives an accounted factor responsible for economic convergence between two sides. It also gives a brief account of various problems and prospects available to both sides.

INTRODUCTION

In post-cold war era, geo-economic consideration has taken precedence over geo-political consideration. The end of cold war signifies 'End of Ideology' (as argued by Daniel Bell) or End of History (as defined by Francis Fukuyama). According to these theories now ideological battle has lost ground, and liberalism is the only real idea in international political arena. Another idea i.e. 'Globalization' has gained prominence in post-cold war era in economic sphere. The end of cold war brought many changes to India's engagement with countries of world. End of cold war established supremacy of liberal ideas in economic sphere. To improve her economic condition, Government of India adopted Structural Adjustment Program under the ages of IMF (International Monetary Fund) and has adopted LPG (Liberalization, Privatization and Globalization) model of her economic growth.

In the context of end of cold-war and adoption of economic reforms by India, there begun the process of rapprochement between India and South East Asian countries which are geographically proximate but were at distance due to cold war politics. At this juncture, Indian Government launched her 'Look East' policy. This policy set the notion which ultimately led India's integration in regional organizations of South East Asian countries.

India's 'Look East Policy' as argued by analysts was more guided by economic imperatives and less by political rhetoric. This policy was a tool for New Delhi to search new trade entryway. On the other hand, the partial withdrawal of mixed economy system by India and introduction of New Economic Policy (NEP) attracted many Southeast Asian

countries to forge closer economic and strategic linkages with India. This shift in India's approach resulted in India becoming sectoral dialogue partner of ASEAN (A regional organization of Southeast Asian countries) in January 1992. India's stature was further elevated to the level of full dialogue partner in December 1995.

Since then a number of institutional mechanism have been established to promote economic exchanges. These mechanism includes Joint Business Commission (Earlier known as Joint Trade Committee), the India-ASEAN Business Council and ASEAN-India Joint Management Committee. Apart from multilateral engagement, India and individual country of South East Asia have various mechanism of promoting their economic partnership.

FACTORS RESPONSIBLE FOR ECONOMIC CONVERGENCE

Factors which necessitated convergence between India and Southeast Asian countries on the Economic front. These factors were as:

The first and foremost reason was the adoption of LPG model by India in 1990s, which made India to search for economic space in outer world. Thus India started exploring her relations with her extended neighborhood i.e. with countries of Southeast Asia. This region has comparative advantages over other regions because of their liberal economies and geographical proximity with India.

Another reason for India was underdevelopment of her Northeast region and resultant violent insurgencies. Consequently, India needed to develop the region and make it economically developed which could avoid future insurgencies and unrest. The Indian establishment thus planned to forge closer economic relations with Southeast Asian countries so that her Northeastern states can be benefitted from trade and other economic engagements with Southeast Asian countries.

Worldwide it has been witnessed that adoption of globalization and liberalization would result in expansion of economic activities. But India could not enhance her footprints in the western front because of presence of Pakistan and instability and turmoil in West Asia. So the

cooperate India has necessitated that Government should enhance her relations with countries of Southeast Asia which could provide space to them for selling their manufactured goods and to invest in these countries.

Further the economic success of Southeast Asian countries, has attracted India towards this region. In 1990s, Southeast Asia (except east Asia) was the most developed region in Asia. So the Indian establishment had realized that it would be an historical mistake, if it does not increase her engagement with countries of this region.

Another reason was increasing economic engagement of China with South Asian countries. China's presence in India's neighborhood was a source of nuisance and threat to India's territorial and maritime security. But India does not have might or means to push China out of the region. But by developing closer relations with Southeast Asian countries, India will return the same to China in the same coin. Because Southeast Asian region is a traditional stronghold of China and increase in India's presence in this region may throw challenge to China in the long run.

On the other hand, Southeast Asian countries also attracted towards India because of her large market and soft power. Democratic Indian polity offered opportunities to Southeast Asian countries for investment in India. Moreover, the ancient cultural and trade relations provide further support to having closer economic ties between the two.

ECONOMIC INTERACTION

India-ASEAN trade was US\$ 2.9 billion in 1993 but it has grown to US\$ 6.5 billion in 1996 to US\$ 92 billion in 2018. This increase in India-ASEAN relations is largely attributed to launch of economic reform and 'Look East Policy' by India. Since then a large numbers of institutional mechanisms has

been evolved to promote their economic interactions. There exists a Joint Trade Committee with ASEAN countries, it is now upgraded to Joint Business Commissions. Two new institutions India-ASEAN Business Council and ASEAN-India Joint Management Committee are established. Two sides have established India-ASEAN fund to promote trade investment, tourism and other economic activities.

India's accommodation in ASEAN as a sectoral dialogue partner opened the doors of mutual cooperation in areas of trade, investment and tourism. India's status was further elevated to full dialogue partner in 1995. The Economic interactions between India and ASEAN countries will be assessed on the basis of trade, investment, joint venture and flow of tourists between two sides.

MERCHANDISE TRADE

India-ASEAN merchandise trade has grown steadily from 1990s onward. India's trade with ASEAN has increased from US\$ 1960 million in 1991 to US\$ 75,845 million in 2014 i.e. registering an annual growth rate of 15.37 percent in the last decade. Trade volume between them has registered a compound annual growth rate of 17.23 percent during that period. Trade relation between India and ASEAN gained more maturity between 2001-2020. India's total trade with ASEAN in value terms is about forty times more than the trade volume in 1991. Trade statistics suggests that India's import from ASEAN has been growing faster than her export to ASEAN. In last three decades India has a net trade deficit with ASEAN.

In recent times ASEAN has become one of the largest trading partner of India as their inter-regional trade has increased from US\$ 8.99 billion in 2000 to US\$ 91.20 billion in 2019. India's total trade with ASEAN countries is shown in a table below as:

Table 1
India's Export to and Import from ASEAN (value in US\$ billion)

Country	Export (US\$ billion)			Import (US\$ billion)		
	2010	2019	Annual Growth Rate (%)	2010	2019	Annual Growth Rate (%)
Brunei	0.02	0.05	10.8	0.21	0.54	11.2
Cambodia	0.06	0.20	14.2	0.01	0.04	21.6
Indonesia	4.57	4.62	0.1	9.72	14.89	4.9
Lao PDR	0.01	0.03	14.6	0.02	0.00	-20.0
Malaysia	3.55	6.41	6.8	6.00	10.32	6.2
Myanmar	0.27	0.95	14.8	1.12	0.54	-7.8
Philippines	0.80	1.62	8.1	0.40	0.55	3.7
Singapore	9.09	10.86	2.0	7.27	14.83	8.2
Thailand	2.14	4.30	8.0	3.95	7.04	6.6
Vietnam	2.49	5.61	9.5	1.00	7.53	25.2
ASEAN	23.02	34.66	4.7	29.68	56.28	7.4

*Source: Extracted from ASEAN-India development and cooperation report 2021 released by RIS. Available at <http://www.aic.ris.org.in/sites/files/pdf/?>

Data of table 1, suggests that growth rate of India's export to ASEAN between 2010-19 is about 5 percent per annum. During this period most of India's export went to Singapore, Malaysia, Indonesia, Thailand and Vietnam. Table shows that India's import from ASEAN has been growing slightly faster than her export to ASEAN as shown in the above table.

India's export to and imports from ASEAN declined between 2018 and 2019 due to trade tension and declining economic growth. In the Covid-19 period, India's export to ASEAN countries registered a positive growth rate, but her import registered negative growth rate form most of the ASEAN countries.

Table 2
India's Trade with ASEAN from 2019 to 2020 (value in US\$ billion)

Country	Export (US\$ billion)					Import (US\$ billion)				
	2019	Growth Rate % (2018-19)	June 2019	June 2020	Growth Rate % (June 2019 to June 2020)	2019	Growth Rate % (2018-19)	June 2019	June 2020	Growth Rate % (June 2019 to June 2020)
Brunei	0.057	-15.2	0.002	0.003	36.6	0.58	34.4	0.05	0.03	-38.8
Cambodia	0.20	14.3	0.017	0.011	-34.6	0.05	-3.9	0.00	0.004	0.0
Indonesia	4.52	-5.6	0.286	0.286	0.0	15.54	-3.0	1.11	0.73	-34.3
Lao PDR	0.03	-21.8	0.002	0.005	164.9	0.00	-84.9	0.00	0.00	-27.3
Malaysia	6.26	-3.9	0.337	0.589	75.0	10.41	0.0	0.88	0.33	-62.9
Myanmar	0.96	-22.2	0.081	0.073	-10.3	0.51	13.2	0.02	0.02	-12.0
Philippines	1.63	-6.6	0.118	0.146	23.8	0.56	-9.7	0.04	0.03	-39.7
Singapore	10.79	3.5	0.694	0.919	32.5	14.90	4.0	1.31	0.65	-50.3
Thailand	4.33	-0.9	0.325	0.296	-8.9	7.04	-8.2	0.65	0.28	-56.1
Vietnam	5.51	-17.9	0.335	0.478	42.7	7.45	3.3	0.72	0.44	-39.3

*Source: Extracted from ASEAN-India Development and Cooperation Report-2021 released by RIC. Available at <http://www.aic.ris.org.in/sites/files>.

Table 2, shows India's export to all ASEAN countries except Cambodia and Thailand has increased from June 2019 to June 2020. Whereas her import from all ASEAN countries except Cambodia has declined in same period. Growth rate of India's import in that period is negative for all ASEAN countries except Cambodia.

INDIA-ASEAN TRADE LIBERALIZATION

India had inked bilateral free trade agreement with some of Southeast Asian countries like Singapore and Thailand etc. In August 2009, ASEAN-India free trade agreement was signed. At that time both sides had a total population of 1.8 billion and a combined GDP of US\$ 2.75 trillion (ASEAN Secretariat 2009). In 2010, ASEAN become 4th largest trading partner of India and India emerged as 6th largest trading partner of ASEAN. Main features of ASEAN-India FTA were:

- Each signatory country of the AIFTA can have at most 489 class in its negative list. But these products do not exceed more than 5 percent of the total bilateral imports.

- India has included 302 agricultural items, 52 items from machinery and auto, 81 items from textiles and clothing, 32 from chemical and plastic and 22 from other sectors.
- FTA required a phased reduction of import duties by India and ASEAN countries on agricultural and non-agricultural goods from their 2007 applied most favored nation tariff levels.
- The FTA have provision for safeguard mechanism to address sudden increase in import on account of tariff concessions. Such safeguard mechanisms can be imposition of safeguard duties. These safeguard duties can be levied to prevent or remedy serious injury or to save domestic industry. These duties can be imposed anytime during transition period i.e. from the date of entry into the force of agreement and ends five years from the date of completion of tariff reduction or elimination.

AIFTA has affected composition of India-ASEAN trade. Table 5.32 below show the India's top export items to ASEAN (pre and post-FTA).

Table 3
India's Top Export Commodities to ASEAN (in Pre and Post FTA period)

Top Commodity Exports in Pre-FTA (2009)	Top Commodity Export in Post-FTA (2019)
Mineral fuels, mineral oils and products of their distillations; etc. (17.6%)	Mineral fuels, mineral oils and products of their distillation; etc. (26.2%)
Ships, boats & floating structures (13%)	Meat and Edible Meat Products (7.4%)
Electrical machinery and Equipment and parts thereof, sounds recorders, etc. TVs (8.3%)	Machinery, mechanical appliances, nuclear reactors, boilers, thereof (7.0%)
Natural or cultured pearls, precious or semi-precious stones, precious metals (6.46)	Organic chemicals (5.9%)
Machinery, mechanical appliances, nuclear reactors, boilers, thereof (5.2%)	Fish and other aquaculture products (4.4%)
Organic chemicals (4.4%)	Motor vehicles other than railway tramway goods (4.2%)
Food processing products (4.3%)	Natural or cultured, precious or semi-precious stones, precious metal (3.9%)
Iron and Steel (3.3%)	Iron and Steel (3.9)
Meat and Edible meat products (2.8%)	Electrical Machinery and Equipment & parts thereof, Sound Recorders, TVs (3.0%)
Motor vehicles other than railway or tramway goods (1.8)	Aluminum and articles thereof (2.9%)
Pharmaceutical products (1.8%)	Cotton (2.8%)

*Source: Extracted from AIDCR Report 2021, released by AIC at RIS.
Notes: Product items based on HS-2-digit level.

Table 3 shows that components of India's export to ASEAN has varied figures in pre and post FTA phase share of some items like minerals fuels, mineral oils and product of their distillations, meat and edible meat products, machinery, mechanical appliances, nuclear reactors, boilers etc. has significantly increased in post FTA phase. Whereas share of some products like natural or cultured pearls, precious or semi-precious stones, precious metal, electrical machinery

and equipment and parts thereof has declined in post FTA phase. Some new items like fish and other aquaculture products, aluminum and articles thereof etc. find place in the list of major item of export to ASEAN in post FTA phase.

Impact of FTA on India's import from ASEAN pre and post FTA phase is shown in table below:

Table 4
India's Top Import Items from ASEAN in Pre and Post FTA Period

Top Commodity Imports in Pre FTA (2009)	Top Commodity Imports in Post FTA (2019)
Minerals fuels, mineral oils and products of their distillations etc. (24.9%)	Mineral fuels, mineral oils and products of their distillation etc. (20.7%)
Animal or vegetable fats, prepared edible fats etc. (15.4%)	Electrical machinery and equipment & parts thereof, sound recorders, TVs (15.0%)
Electrical machinery and equipment and parts thereof, sound recorders, TVs (11.5%)	Animal or vegetable fats, prepared edible fats etc. (10%)
Machinery, mechanical appliances, nuclear reactors, boilers, thereof (10%)	Machinery, mechanical appliances, nuclear reactors, boilers thereof (9.0%)
Ores, slag and ash (3.5%)	Organic chemicals (5.8%)
Wood and articles of wood, wood charcoal (3.3%)	Plastic and articles thereof (4.4%)
Plastic and articles thereof (2.8%)	Iron and steel (2.9%)
Ships, boats and floating structures (2.4%)	Copper and articles thereof (2.9%)
Natural or cultured pearls, precious or semi-precious stones, precious metal (1.7%)	Rubber and articles thereof (2.6)
Optical photographic medical and surgical etc. (1.5%)	Ships, boats and floating structures (2.5%)
Rubber and articles thereof (1.5%)	Chemical products (2.3%)

*Source: Extracted from AIDCR Report 2021, released by AIC at RIS.
Notes - Product items based on HS-2-digit level.

Table 4 shows that although mineral fuel, mineral oils and products of their distillation etc. has remained top item of India's import from that region but its percentage has declined in post FTA phase. Shares of some products like electrical machinery and equipment and parts thereof, plastic and articles thereof etc. has increased in post FTA phase. Some products like organic chemicals, iron and steel, copper and articles, chemical products which were not part of major products now have become major items of India's import from ASEAN.

Under the ASEAN-India free trade Area, the India and ASEAN have agreed to progressively eliminate tariffs on eighty percent of the tariff lines which account for 75% of the trade. Under AIFTA, India has agreed to exclude 489 tariff lines (HS-06-digit level) from list of tariff concessions. She also agreed to exclude 590 tariff lines from the list of tariff elimination to take care of special concerns of some sensitive sectors like agriculture, auto, chemical, textiles, petrochemicals, crude and refined palm oil etc.

IMPLICATION OF AIFTA TO INDIAN ECONOMY

- It will extend preferential tariff access to Indian products in all ASEAN member countries.
- It will increase higher market competition.
- India's export complementary are higher with the

ASEAN countries compared to other regions.

- The export and investment sectors will generate higher potential in the long term.

The AIFTA has wide ranging effects on India-ASEAN merchandise trade. In 2009. India ASEAN trade stood at US\$ 42 billion but in 2019 it rose to US\$ 97 billion i.e. more than double.

TRADE IN SERVICES

As per the data released by Government of India in 2019, India is among the world's top 10 exporters and importers of commercial services. Hence India has interest in promoting trade in services across the globe. In this direction trade in services agreement was signed in 2014. It became effective in 2015 for seven ASEAN countries namely Brunei, Lao PDR, Malaysia, Myanmar, Singapore, Thailand and Vietnam. Earlier India has signed Comprehensive Economic Cooperation Agreement with Singapore and Malaysia in 2005 and 2011 respectively.

India's total trade in services with ASEAN countries in 2015 was US\$ 30 billion. Singapore, Malaysia, Indonesia and Thailand are main service trading partner of India. Their trade mainly concentrated in IT and information services, business, finance and insurance and transport services. Table 5 below show the India's services exports to ASEAN countries in 2015 as:

Table 5*
India's Services Exports to ASEAN Countries (US \$ billion)

Sector Country	Total Services	Transport	IT and Information	Finance and Insurance	Other Business	Arts, Entertainment recreation & others	Telecom	Education
Brunei	38.4	7.2	20.3	0.5	4.0	0.2	0.6	0.1
Cambodia	117.8	37.8	55.6	2.5	2.8	0.7	3.6	0.5
Indonesia	2189.5	446.5	866	876	345.1	10.2	66.8	7.7
Malaysia	2189.6	419.4	1148.5	32.4	148.7	15.4	63.2	6.3
The Philippines	888.8	135.7	256.8	34.4	93.1	19.3	20.7	11.8
Singapore	8878.4	1480.2	2432.1	1723	1903.8	43.9	155.5	26.5
Thailand	1805.7	881.0	46.8	87.1	331.9	14.5	22.7	7.7
Vietnam	880.5	308.3	102.5	141.9	235	8.5	6.6	6.6

*Source: OECD TIVA Database.

Table 5 shows that India's export of services to Brunei, Malaysia and Singapore are highest in IT and Information. Among ASEAN countries Singapore was the largest destination of India's services in ASEAN country.

Table 6 below shows the India's service import from ASEAN countries in 2015 as:

Table 6*
India's Services Import from ASEAN Countries (US \$ billion)

Sector Country	Total Services	Transport	IT and Information	Finance and Insurance	Other Business	Arts, Entertainment recreation & others	Telecom	Education
Brunei	36.4	15.3	1.2	0.7	7.3	0.4	0.4	0.1
Cambodia	8.3	4.8	0	0.1	0.9	0.1	0.2	0.1
Indonesia	27.59.9	492.1	20.4	42.5	333.3	11.2	34.6	3.0
Malaysia	1457.8	290.7	70.1	48.3	222.2	16.1	24.3	4.4
The Philippines	548.1	122.3	20.5	146.9	157.7	6.0	6.5	0.7
Singapore	6461.0	1764.1	273.6	1324.2	751.1	32.4	25.3	8.9
Thailand	1658.6	310.4	1.5	62.2	240.9	38.6	30.7	0
Vietnam	260.5	78.9	7.0	51.2	10.8	1.8	3.8	0.8

*Source: OECD TIVA Database.

Table 6 data suggests that all AITSA countries of ASEAN except the Philippines are the major exporter of transport services to India. Among these countries highest value of finance and insurance, educational and IT and information services are provided by Singapore to India.

ASEAN-INDIA TRADE IN SERVICES AGREEMENT (AITSA)

The ASEAN countries and India signed ASEAN-India Trade in Services and Investment agreement in 2014. It became operational in 2015. This agreement aimed at strengthening the business and commercial relations between ASEAN and India. This agreement contains articles on transparency, domestic regulations, market access, national treatment, joint committee on services, dispute settlement etc. This

agreement also has annexure or movement of natural persons which was the main area of India's interest. The agreement also defines natural persons like business visitors, into corporate transferees (managers, executives, and specialists) and contractual services suppliers.

Under ASEAN-India trade in services agreement, the ASEAN countries and India have taken GATS (General Agreement on Trade in Services) plus commitments in various services and modes of supply. Under this agreement every ASEAN country has placed individual commitments which are applicable for all country in the agreement. Under this agreement India placed three schedules of commitments i.e. one for Philippines, one for Indonesia and one for remaining eight ASEAN countries. Services coverage in ASEAN-India's trade in services agreement is given in a table below:

Table 7*
Services Coverage in ASEAN-India Trade in Services Agreement

Service Sectors	India-Indonesia	India-The Philippines	India-Others	Brunei	Cambodia	Indonesia	Lao PDR	Malaysia	Myanmar	The Philippines	Singapore	Thailand	Vietnam
Business Services	√	√	√	√	√	√	√	√	√	√	√	√	√
Communication Services	√	√	√	√	√	√	√	×	√	×	√	√	√
Construction & Related Engineering Services	√	×	√	×	√	√	√	√	√	×	√	√	√
Institution Services	×	×	×	×	√	×	×	×	×	×	√	√	√
Educational Services	×	×	×	√	√	√	√	√	√	×	√	×	√
Environmental Services	×	×	×	×	√	×	√	×	×	√	√	×	√
Financial Services	√	√	√	√	√	√	√	×	×	√	√		√
Health Related and Social Services	√	√	√	√	√	×	×	×	×	×	√	√	√
Recreational Cultural & Sporting Services	×	×	×	×	√	×	×	×	√	×	√	√	√
Transport Services	√	×	√	√	√	√	×	√	√	√	√	√	√
Other Services not included elsewhere	×	×	×	×	×	√	×	×	×	×	√	×	×

*Source: Compiled from ASEAN-India Development and Cooperation Report 2021: Avenues for Cooperation in Indo-Pacific.

** Telecommunication sector is excluded for Malaysia for ASEAN-India FTA as Malaysia has reclassified its communication sector on the basis of provisioning of NFP, NSP and Application service provider.

Table 7 data shows that Singapore is the only country in ASEAN where all kinds of services is included. Vietnam and Cambodia are the two countries where all specified services are included. Business services are the only service which is agreed by all countries in this agreement.

Trade statistics suggests that over the years, India's trade in services with the world has increased from US\$ 232 billion in 2010 to US\$ 382 billion in 2018. As far as India's service export with ASEAN countries is concerned it stood at US\$ 30 billion in 2010. It further rose to US\$ 24 billion in 2016. Whereas India's import from ASEAN economies has increased from US\$ 14 billion in 2010 to US\$ billion in 2016. India-ASEAN service trade is expected to reach US\$ 100 billion by 2015.

INVESTMENT

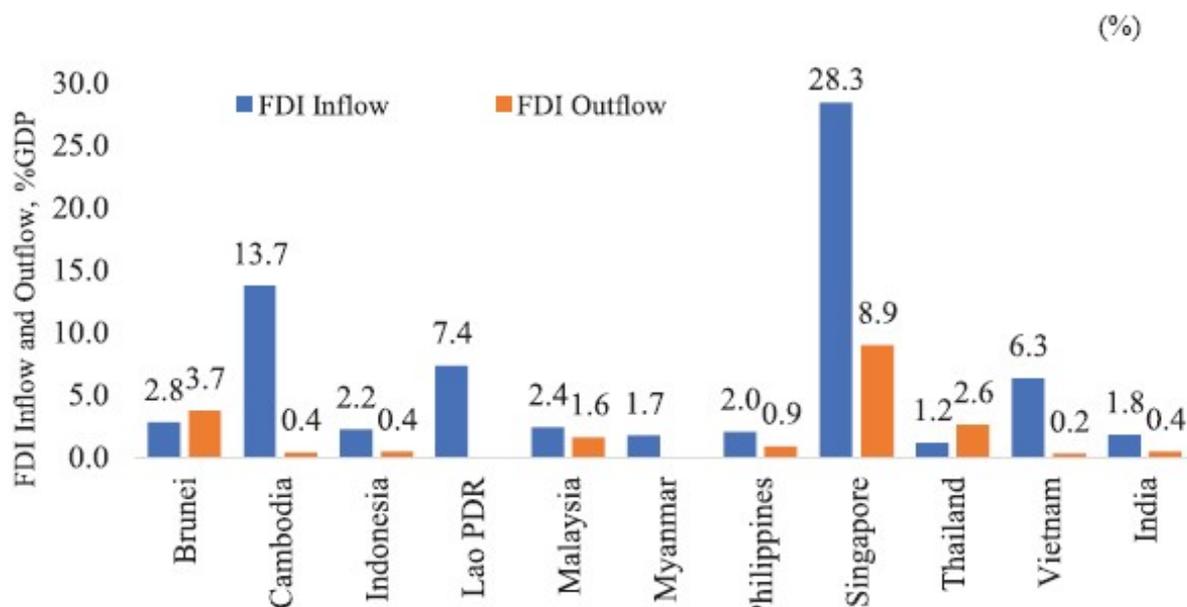
Importance of global investment is growing all over the globe in the present era of globalization. Presently investment is regarded a vital source of not only money but also of new technology and managerial skill. Today FDI (Foreign Direct Investment) flows all over the world have been rising much faster than all other indicators of economic growth. India started paying attention to attract FDI after launch of economic reforms. To make India an attractive destination for

investment, Indian government made a numbers of changes like it ended licensing system, liberalized her exchange rate regime, also has extended limit of foreign investment in various sectors etc.

In recent time government of India has recognized FDI as strategic and vital segment for her economic growth and development. India-ASEAN investment relation started in 1960, when some Indian entrepreneurs ventured into some ASEAN countries to put industrial units in partnership with local entrepreneurs. But these were small steps. Major boost to India-ASEAN investment started in post liberalized era. Before 1990, there was no definite Indian policy to project India as attractive investment destination. Whereas some ASEAN countries like Singapore, Malaysia, Thailand, Indonesia and Philippines has emerged as an important source of FDI across the globe. The launch of economic reforms and Look East Asia Policy by India created mutual interest between India and ASEAN countries.

FDI inflows has increased in ASEAN countries and India between 2000 and 2019. There was FDI inflow about US\$ 50.61 billion in 2019 in India which is about 2% of her GDP. Total FDI inflow and outflow to India and ASEAN countries as a percentage of their GDP as depicted in a graph below as:

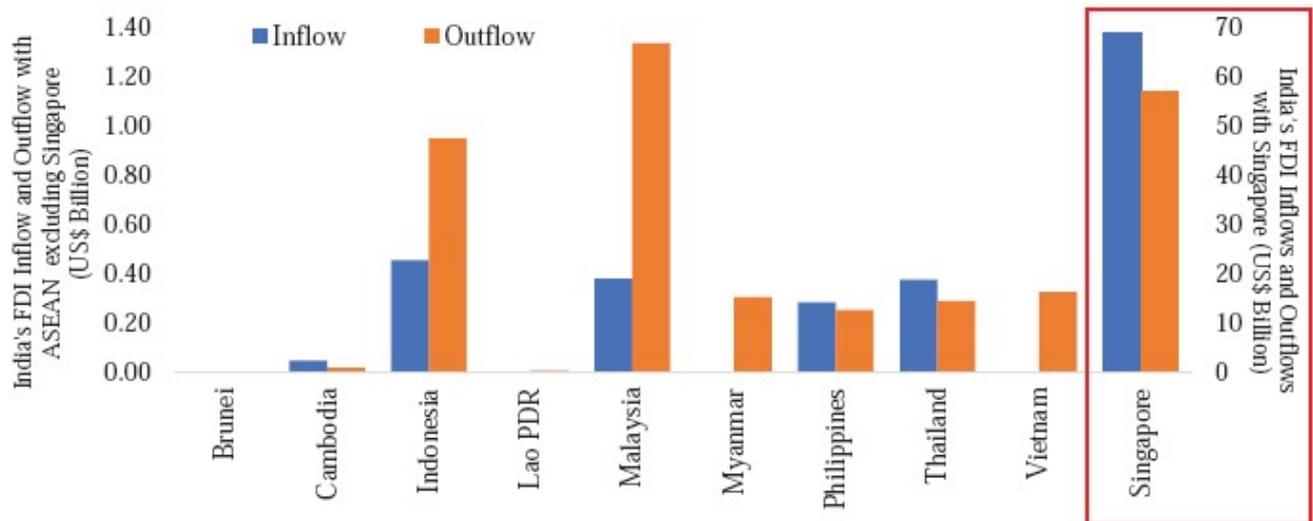
Figure-1: Share of FDI Flows in GDP, 2019



*Source: Extracted from ASEAN-India Development and Cooperation Report 2021: Avenues for Cooperation in Indo-Pacific, p. 88.

India's FDI flow to and from ASEAN countries has been increasing steadily. It was US\$ 1.53 billion in 2010 and increase to US\$ 70.69 billion in 2019 thereby registering a growth rate of 47 percent. In 2019, out of India's total FDI flow from the world, about one-fourth of it came from

ASEAN countries. The outflow of FDI from India to ASEAN countries has also increased from US\$ 12.52 billion in 2010 to US\$ 60.5 billion in 2019. India's FDI inflow and outflow with ASEAN countries from 2010 to 2019 is depicted in a graph below:

Figure-2*: India's FDI inward and outward stock with ASEAN countries

*Source: ASEAN-India Development & Cooperation Report 2021: Avenues for Cooperation in Indo-Pacific, p. 90.

The above figure shows that out of total FDI inflow in India between 2010-19, about 98 percent came from Singapore only and rest 2 percent came from Indonesia (0.6%), Malaysia (0.5%), Thailand (0.5%), Philippines (0.4%) and Cambodia (0.1%) put together. In the same period India's total FDI outflow to ASEAN countries, 95% of it went to Singapore, and rest 5 percent is shared by Malaysia, Thailand and Cambodia put together.

India received FDI equity inflows of US\$ 457.46 billion from the world between 2000 to 2019 and out of this US\$ 97.19 billion i.e. about 21.25% came from ASEAN countries. Maximum FDI from ASEAN countries is done in services sector (20%), trading (14%) and computer software & hardware (12%).

ASEAN's FDI flows to India is mainly in real estate sector which account for 27.9% of India's total FDI inflow from ASEAN. Real estate sector is followed by coal, oil and natural gas sector which grossly account for 18.8 percent of total. Other sectors that has attracted FDI from ASEAN countries include semi-conductors, financial services, chemicals, transportation to name a few.

TOURISM

In recent times tourism has emerged as one of the major foreign exchange earners for many countries. This is applicable to India and Southeast Asian countries as well. There exists huge potential on promotion of tourism between India and Southeast Asian countries as, they share close cultural and historical linkage apart from geographical proximity. In recent year arrivals of tourists from ASEAN countries has increased this is largely attributed to India's unilateral grant of Visa on Arrival (VoA) facility to all nationals of ASEAN countries. Tourist arrival in India from ASEAN countries has

increased from 5,21,755 in 2011 to 8,87,088 in 2018 thereby growing at the rate of 7.88 percent annually. In 2018, highest numbers of tourists to India came from Malaysia followed by Singapore and Thailand respectively. Tourist arrival from Southeast Asian Nationals account for about 10 percent of total tourist arrival in India in 2018.

Large numbers of tourists from India also visited Southeast Asian countries. In 2011, a total 27,11,316 tourists visited to different Southeast Asian countries, but in 2018 their numbers increased to 46,70,574 thereby registering a growth rate of 8.08 percent. Most attractive distinction of Indian tourists in Southeast Asia is Thailand followed by Singapore and Indonesia respectively. To further promote tourism between two sides, in 2003, India extended her unilateral 'open skins' policy to some southeast Asian airlines. These specified airlines were allowed to operate daily flights to four metro cities of India and unlimited flights to 18 tourist destinations in India.

INSTITUTIONAL ARRANGEMENT

In post-cold war era, India-ASEAN relations has seen built up of some institution for promotion of their economic interaction. Some of these institutions are engaged in promotion of economic cooperation between them. A brief description of these institutions is given below:

ASEAN-India Joint Cooperation Committee – The AIJCC was establish to function as a key institutional mechanism for ASEAN-India strategic partnership. Within this mechanism ASEAN-India Working Group on Science and Technology and Trade and Investment was established. The AIJCC recognized India's advancement in the field of Science and Technology and has identified some areas like advanced material, biotechnology and

information technology where India and ASEAN countries needs to cooperate. Till now eighteen ASEAN-India Joint Cooperation Committee meeting has been organized. The AIJCC meeting take stock of all aspects of ASEAN-India strategic partnership. The first AIJCC meeting was held in November 1996. The JCC has been entrusted with the responsibility of sustaining economic cooperation a taking a comprehensive view in the areas of culture, education, media and people to people contract.

ASEAN-India Business Council – The ASEAN-India Business Council provide a platform for the private sector to raise issues and concerns affecting private sector with the policy makers of both sides. First such meeting was held in 2005 next meeting of this was organized in March 2011 in New Delhi. Initially the ASEAN Business Advisory Council was established in November 2001 in Bandar Seri Begawan, Brunei Darussalam. It was formally launched in April 2003. ASEAN has discussion through Business Advisory Council with Australia, Canada, China, Japan and India. This council also identifies priority areas for cooperation between ASEAN and partner country. The recent meeting of ASEAN-India Business Advisory Committee was held in August 2020 through virtual mode.

CONCLUSION

India economic engagement with ASEAN is not devoid of problems. There are a numbers of issue and concerns which still needs to be addressed. Amidst problem there are numbers of opportunities available for them to further enhance their economic ties. A brief account of these problems and opportunities is given bellow: India has huge trade deficit with ASEAN countries. In 2019-20 it was as high as US\$ 21 billion. India is facing large trade imbalance with some of Southeast Asian countries like Indonesia, Singapore, Malaysia to name a few. This trade deficit has further increased in post FTA phase. There is further apprehension that China may route her cheap products into Indian market through ASEAN countries as ASEAN-China FTA is operational.

Another problem in India-ASEAN economic engagement is presence of China factor. In 2020, ASEAN become largest trading partner of China in 2020 but it is 10th largest trading partner of India. ASEAN has a trade deficit of US\$ 1,02,863.3 million with China, but with India they had a trade surplus of US\$ 19,501.6 million for the period 2010 to 2019. So the ASEAN countries are more keen to increase their trade with China compare to India.

In post FTA phase, both India and ASEAN countries has used Non-Tariff Measures (NTMs) as a mechanism to restrict market access for the items which are not covered under FTA negotiations. The ASEAN-India FTA, since 2010 has resulted in the reduction of more than 80 percent tariff barriers on products at HS 6-digit level. But now trade policies of India and ASEAN countries are diverting from traditional trade policies like tariff, quota restrictions to Non-tariff measures. These measures restrict How to trade between two sides. Despite signing of AIFTA one decade ago still there are many products at HS-6-digit level which

are under exclusion lists, sensitive trade or under highly sensitive list.

Overlapping FTAs poses major challenge to India-ASEAN economic integration, ASEAN has many FTAs with different countries like China-ASEAN FTA (CAFTA), ASEAN-Japan Comprehensive Economic Partnership (AJCEP), ASEAN-India FTA (AIFTA) and ASEAN-Korea FTA. India has signed comprehensive economic partnership with Singapore and Malaysia. In November 2020, ASEAN and other five (Australia, China, Japan, New Zealand and South Korea) signed RCEP agreement. The overlapping FTAs reduce the scale effect (economic) and damage the spirit of trade bloc.

Emerging trends in India-Southeast Asia relations suggests that there are large potential available in their further economic integration. According to IMF forecasts India-ASEAN trade will decline to US\$ 84.1 billion in 2021 due to Covid-19 but it will soon rebound and would reach to US\$ 116.1 billion by 2025. Apart from this, there are a number of opportunities available for future engagement of India-Southeast Asian countries. A brief description of these prospects is given below as:

During the pandemic period, composition of India-ASEAN is fast changing towards improving the quality of life of people. Trade is tilted in favor of pharmaceutical products, health services, digital product and services to name a few. In such a scenario review of ASEAN-India-FTA will address the underlying challenges and may convert them into opportunities. In August 2020, the 17th AEM-India consultation meeting Held. During this meeting it was decided to establish ASEAN-India Joint Committee for reviewing and upgrading ASEAN-India FTA.

India has competitive advantage in services as compared to the Southeast Asian countries. So both sides can explore new avenues for cooperation in service sector. Till now India has not benefitted with the FTA in services. So there is requirement that India should take alternative approaches such as bilateral labor agreement, cooperation in some services like movement of doctors, nurses, health professionals etc. can be mutually beneficial in the time of emergency like Covid-19.

Thus India's economic interaction with ASEAN countries has advanced a lot after end of cold war and signing of FTAs in goods and services but still there are many issues which need to be addressed by both sides to further cementing their economic ties.

Endnotes

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