

## **Extremely positive outlook towards the ‘Make in India’ in the ASEAN region**

- **Industry upbeat on India-ASEAN economic partnership**
- **Unanimous about deeper integration into regional production networks**

### ***FICCI Perception Survey on India-ASEAN :***

**New Delhi, 15 February 2016:** The Association of Southeast Asian Nations – ASEAN for short, is central to India's Act East policy. The move from Look East to Act East is more than wordplay, as gathered in a perception survey conducted by FICCI amongst members of Indian industry.

The combined GDP of almost 4.7 trillion that ASEAN and India bring together defines one of the most important economic spaces to impact the lives of nearly two billion people. With the coming into force of ASEAN Economic Community on 31st Dec 2015 and the expected conclusion of RCEP negotiations this year, the India ASEAN relationship is expected to receive a shot in the arm.

FICCI as conducted a survey ahead of the 8th edition of ‘Delhi Dialogue’ slated to take place in New Delhi from 17-19 Feb 2016. For the first time, a full day has been dedicated to a business session. ‘Delhi Dialogue’ is an annual Track 1.5 forum for discussing politico-security, economic and socio-cultural issues between ASEAN and India. It is an important forum at which political leaders, policy makers, researchers, academicians, business leaders and media persons converge for brainstorming on a range of issues pertaining to ASEAN-India relations.

The FICCI survey underlines industry’s optimism about the enabling environment created by the Government of India and the move towards consolidating the ASEAN region as an economic powerhouse of Asia through the formalization of ASEAN Economic Community (AEC) in December 2015 and expected conclusion of RCEP negotiations this year.

However, there is a room for creating greater awareness about the specific possibility of economic cooperation with the various ASEAN countries and addressing NTBs of doing business with each other. According to the survey findings, Indonesia, Malaysia, Philippines, Thailand and Singapore are the destinations in the ASEAN region which are currently the most important for India’s industry.

The survey has revealed that there is immense scope for systematically educating industry on the available incentives and possibility of leveraging inter-governmental economic agreements. Given the great cultural and historical affinity between India and ASEAN, strengthening the people to people connect has been a common response from industry, in line with the Government’s emphasis on popular diplomacy with ASEAN.

Against this backdrop, FICCI conducted this perception survey amongst Indian industry to assess their views on developing relationship. The survey covered members of the ASEAN-India Business Council (AIBC) and Indian companies which have a business engagement with ASEAN.

The survey focused on the following 4 key aspects of India-ASEAN relationship:

- Trade
- Investment
- People to people connect and popular diplomacy
- Policy enablers

The key findings of the survey:

1. 55 percent of survey respondents wish to expand their business to different countries of ASEAN. The economic agenda is assuming prominence against the backdrop of growing governmental engagements.

- Popular sectors include training services, consulting and medical tourism. Sectoral interests vary for each country and industry believes that comprehensive information and sector matching would be beneficial. Accordingly, study visits to explore niche sectors have been endorsed by respondents.

2. The survey reveals an extremely positive outlook towards the “Make in India” initiative of the Indian government towards enabling investment from the ASEAN region. Industry perception reveals an extremely positive perception towards the “Make in India” initiative of the Indian government towards enabling investment from the ASEAN region. Almost all the respondents consider it a successful initiative and enabler for enhancing investment and technology partnerships.

Manufacturing, Tourism and Infrastructure are the most important sectors for Make in India for ASEAN region.

3. Major impediments to trade between India and ASEAN include lack of harmonization of rules and procedures across ASEAN (27% feel that this is a major concern), custom and border procedures (21%), modernization of trade compliance systems (19%), product standards (SPS/TBT) (19%), and administrative and technical procedures/certification (14%).

- Some of the elements essential for an enhanced trade and investment include better dispute settlement mechanism, greater emphasis on ICT, hand holding & facilitation of MSME’s, standardization of taxation and speeding up of approval systems.

4. 75 percent welcome the emphasis on “soft diplomacy”. Industry acknowledges that there has been a transition in the way people of India and ASEAN connect and that it is an enabler for deepening the economic relationship.

- Elements identified for promotion of India's strategic objectives through soft diplomacy include education, socio-cultural cooperation, democracy and institution building and tourism.
- 73 percent of the industry respondents were aware of the ASEAN Economic Community. However they are yet to understand the specific benefit to Indian businesses. Industry is unanimous about advancing India's participation and integration into regional production networks.
- 68 percent feel that greater connectivity on land, air, sea and digital fronts would be a force multiplier for economic partnerships. Of various modes, improved air connectivity would have the highest positive impact.

According to the survey, some of the major challenges/hindrances for smooth flow of foreign direct investment between India and ASEAN include High and Complex Tax Structure (25.93%) followed by Poor Infrastructure (18.52%), Delays in Approvals (18.52%) and Lack of Institutional Reforms / Restrictive Labor Laws (14.81%).

Commenting on the survey, **Dr Didar Singh, Secretary General, FICCI stated:** "FICCI perceives a great responsibility to facilitate economic linkages between India and ASEAN. We would like our trade delegations to have significant representation from different sectors and states of India, with a special focus on SMEs. Enhanced awareness about each other's culture and our common historical heritage would bring people together in an environment of trust. Narrowing the gap between private organizations, think tanks and government in both India and ASEAN through the work of the ASEAN India Business Council (AIBC) and enhancing the potential to work on joint innovation platforms would be among our priorities for the coming year."

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