



FICCI SURVEY

INDUSTRY PERCEPTION
on
INDIA-ASEAN ECONOMIC RELATIONS

February 2016

ASEAN Multilateral Desk
International Affairs Division
FICCI, New Delhi

Table of Contents

1. Survey Background
2. Executive Summary
3. Survey Profile
4. Survey Methodology
5. Section I: Trade and Investment
6. Section II: Connectivity
7. Section III: People to people connect and popular diplomacy
7. Section IV: Policy Enablers

SURVEY BACKGROUND

In 2015, there has been **renewed focus in India's foreign policy** on ASEAN through the "Act East Policy". The recent visit by the Hon'ble Prime Minister of India for the India-ASEAN summit in Kuala Lumpur, the formalization of the **ASEAN Economic Community** and the fact that 2017 marks the completion of 25 years of ASEAN-India relations puts ASEAN in the spotlight of India's foreign policy.

The economic agenda assumes prominence against the backdrop of these growing relations between India and ASEAN. With PM Modi's initiatives of Make in India, Smart cities, Digital India and Skill India, attracting foreign direct investment and augmenting manufacturing capacity is a major focus of the government's economic agenda. In this regard, it is imperative to understand the industry perspective with respect to business prospects with the ASEAN region and take note of their views on the existing trade regime and potential for doing business in and with the ASEAN region.

This survey aims to capture the perception of Indian industry on this developing relationship. It focuses on the following four key aspects:

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

EXECUTIVE SUMMARY

In 2015, there has been **renewed focus in India's foreign policy** on ASEAN through the Act East Policy and recent visit by Hon'ble Prime Minister to ASEAN. Formalization of the **ASEAN Economic Community** and the fact that 2017 marks the completion of 25 years of ASEAN-India relations puts ASEAN in the spotlight of India's foreign policy.

Against this backdrop, FICCI conducted a perception survey of Indian industry on "India-ASEAN Economic Relations", to understand issues which are impacting growth in trade and investment between India and ASEAN and what the industry view is on these recent economic developments concerning this region.

The key findings of the survey are as follows:

- According to FICCI's survey, nearly 55 percent of Indian industry respondents wish to expand their trade to countries/sectors in the region
- Some of the major impediments to trade between India and ASEAN include lack of harmonization of rules and procedures across ASEAN, modernization of trade compliance systems, product standards (SPS/TBT), simplification of custom and border procedures and administrative and technical procedures/certification
- The industry perception is enthusiastic and optimistic towards the ASEAN India Business Council (AIBC). Industry wishes to engage closely with AIBC that aims to facilitate trade and investment between the two sides
- According to respondents, amongst the four modes of connectivity between India and ASEAN, Air connectivity needs most attention by governments.
- 75 percent of respondents feel that there has been a transition in the way people of India and ASEAN connect and welcome the increased attention to "soft diplomacy"
- Industry perception reveals an extremely positive outlook towards the "Make in India" initiative of the Indian government towards enabling investment in the ASEAN region

- Nearly 73 percent of the respondents were aware of the ASEAN Economic Community. However, almost all the respondents feel that the extent to which industry would benefit in terms of enhanced economic relations between India and ASEAN due to AEC is “MEDIUM”

SURVEY PROFILE

The present round of FICCI’s “**India ASEAN Economic Relations**” Survey, brings out the perception of members of corporate India. Respondents included members of the ASEAN-India Business Council (AIBC), companies with joint ventures in ASEAN from different sectors which have either already invested or are doing business with ASEAN countries.

Respondents to this online survey covered sectors such as pharmaceuticals, automotive, manufacturing, plastics, chemicals, consulting services, infrastructure & construction, healthcare, agriculture products, mining & minerals and services.

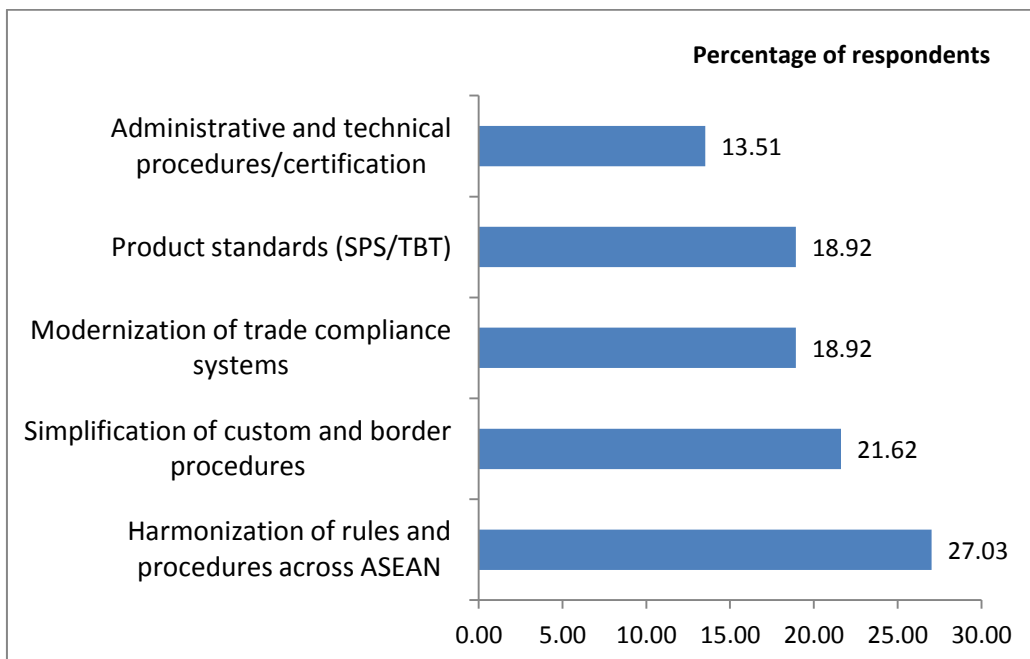
SURVEY METHODOLOGY

1. The perception survey was conducted during January-February 2016.
2. Questionnaire was structured into four key segments including trade, investment, connectivity and policy enablers.
3. Survey covered Indian industry’s outlook on key challenges pertaining to trade and investment between India and ASEAN, perception on level of connectivity with a focus on people to people connect and soft diplomacy and industry view on key government enablers.
4. Responses were then analysed section wise and broad analysis for key research questions was done for each segment.

SECTION I: TRADE & INVESTMENT

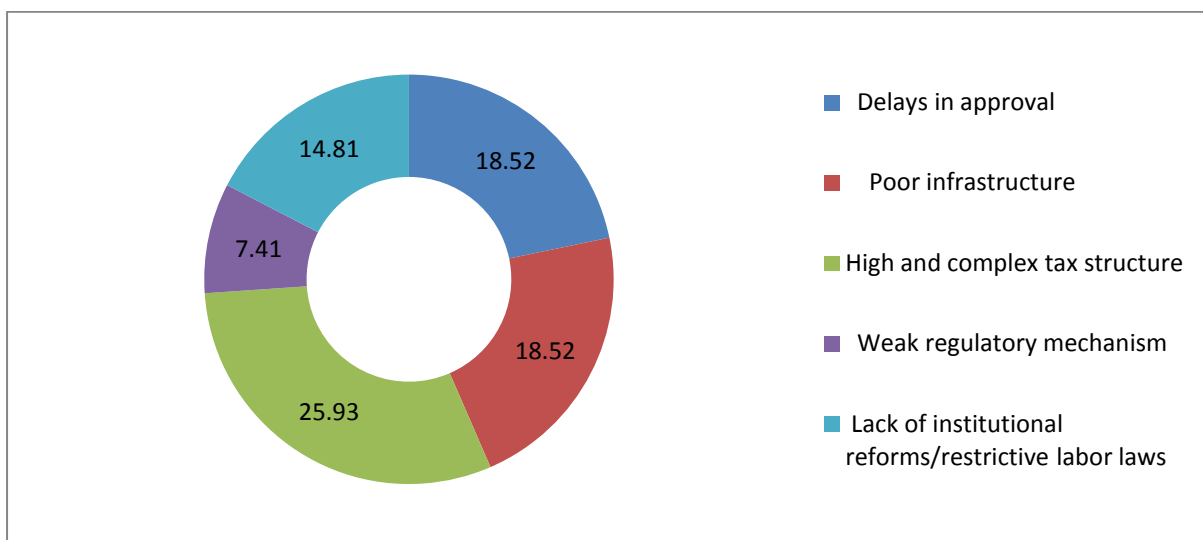
According to the survey findings, following destinations in the ASEAN region are currently the most important for India's industry:

- Indonesia
 - Malaysia
 - Philippines
 - Thailand
 - Singapore
- According to FICCI's survey, nearly 55 percent of Indian industry respondents wish to expand their trade to other countries/sectors in the region
 - The key sectors for expanding into services with ASEAN include training services, consulting and medical tourism
 - As per the survey respondents, some of the major elements that are essential for implementing a comprehensive trade facilitation mechanism with the ASEAN region for enhancing trade relations include the following:



Some of the other elements essential for an enhanced trade regime include better dispute settlement mechanism, better awareness on matters of trade and commerce and emphasis on ICT.

- Industry perception is enthusiastic and optimistic towards the ASEAN India Business Council. A majority of industry respondents wish to be a member of AIBC to contribute to its mission to facilitate trade and investment between the two sides.
- According to FICCI's survey, some of the major challenges/hindrances for smooth flow of foreign direct investment between India and ASEAN include:



- As per the survey respondents, some of the other factors needed to smoothen the flow of investment between the two sides include hand holding & facilitation of MSME's, standardization of taxation and speeding up of approval systems.

- **Responses to :**

How can FICCI facilitate stronger trade and investment linkages between India and ASEAN?

- a) Increasing the number, destinations and sectoral spread of trade delegations and have media representation in those delegations
- b) Enhance awareness about the cultural aspects in addition to economic potential to bring about an appreciation of each other's culture
- c) Aim at narrowing the gap between private organizations and government in both India and ASEAN
- d) Develop alliance and networks among SMEs on products having global and regional markets
- e) Conducting knowledge sessions/roundtables for capacity building of industry

SECTION III: CONNECTIVITY AND PEOPLE TO PEOPLE CONNECT

Industry divided equally on the issue of connectivity between India and ASEAN. 50 percent of respondents feel that ASEAN is well connected. While the rest feel that there is still immense potential for improving all the four modes of connectivity including land, air, maritime and digital.

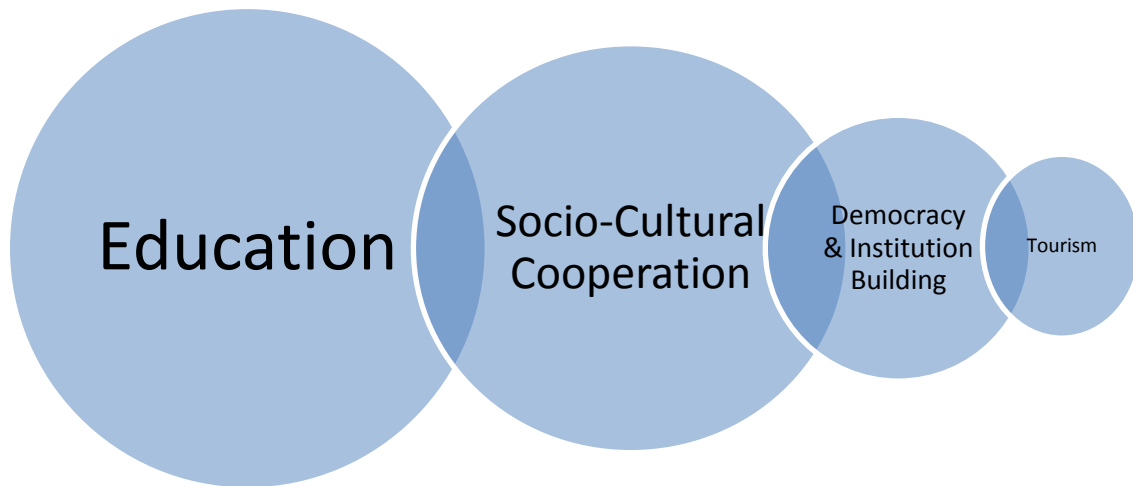
However, a majority, 68% feel that greater connectivity on land, air, sea and digital fronts would be a force multiplier for economic partnerships.

Amongst the four modes of connectivity, air connectivity needs most attention by the government as it would yield maximum benefit.

There is a positive feeling amongst industry members as far as the idea of Soft Diplomacy is concerned.

According to the perception survey, 75 percent of respondents feel that there has been a transition in the way people of India and ASEAN connect as a result of increased efforts towards soft diplomacy.

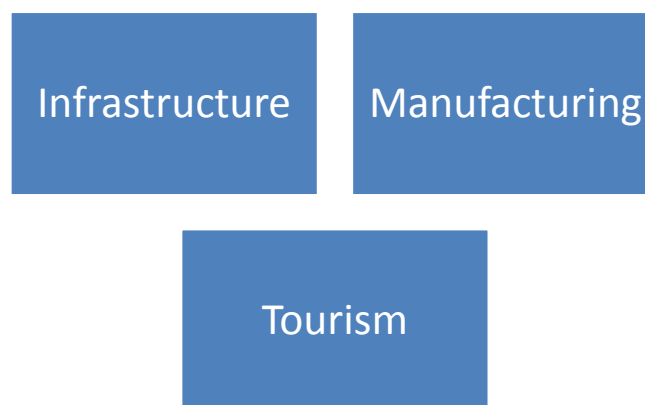
- In the present survey, some of the crucial elements identified for promotion of India's strategic objectives through soft diplomacy are:



SECTION IV: POLICY ENABLERS

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.

Most Important Sectors for Make in India for ASEAN region



Feedback on ASEAN Economic Community

- According to the survey, there is high industry awareness about the formalisation of ASEAN Economic Community (AEC).

- *Nearly 73 percent of industry respondents were aware of AEC*
- *However, almost all the respondents feel that the extent to which industry would benefit in terms of enhanced economic relations between India and ASEAN due to AEC is “MEDIUM”*
- *There is immense scope for systematically educating industry on the available incentives and possibility of leveraging inter-governmental economic agreements.*