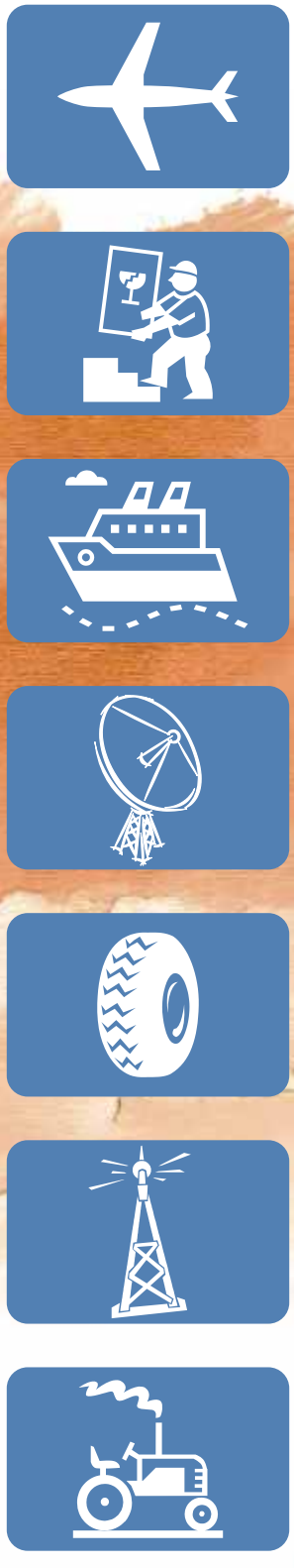
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INDIA–ASEAN:
Forging Partnership for Economic Integration

2nd INDIA ASEAN

Business Fair (IABF) & Business Conclave



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Executive summary

This White Paper examines the relationship between India and ASEAN; the economic, social, and political importance of their cooperation; and its consequences.

What is ASEAN and why is it important?

The Association of Southeast Asian Nations (ASEAN) consists of 10 member nations that have grown rapidly over the last decade. The combined average real GDP of the ASEAN countries over 2008-11 was 5.5% as compared to a world GDP growth of 2.8%.

While most Western economies are still recovering from the financial crisis of 2008, Asia is already on a fast track to growth. Asia accounted for nearly 36.6% of global GDP in 2011, while the US and Euro area accounting for just 23.0% and 20.1%, in the same time period, respectively.

One of the major factors for Asia's recent growth is the rise in regional integration among Asian countries in the past decade. Asian economic integration will ensure financial stability, mobilize resources for development, and create strong foundations for future expansion. ASEAN countries have played an imposing role in the ASIAN sucess story India has managed to successfully forge closer economic links with ASEAN too, as ASEAN represents a fast growing opportunity for growth in sales and trade and is economically and strategically vital to the emerging economies like India.

ASEAN India Relations

On the 20th Anniversary of the India-ASEAN dialogue, India and ASEAN now share a close bond based on mutual interests and common challenges. With India's 'Looks East' policy post-economic liberalization, this relationship has made great progress. The ASEAN India Trade in Goods Agreement was signed in 2009 and is now fully operational; it includes FTA in goods, services, and investment. Now, the socio-cultural relations include "Connectivity" especially for Small and Medium Enterprises, tourism, etc.

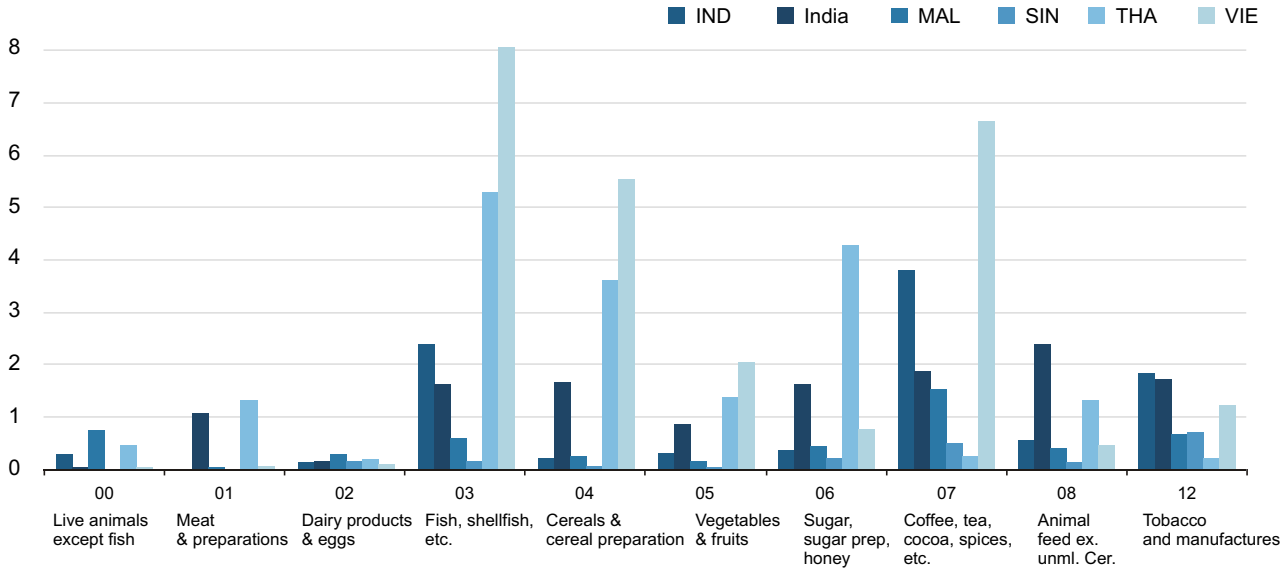
The diversity of cultures between India and ASEAN has the potential to spur both economic and social growth, which has led a steady rise in trade and investment flows. Between 1993 and 2003, ASEAN-India bilateral trade grew at an annual rate of 11.2%. Seeing this opportunity, leaders signed the ASEAN-India Framework Agreement on Comprehensive Economic Cooperation to explore the economic potential of their partnership.

Some of the sectors identified for Trade & Investment, include

- Tourism
- Agriculture
- Health & Pharmaceuticals
- Information & Technology

Executive summary

RCA Index (In 2010) Revealed Comparative Advantage

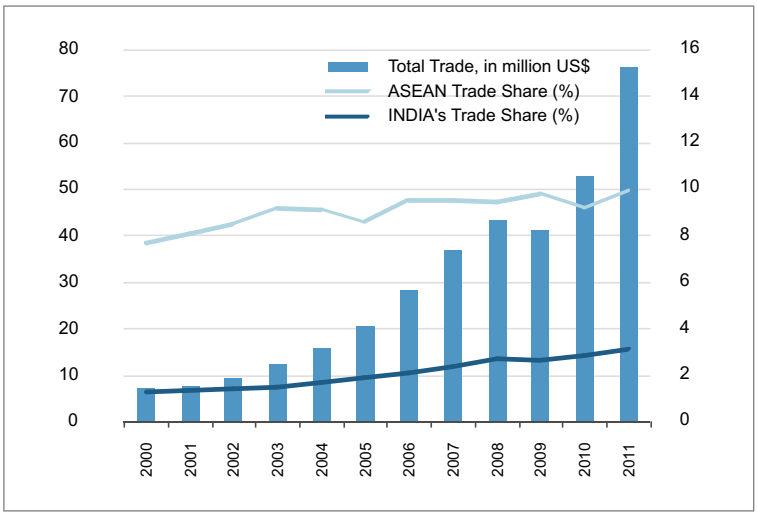


Note: *BRN = Brunei; CAM = Cambodia; IND = Indonesia; I; LAO = Laos; MAL = Malaysia; MYA = Myanmar; PHL = Philippines; SIN = Singapore; THA = Thailand; VIE = Vietnam; Trade data published by the Ministry of Commerce & Industry, Government of India, is for financial year, i.e., April to March, and not calendar year.*
Sources: *World Integrated Trade Solution (WITS), World Bank, Second ASEAN-India Ministerial Meeting on Agriculture and Forestry, 17 October 2012, New Delhi, India*

Trade and Investment

ASEAN has become one of India's largest trading partners in recent years with trade growing from US$ 10.2 billion in 2000 to US$ 76.4 billion in 2011. A majority of India-ASEAN trade is with Indonesia, Malaysia, Thailand, Singapore, and Vietnam. In 2011 Indonesia's share of imports was the highest at 34% of India's total imports from ASEAN, followed by Malaysia (22%), Singapore (20%), and Thailand (13%). Though there has been a large increase in trade flows, there is still potential for enhancing trade cooperation between India and ASEAN.

Total Trade (In billion US$)



Executive summary

Singapore and Indonesia are also very important sources of FDI inflow for India. Singapore's investment value in 2010 was US$ 2.1billion, coming only after Mauritius with an investment of US$ 7.7 billion. On the other side of the coin, though India is not one of the largest investors in ASEAN nations, FDI outflows to ASEAN has seen a 200% growth in 2010, showing great scope for expansion. India has already signed three bilateral FTAs with its ASEAN partners and is in the process of negotiating the India-Indonesia FTA. The India-ASEAN Trade in Goods Agreement provides for a progressive tariff reduction and elimination of originating goods traded for the 10 ASEAN member states and India. This is a big step towards India-ASEAN trade relations. Huge opportunities exist for following sectors as elaborated in this white paper: Agriculture, , Chemical, Manufacturing Goods, Services.

Beyond Trade Relations

Apart from trade between India and ASEAN, the report also highlights other forms of engagement including physical and institutional "Connectivity". With the on-going restructuring of economic activities, physical connectivity is essential for the economic and financial integration of India and ASEAN. People-to-people connectivity via media and other forms of communication can help community groups, academic institutions, and arts and cultural institutions. Travel, study, academics, science and technology, work and professional links, cultural activities, sports religious, etc. are aspects of people-to people connectivity. Media can play a vital role in shaping perceptions and enhancing communication between India and ASEAN. Cooperation in the areas of physical, digital, financial& media "connectivity" throws open, huge opportunities for businesses in India & ASEAN as elaborated herein.

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