

## Overview of Asia's Economy & Trade

Asia has been the fastest growing region of the world for several decades. The speed and extent of Asia's economic and social progress has been inspiring and these emerging economies are now advancing at an impressive pace as a major global economic power. The feat of Japan's dramatic transformation has been followed by the Republic of Korea; Taipei, China; Hong Kong, China, Singapore, Malaysia and Thailand. Once among the poorest of the nations, they have solidly established themselves as rapidly growing upper-middle income countries. And now two of the region's largest countries, China and India, are advancing at an impressive pace as major global economic powers and Indonesia and Vietnam are also growing steady. The rest of Asia, and perhaps the rest of the world, now aspires to emulate these success stories.

Asian countries are serving as a major engine for global growth by way of increasing its exports as well as attracting foreign direct investments. The economic success has translated to social reforms as well, poverty rates have fallen, life expectancy has risen, and the quality of life has improved significantly over the past half century. The developing Asia has shown remarkable growth over the past many years scaling above double digit growth during 2005-07. Thereafter, with the onset of global economic slowdown, the growth moderated slightly, however, it grew faster than many other economies of the world. IMF has estimated developing Asia's average growth at 7.1% for 2013 and 7.3% for 2014 as compared to world at 3.3% in 2013 and 4% in 2014 and advanced economies at 1.2% in 2013 and 2.2% in 2014.

The growth in ASEAN economies has shown significant resilience despite the slowdown in advanced economies. The growth has been estimated to remain steady from 5.7% in 2012 to 5.5% in 2013 and 5.5% in 2014. Over the course of three decades, Emerging

Asia's (China, India, Indonesia, Malaysia, the Philippines, Thailand and Vietnam), according to the IMF, share of world GDP jumped from 10% to 30%, living standards rose six fold, and an incredible half billion people pulled themselves out of poverty. Over the past decade alone, emerging Asia has grown by more than 7.5% a year. Emerging Asia has scaled robust growth path with dramatic growth estimated at 6.7% in 2012 to 7.2% in 2013 and 7.4% in 2014. Among the Hong Kong, China, Korea; Singapore and Taipei the New Industrialized Asian Economies, the average growth is estimated at 2.8% in 2012, 3.8% in 2013 and 5% in 2014.

Besides being the fastest growing region of the world for several decades, the Asian region comprises more than 60% of the global population and it accounts for almost a quarter of global output (22%). More recently, during the dark days of the global financial crisis, it was Asia that kept the flame alive, accounting for about two-thirds of global growth. Asian region is emerging with strong demographics and making it lucrative for investment and trade.

Going forward, Asia faces better prospects. After a year of subdued economic performance during 2012, growth in Asia is set to pick up gradually in the course of 2013, to about 5.75%, on strengthening external demand and continued robust domestic demand. Consumption and private investment are expected to be supported by favorable labor market conditions—unemployment is at multiyear lows in several economies—and relatively easy financial conditions. The latter reflect a combination of accommodative monetary policies; rapid credit growth, particularly in China and some ASEAN economies; and the rebound of capital inflows since the summer of 2012. Asia is also expected to benefit from intraregional demand spillovers.

## 1. Macroeconomic overview of Asia

Asia has driven the global growth story marking remarkable growth over the years. Despite the recent slowdown in the global economic system, the Asian economies have been able to maintain its growth close to 6% which is commendable. Among the Asian economies, East Asia has led the growth story with robust growth of 6.5% in 2012, 7.1% in 2013 and estimated at 7.1% in 2014. Even South Asia has been estimated to grow robust from 5% in 2012 to 5.7% in 2013 and 6.2% in 2014.

The growth in ASEAN economies has been estimated to remain steady from 5.7% in 2012 to 5.5% in 2013 and 5.5% in 2014. Emerging Asia has scaled robust growth path with dramatic growth estimated at 6.7% in 2012 to 7.2% in 2013 and 7.4% in 2014. However, within the New Industrialized Asian Economies, the average growth is estimated at 2.8% in 2012, 3.8% in 2013 and 5% in 2014.

### Growth rate of GDP (Y-O-Y in %)

Countries/Regions	2010	2011	2012	2013	2014
Central Asia	6.8	6.8	5.6	5.5	6
East Asia	9.8	8.2	6.5	7.1	7.1
South Asia	8.5	6	5	5.7	6.2
Southeast Asia	7.9	4.7	5.5	5.4	5.7
The Pacific	5.5	8.3	7.3	5.2	5.5
Newly Industrialized Asian Economies (NIAEs)*	9.8	5.4	2.7	3.7	5.1
ASEAN**	7.6	4.6	5.7	5.5	5.5
Emerging Asia***	10.1	8.2	6.7	7.2	7.4
Asia	8.6	6.1	5.3	5.7	6

Source: PHD Research Bureau, compiled Asian Development Outlook 2013 and Regional Economic Outlook: Asia and Pacific, IMF

Note: \*NIAEs (China, Korea, Taipei, Hong Kong and Singapore)

\*\*ASEAN includes Brunei Darussalam, Cambodia, Indonesia, Lao People's Dem. Rep., Malaysia, Myanmar, Philippines, Singapore, Thailand, Viet Nam

\*\*\* Emerging Asia includes China, India, Indonesia, Malaysia, the Philippines, Thailand and Vietnam

Inflation conditions remained moderate in the region and the external environment remained favourable with most of the countries experiencing current account surplus,

driven by robust export growth and strong invisible receipts. Services exports and non-resident remittances remained two major sources of invisible receipts.

### Inflation and Current Account Balance in Asia

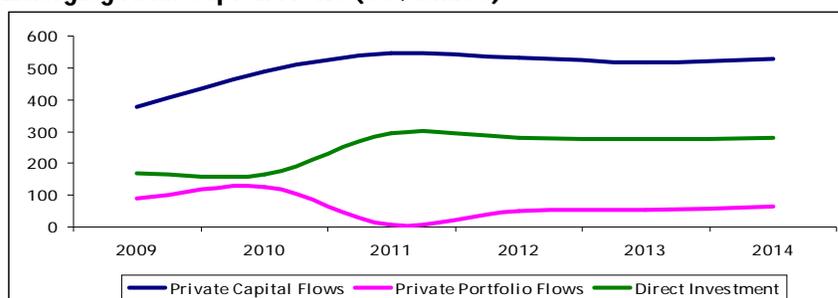
Countries/Regions	Inflation (% per year)					Balance of payments on current account (% of GDP)				
	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014
Central Asia	7	8.9	5.3	6.7	6.7	4.9	8.1	5.3	3.1	4.5
East Asia	3.1	5	2.6	3.1	3.3	4.3	3.1	3.1	3	2.8
South Asia	9.4	9.3	8	7.4	7.1	-2.2	-3.5	-4.3	-3.7	-3.2
Southeast Asia	4.1	5.5	3.9	4.2	4.1	6.4	5.3	3.3	2.9	2.7
The Pacific	5.1	8.5	5.3	6.1	6.3	21.5	41.7	15	4.8	4.4

Source: PHD Research Bureau, compiled Asian Development Outlook 2013 and Regional Economic Outlook: Asia and Pacific, IMF

### Emerging Asia: Remaining a magnet for capital inflows

The region also experienced a surge in capital inflows, driven by foreign direct investment (FDI) flows. The surge in capital flows to the region mainly reflected strong macroeconomic fundamentals, benign inflation conditions, ample global liquidity, greater financial openness, business-friendly policy environment and greater product innovation. Large capital flows along with current account surplus has resulted in large surplus in overall balance of payments, leading to large accumulation of foreign exchange reserves.

### Emerging Asia: Capital Flows (US\$ billion)



Source: PHD Research Bureau, compiled from Institute of International Finance

## 2. Intra-regional trade in Asia

East and South-east Asia for the past couple of decades has seen significant increases in intra-regional cross-border trade, investment and financial flows, thereby emerging as an independent economic zone. It is well recognized that a large part of the increase in Asian

trade is the result of regional integration. In view of the deepening interdependency and great economic potential of the region, large economies in the Asian region are taking a great deal of interest in enhancing economic cooperation at regional level leading to growing regionalisation in the Asian region. For instance, China is stressing the prime importance of neighboring areas in its foreign relations, while Japan is reviewing the implications of neglecting Asia.

Intra-regional trade trends reveal that trade within the Developing Asian region is fast catching up with intra-regional trade in the European Union and North American Free Trade Agreement. In fact in 2011, intra-regional trade comprised around 52% of total trade undertaken in developing Asia, which is slightly less than that of EU where intra-regional trade comprised around 64% of total trade undertaken in the region and more than intra-region trade in NAFTA which stood at 48% of total trade undertaken. Intra-regional trade within ASEAN has been about 25% of its total trade.

**Intra-regional trade among major regions/ groupings (US\$ billion)**

Region	2007	2008	2009	2010	2011
EU	3610	3960	3026	3329	3869
% of total regional trade	68	67	66	65	64
NAFTA	951	1012	768	955	1101
% of total regional trade	51	50	48	49	48
Developing economies: Asia	1953	2334	1958	2577	3153
% of total regional trade	48	49	50	52	52
ASEAN	217	250	198	263	311
% of total regional trade	25	25	25	25	25

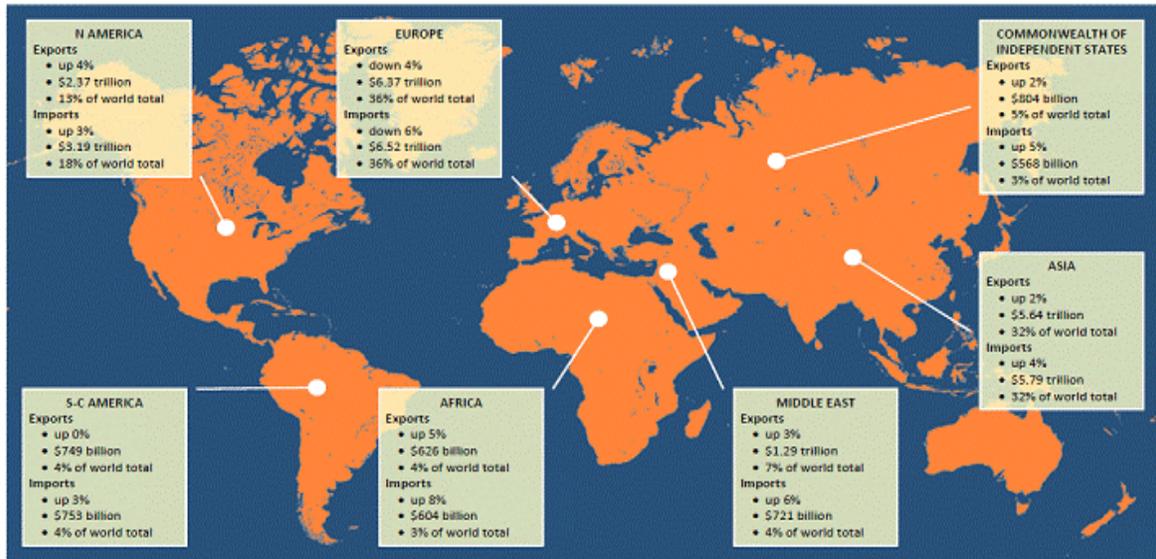
*Source: PHD Research Bureau, compiled from UNCTAD*

*US \$ at current prices and current exchange rates in billions*

EU stands for European Union, NAFTA stands for North American Free Trade Agreement

This intraregional trade is spurred by the integration of the regional production network and supply chain. Financial integration in the form of cross-border investment flows, such as foreign direct investment (FDI), portfolio investment and bank lending, is also on the rise.

## Exports and imports of commercial services in current US dollars by region, 2012



Source: PHD Research Bureau, compiled from WTO and UNCTAD Secretariats.  
Values and shares include intra-EU trade.

### 3. India's trade with Asia

The pace of trade and investment integration between India and Asian economies during the recent years has been driven by deepening production networks, falling trade barriers and logistics costs, and improvements in infrastructure. It is felt that exploration of further trading opportunities between Asian economies and India will improve economic welfare for both developed and developing economies. Indeed, this strong trade relation may form the lynchpin for sustained inclusive growth and prosperity in the Asia-Pacific region.

It has been observed that during the recent years, the volume of India's exports to Asian economies have jumped from US\$ 81.7 billion in FY2008 to US\$ 152.5 billion in FY2013, while the volume of India's imports have jumped from US\$ 144.4 billion to US\$ 294.3 billion during the same period. The share of Asia in India's exports has remained consistently above 50% while its share in India's imports has remained close to 60% over the last many years.

### Trend in India's export and import with Asian region

Financial Year	Export volume US\$ Billions	%Share in India's exports	Import Volume US\$ Billions	%Share in India's imports
2008	81.7	50.07	144.4	57.38
2009	93.2	50.29	182.6	60.14
2010	93.3	52.21	170.4	59.12
2011	127.3	50.71	220.2	59.57
2012	152.3	50.02	297.6	60.84
2013(P)	152.5	50.75	294.3	59.95

Source: PHD Research Bureau, Compiled from Ministry of Commerce

### India's direction of trade: change in top 10 export destinations

The USA and UAE have been able to maintain the highest rank in India's top 10 export destinations over the years. However, their share in India's total exports registered a fall from 25% in FY2002 to 23% in FY2012. During FY2002, countries such as Hong Kong, Japan and Bangladesh were among the top 10 export destinations of India comprising a share of 11.14%. However, over the next ten years, although, Honk Kong remained in the list, the rest have been replaced by China and Singapore, which together comprise a share of 15.64%. It is observed that India is gradually diversifying its exports markets, the concentration of exports to the top ten trading partners was about 56% during FY2002 and it has been reduced to about 55% during FY2012 period. Besides, the share of Asian economies among the top ten export destinations has also increased over the years.

### India's top 10 export destination – FY2002 vis-à-vis FY2012 (us \$ billion)

Rank	FY2002			FY2012		
	Country	Volume of export	%Share	Country	Volume of export	%Share
1	U S A	8,513.34	19.43	U Arab Emts	35,858.16	11.77
2	U Arab Emts	2,491.79	5.69	U S A	34,353.39	11.28
3	Hong Kong	2,366.36	5.4	China	17,902.98	5.88
4	U K	2,160.87	4.93	Singapore	16,794.88	5.51
5	Unspecified	2,100.05	4.79	Unspecified	16,224.02	5.33
6	Germany	1,788.36	4.08	Hong Kong	12,932.64	4.25
7	Japan	1,510.44	3.45	Netherlands	9,145.45	3
8	Belgium	1,390.62	3.17	U K	8,597.19	2.82
9	Italy	1,206.53	2.75	Germany	7,938.73	2.61
10	Bangladesh	1,002.18	2.29	Belgium	7,160.75	2.35
	Total (top ten)	24,530.54	55.98	Total (top ten)	166,908.19	54.8
	<b>Total</b>	<b>43,826.71</b>	<b>100</b>		<b>304,623.52</b>	<b>100</b>

Source: PHD Research Bureau, Compiled from Ministry of Commerce

The success story of India's trade diversification over the recent years is well known. In fact, in recent years, due to export diversification efforts, the share of developing Asian economies in India's total exports witnessed a gradual increase. Increased diversification in trade destinations from the advanced economies to the emerging economies have led to shift in trade from the low growth to high growth economies. This might open up fresh avenues for progress in this area, going forward.

Among the goods traded between India and Asia are petroleum, gems & jewelry, transport equipments, machinery and instruments, drugs, pharmaceuticals & fine chemicals, RMG cotton including accessories, manufactures of metals, electronic goods, cotton yarn, fabrics & made ups, gold, pearls & precious stones, coal, coke & briquettes, transport equipments, organic chemicals, metalifers ores & metal scrap etc. .

The emerging Asian economies have been majorly trade centric economies. The average Trade GDP ratio among the ASEAN economies have consistently been above 100% led by extremely high ratios in case of Singapore, Vietnam, Malaysia and Thailand. In fact the huge proportion of intra-regional trade between these economies has helped them drive their economic growth story despite the global economic slowdown, particularly in the advanced economies.

#### **4. India's 'Look East' policy**

The global economy was traditionally dominated by north-north relations with some concern for north-south relations. South-south economic relations were, until recently, of minor import. In the early 1990s, south Asian countries initiated their 'look east' policies to enhance closer relations with east and south-east Asia. India announced its 'look east' policy in 1991 and subsequently other countries followed suit. This shift is best thought of as part of their economic reform programs.

India's 'Look East' policy represents its efforts to cultivate extensive economic and strategic relations with the nations of Southeast Asia. Initiated in 1991, this marked a strategic shift in India's perspective of the world. There are many reasons for India's past neglect of Southeast Asia. Economically, due to the fact that this region was less developed than India until the 1970s, south-east Asia was not an attractive trading and economic partner. India's own economic policies were insular and protectionist. India has since realized that its perceptions about this region were flawed. In recent years, the relations between these nations have flourished and the government's focus has been increasing on these nations.

## **5. India's bilateral and multilateral Trade Agreements with Asian economies**

Regional Trade Agreements (RTAs) among the Asian economies have also been gathering steam because these are supposed to reduce and possibly eliminate tariff and non tariff barriers to the free flow of goods, services and factors of production between countries. India has also signed bilateral and multilateral trade agreements with these countries.

While India has always stood for an open, equitable, predictable, non-discriminatory, and rule based multilateral trading system(MTS), it has also been active in recent years with regional trading arrangements (RTAs), to serve as 'building blocks' for achieving trade liberalization and complementing the MTS. So far, India has signed 10 free trade agreements (FTAs) and 5 preferential trade agreements (PTAs) and these FTAs/PTAs are already in force. Further, India is currently negotiating 17 FTAs, including review/expansion of some of the existing ones.

**Agreement on South Asia Free Trade Area (SAFTA):** The SAFTA Agreement was signed on 6 January 2004 and came into force on 1 January 2006. Under SAFTA, India has granted zero basic custom duty to all least developed countries (LDCs) viz. Afghanistan, Bangladesh, Bhutan, and Maldives, on all items except 25 items relating to alcohol and tobacco. Under the SAFTA Agreement, India has reduced the SAFTA Sensitive List for non-

LDCs from 878 to 614 by reduction of 264 tariff lines. As per the schedule of Tariff Liberalisation Programme (TLP) under SAFTA, India has brought down its peak tariff rates to 5%.

**India-Thailand FTA:** On 9th October 2003, India and Thailand signed a Framework Agreement for establishing an India-Thailand FTA, which includes trade in goods, trade in services, investment, and other areas of economic cooperation, to be concluded as a single undertaking. Under the Early Harvest Scheme (EHS), tariff has gradually been eliminated on a list of 82 common items simultaneously by both sides. Under the India-Thailand FTA, it is proposed to provide ASEAN plus tariff concessions.

**India-ASEAN Comprehensive Economic Cooperation Agreement (CECA):** The Trade in Goods Agreement, which was signed on 13 August 2009 under the broader framework of the CECA between India and ASEAN has already come into force. Conclusions of negotiations for the Services Agreement and Investment Agreement have been announced during the ASEAN-India Commemorative Summit held on 20 December 2012.

**Regional Comprehensive Economic Partnership (RCEP) Agreement among ASEAN and Australia, China, India, Japan, Korea, and New Zealand:** In April 2012, ASEAN States agreed to move towards establishing an RCEP involving ASEAN and its FTA partners. The objective of launching RCEP negotiations is to achieve a modern, comprehensive, high-quality, and mutually beneficial economic partnership agreement among the ASEAN member States and ASEAN's FTA partners. The RCEP will cover trade in goods, trade in services, investment, economic and technical cooperation, intellectual property, competition, dispute settlement, and other issues.

**SAARC Agreement On Trade In Services (SATIS):** In order to expand cooperation in trade and further deepen the integration of the regional economies, the Governments of the South Asian Association for Regional Cooperation (SAARC) Member States comprising of

Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka, signed the SATIS in **April** 2010. The Agreement entered into force on 29 November 2012 after ratification by all SAARC Member States.

**Global System of Trade Preferences (GSTP):** The Agreement establishing the GSTP among developing countries was signed on 13 April 1988. Forty-three countries have ratified the Agreement and become participants including Bangladesh, Cuba, Ghana, India, Nigeria, Singapore, Sri Lanka, Tanzania and Zimbabwe among others.

**ASEAN and India FTA:** India's engagement with the Association of South East Asian Nations (ASEAN) started with its "Look East Policy" in the year 1991. ASEAN has a membership of 10 countries namely Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.

**India- Sri Lanka Comprehensive Economic Partnership Agreement (CEPA):** India-Sri Lanka Free Trade Agreement (ISLFTA), which was signed in 1998, has become operational in 2000. Sri Lanka is India's largest trading partner country in the SAARC region. The bilateral trade between India and Sri Lanka has grown four times in the last nine years increasing from US\$658 million in 2000 to US\$2719 million in 2009.

**Asia Pacific Trade Agreement (APTA):** APTA, previously named the Bangkok Agreement, is a preferential tariff arrangement that aims at promoting intra-regional trade through exchange of mutually agreed concessions by member countries. APTA has five members namely Bangladesh, China, India, Republic of Korea, Lao People's Democratic Republic and Sri Lanka.

**Agreement on Trade, Commerce and Transit between India and Bhutan:** India and Bhutan signed the agreement to accrue the benefits from the free trade and commerce

between the two countries, expansion of the bilateral trade and collaboration in economic development.

Some other agreements include Agreement Of Co-operation between India and Nepal to control unauthorized trade, Treaty of Trade between India and Nepal, comprehensive economic partnership agreement between India and Japan, comprehensive economic partnership agreement between India and South Korea, India Afghanistan Free Trade Agreement, India Ceylon Free Trade Agreement, India Bhutan Free Trade Agreement, India South Korea Free Trade Agreement, India Maldives Free Trade Agreement, India Myanmar Free Trade Agreement and India Pakistan Free Trade Agreement.

Going ahead, since, these economies of region face somewhat same policy challenges, such as challenge in conduct of monetary policy due to rising international oil, food and commodity prices, trade among them is set to explode. This relationship should thus be carried further to a higher level, where we envision growing investment opportunities and Joint Ventures in prospective areas of trade.

## **6. Potential areas of trade between India and Asia**

Presently, there is a wave of trade and investment between India and Asia. There is enormous potential arising out of Joint Ventures in the field of energy, food processing, forest products, health & pharmaceuticals, infrastructure, media, IT, tourism, minerals and many more. Both India and Asia have been strengthening their bilateral economic relations, with a surge in interaction in various sectors, including trade, investment and culture.

**Energy**--India is diversifying its conventional energy sources, and significantly increasing exploration of oil in its territory – Countries like Indonesia possesses enough expertise in this area as well as in the nuclear power sector, providing considerable scope for energy cooperation.

**Food Security**-- For all these developing countries, food security is an important area of concern. This will require application of biotechnology, and other knowledge-intensive activities to improve the productivity in the agricultural sector. Thus, there exist significant avenues to enhance the cooperation in food security.

**Forest Products**--India is also a major importer of forest products while many Asian economies are major exporters, which indicates another potential area of expansion of bilateral trade.

**Pharma & health care** --India could cooperate with Asian economies in pharmaceutical and health care sectors. Some of the Asian countries are heavily dependent on imported drugs and health care equipments. Indian pharmaceutical companies are internationally competitive in certain areas particularly in generic drugs which are much cheaper than branded drugs.

**Infrastructural development** -- Another important area of economic cooperation between the countries could be in the area of infrastructure development particularly in railways, aviation etc. and in commercialization of space activities in which India is emerging as a competitor.

**Information Technology** -- Given the recent developments in the IT & ITEs in India, the countries could also benefit from cooperating in the area, particularly in the area of development of human resources and in that of software programmes.

**Entertainment & Media** --Another area of cooperation that holds promise is the entertainment & media sector. Firms from these countries could consider joint production of films, television programs, and Internet content for both domestic and international audiences.

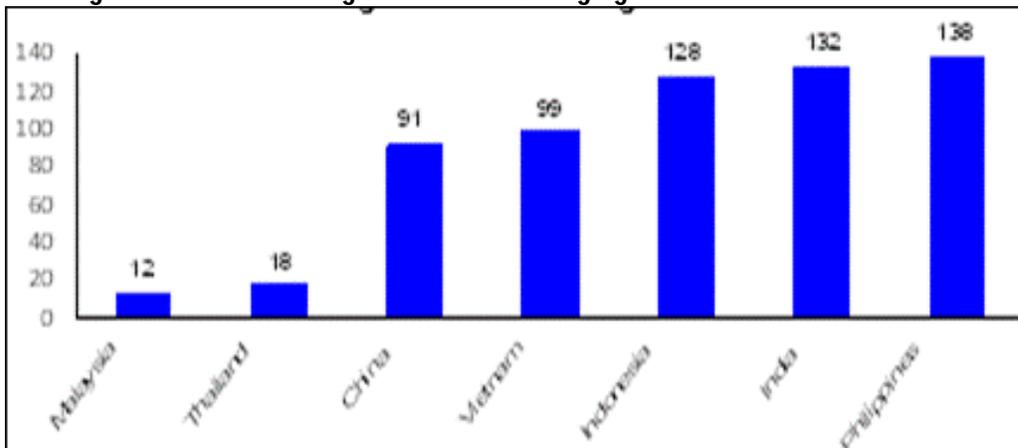
**Gems and Jewellery** -- Another area for potential cooperation is the gems and jewellery sector. Many key Asian economies including India have thriving gems and jewellery

industry. Greater cooperation between the two could provide each with competitive advantages in the international arena.

## 7. Doing Business with Asia

Among the emerging Asian economies, comprising of India, China, Indonesia, Malaysia, the Philippines, Thailand and Vietnam, Malaysia is ranked the highest for ease of doing business<sup>1</sup> by the World Bank (at 12) followed by Thailand (at 18) and China (at 91). The Philippines and India have the poorest performance and are ranked at 138 and 132 respectively.

**Ranking on the ease of doing business for Emerging Asia economies**



Source: PHD Research Bureau, compiled from Doing Business 2013

A few other Asian economies have ranked high as well. Singapore topped the overall global ranking, surpassing the USA and the UK, while Malaysia, Thailand and Japan crossed Canada, Germany and France respectively.

<sup>1</sup> World Bank in its report 'Doing Business 2013', identifies the economies making the biggest improvements for entrepreneurs and ranks them according to their ease of doing business from 1 – 185 with 1 indicating the highest rank. A high ranking on the ease of doing business index means the regulatory environment is more conducive to the starting and operation of a local firm.

### Ranking on the ease of doing business for select key economies

Country	Rank
Singapore	1
USA	4
UK	7
Malaysia	12
Canada	17
Thailand	18
Germany	20
Japan	24
France	34
China	91
Vietnam	99
Russia	112
Indonesia	128
Brazil	130
India	132
Philippines	138

Source: PHD Research Bureau, compiled from Doing Business 2013

### Conclusions

Asia has been the fastest growing region of the world for several decades. The speed and extent of Asia's economic and social progress has been inspiring and these emerging economies are now advancing at an impressive pace as a major global economic power.

Asian countries are serving as a major engine for global growth by way of increasing its exports as well as attracting foreign direct investments. Though, with the onset of global economic slowdown, the growth moderated slightly, however, it grew faster than many other economies of the world. IMF has estimated developing Asia's average growth at 7.1% for 2013 and 7.3% for 2014 as compared to world at 3.3% in 2013 and 4% in 2014 and advanced economies at 1.2% in 2013 and 2.2% in 2014.

East and South-east Asia for the past couple of decades has seen significant increases in intra-regional cross-border trade, investment and financial flows, thereby emerging as an

independent economic zone. It is well recognized that a large part of the increase in Asian trade is the result of regional integration.

In view of the deepening interdependency and great economic potential of the region, large economies in the Asian region are taking a great deal of interest in enhancing economic cooperation at regional level leading to growing regionalisation in the Asian region.

Going ahead, since, the Asian economies of region face somewhat same policy challenges, such as challenge in conduct of monetary policy due to rising international oil, food and commodity prices, trade among them is set to explode. This relationship should thus be carried further to a higher level, where we envision growing investment opportunities and Joint Ventures in prospective areas of trade.

There is enormous potential arising out of Joint Ventures in the field of energy, food processing, forest products, health & pharmaceuticals, infrastructure, media, IT, tourism, minerals and many more. The pace of trade and investment integration between India and Asian economies during the recent years has been driven by deepening production networks, falling trade barriers and logistics costs, and improvements in infrastructure.

It is felt that exploration of further trading opportunities between Asian economies and India will improve economic welfare for both developed and developing economies. Indeed, this strong trade relation may form the lynchpin for sustained inclusive growth and prosperity in the Asia-Pacific region.

It may be mentioned that while India's trade with the Asian economies is large and growing, most of India's exports go to other markets, and most of its imports come from other sources. Such trade pattern provides stylized evidence, suggesting limited substitutability of products and tremendous opportunities to increase the trade.



Further, there are large evidences of a potential complementarities between Asian economies and India's trade which could fuel rapid growth of trade between the two. In conclusion, we strongly believe that India's increased association with emerging economies in Asia is a significant development in fostering deeper regional integration with these outward-oriented economies.

We suggest that the Government should focus on the policies that enable to strengthen our "Look East" Policy and the Indian entrepreneurs should look forward to deepen their economic cooperation with the Asian counterparts.

## Asia's economic review: Real GDP growth

Countries	2010	2011	2012	2013	2014
Australia	2.6	2.4	3.6	3	3.3
Japan	4.7	-0.6	2	1.6	1.4
New Zealand	1.8	1.4	2.5	2.7	2.6
<b>East Asia</b>	<b>9.9</b>	<b>8.2</b>	<b>6.7</b>	<b>7.1</b>	<b>7.5</b>
China	10.4	9.3	7.8	8	8.2
Hong Kong	6.8	4.9	1.4	3	4.4
Korea	6.3	3.6	2	2.8	3.9
Taipei	10.8	4.1	1.3	3	3.9
<b>South Asia</b>	<b>10.9</b>	<b>7.7</b>	<b>4.2</b>	<b>5.7</b>	<b>6.3</b>
Bangladesh	6.4	6.5	6.1	6	6.4
India	11.2	7.7	4	5.7	6.2
Sri Lanka	8	8.2	6.4	6.3	6.7
<b>ASEAN</b>	<b>7.6</b>	<b>4.6</b>	<b>5.7</b>	<b>5.5</b>	<b>5.5</b>
Brunei Darussalam	2.6	2.2	1.3	1.2	6
Cambodia	6.1	7.1	6.5	6.7	7.2
Indonesia	6.2	6.5	6.2	6.3	6.4
Lao People's Democratic Republic	8.1	8	8.3	8	7.7
Malaysia	7.2	5.1	5.6	5.1	5.2
Myanmar	5.3	5.5	6.3	6.5	6.6
Philippines	7.6	3.9	6.6	6	5.5
Singapore	14.8	5.2	1.3	2	5.1
Thailand	7.8	0.1	6.4	5.9	4.2
Vietnam	6.8	5.9	5	5.2	5.2
Small States	3.7	4.5	3.8	3.6	3.5
Pacific Island Countries	2.5	3.2	2.6	2.2	2.5
Emerging Asia	10.1	8.2	6.7	7.2	7.4
<b>Asia Total</b>	<b>8.6</b>	<b>6.1</b>	<b>5.3</b>	<b>5.7</b>	<b>6</b>

Source: PHD Research Bureau, compiled Asian Development Outlook 2013 and Regional Economic Outlook: Asia and Pacific, IMF

## India: Statistical snapshot

Indicators	FY09	FY10	FY11	FY12	FY13
GDP at FC - Constant prices Rs Bn	41,625	44,937	48,778	52,435	55,034*
GDP at FC - Constant prices growth YoY	6.7	8	8.5	6.2	5*
GDP at MP-current prices Rs. Bn	55,826	65,502	77,953	89,749	1,00,281*
Agriculture growth	-0.1	0.4	6.6	2.8	1.8*
Industry growth	4.4	8	7.9	3.8	1.9*
Services growth	10.1	10.1	9.4	8.8	6.6*
Domestic Consumption	5.4	5.3	8.7	6	5.0
Private consumption	2.9	7.3	8.6	6.4	5.0
Gross domestic savings as % of GDP	32	33.8	32.3	33.0	31.8
Gross Fixed Capital Formation as % of GDP	32.3	31.6	30.4	30.6	29.9*
Gross fiscal deficit of the Centre as a % GDP	6	6.4	5.1	5.9	5.1@
Gross fiscal deficit of the states as a % GDP	2.4	3.3	2.5	2.28	2.1@
Gross fiscal deficit of Centre & states as a % GDP	8.4	9.5	8.08	7.0	7.2@
Merchandise exports (US\$Bn)	185.3	178.7	251.1	309.8	300.57^
Growth in exports	3.4	-3.6	40.5	23.5	(-)1.76^
Imports (US\$Bn)	287.7	288.3	369.7	434.2	491.48^
Growth in imports (YoY)	14.3	0.2	28.2	29.4	0.44^
Trade deficit (US\$Bn)	118.4	109.6	118.6	184.8	190.91^
Net invisibles US\$Bn	91.6	79.7	84.6	111.6	114.0^^
Current account deficit US\$Bn	28.7	38.4	44.3	78.2	19.35#
Current account deficit as % of GDP	2.6	3.2	2.6	4.2	5.4#
Net capital account US\$Bn	8.6	53.4	59.7	67.8	73.2^^
Overall balance of payments US\$Bn	-20.1	13.4	13	5.7	1.6
Foreign exchange reserves US\$Bn	252	279.1	304.8	294.9	289.7~
External debt - Short term US\$Bn	43.4	52.3	65	78.2	91.8##
External debt - Long term US\$Bn	181.2	208.7	240.9	267.5	284.4##
External debt - Gross US\$Bn	224.5	261	305.9	345.7	376.2##
Money supply growth	19.3	16.8	15.9	14.4	16
Bank credit growth	17.5	17.1	21.2	16.8	14.1**
WPI inflation	8.1	3.9	9.5	8.2	5.96***
CPI inflation	7	12.3	10.4	8.4	10.39***
Exchange rate Rs/US\$ annual average	46	47.4	45.5	47.7	55.49@@

Source: PHD Research Bureau compiled from various sources, \*Data pertains to advance estimates of national income 2012-13 MOSPI, @Data pertains to 2012-13 from RBI, ^ Data pertains to Apr-Mar 2012-13 from Ministry of Commerce and Industry, ^^Data pertains to 2012-13 from PMEAC economic outlook, # Data pertains to H1 2012-13 from RBI, ~ Data pertains June 2012 from RBI, ## Data pertains to December 2012 from RBI, \*\* Data pertains to March 2013, \*\*\* Data pertains March 2013, @@ Data pertains July 2012

## About the PHD Chamber

**P**HD Chamber is a 108 years old vibrant and proactive representative organization of business and mercantile community of northern and central India, serving their interest. This apex regional organization plays an active role in India's development and acts as a much needed link between government and industry, serving as a catalyst for rapid economic development and prosperity of the community in the region through promotion of trade, industry and services.



With its base in the National Capital, Delhi, the Chamber has Regional offices in States of Bihar, Chhattisgarh, Haryana, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Madhya Pradesh, Punjab, Rajasthan, Uttar Pradesh, Uttarakhand and the Union Territory of Chandigarh.

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