



NATIONAL APEX CHAMBER

India's Trade and Investment Opportunities with ASEAN Economies



PHD RESEARCH BUREAU
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INDIA'S TRADE AND INVESTMENT OPPORTUNITIES WITH ASEAN ECONOMIES

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PHD RESEARCH BUREAU

PHD CHAMBER OF COMMERCE AND INDUSTRY

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India's Trade and Investment Opportunities with ASEAN economies



Dr D K Aggarwal

From President's Desk, PHD Chamber

Economic engagement with ASEAN economies has been and will remain a crucial element of India's Act East policy. Both India and ASEAN economies possess strong macroeconomic fundamentals and have significantly progressed in enhancing their global presence in terms of economic growth, trade flows and investments.

India and ASEAN are together a home to 1.9 billion people with a combined GDP of USD 5.7 trillion. India's bilateral trade with ASEAN economies presently is estimated at more than USD 142 billion of which USD 97 billion is in the merchandise and around USD 45 billion is in the services.

The continuous reforms undertaken by the Government of India to promote trade and economic cooperation between India and ASEAN economies will prove beneficial for both the regions. The enhanced people to people connect remains vital to strengthen trade and investment relations between India and ASEAN economies.

Exploring synergies between manufacturing and services trade, facilitation of mobility of professionals and business visits between India and ASEAN, encouraging greater regulatory cooperation and exchange of best international practices, among others will strengthen the bilateral cooperation between India and ASEAN economies.

Going forward, there is immense potential for further diversification of India's exports basket to ASEAN economies. Therefore, facilitation to exporters to diversify the composition of India's export basket with enhanced knowledge of ASEAN markets will be crucial to strengthen India-ASEAN trade trajectory.

My best wishes for the successful deliberations of the India-ASEAN Business Summit: Today, Tomorrow, Together.



(Dr D K Aggarwal)

India's Trade and Investment Opportunities with ASEAN economies

From Senior Vice President's Desk, PHD Chamber



Shri Sanjay Aggarwal

ASEAN is one of the most economically dynamic regions of the World today. Strengthening ASEAN, expanding connectivity and deepening India-ASEAN economic integration are among the key priorities of India's "Act East Policy".

The Government of India is making significant efforts to strengthen partnership with ASEAN in various areas of mutual interests. The ASEAN-India Free Trade Agreement (AIFTA) provides increased scope for integration of supply chains in the various emerging and developing sectors.

Enhancing trade in services and investments, continuous review of the Goods agreement, harmonizing and simplifying the customs procedures, undertaking capacity building programmes, promoting greater private sector engagement, supporting improved access to financial services especially for Micro, Small & Medium Enterprises (MSMEs), among others would go a long way to strengthen the bilateral economic relations between India and ASEAN.

Going ahead, there is immense potential for trade and investment opportunities in sectors such as infrastructure and Fintech, culture and tourism, IT/ITES and e-Commerce, education and skill development, healthcare and pharmaceuticals and agriculture and food processing, among others.

My best wishes for the grand success of the India-ASEAN Business Summit: Today, Tomorrow, Together.



(Sanjay Aggarwal)

India's Trade and Investment Opportunities with ASEAN economies

From Vice President's Desk, PHD Chamber



Shri Pradeep Multani

India's close economic and cultural links with ASEAN provide a strong foundation for a robust, modern and multifaceted strategic partnership. Greater progress is envisioned in India-ASEAN relations in the coming years as the two regions have enormous potential to grow at a higher trajectory.

Over the years, significant efforts have been made by the Government of India to recognize the enormous economic opportunities presented by rising India-ASEAN engagement. Going forward, it becomes crucial to understand the strengths of India's businesses in the ASEAN market and to tailor the strategies accordingly.

Undoubtedly, India-ASEAN bilateral economic relations have brought strategic gains to India in terms of greater economic integration in global value chains. In order to realize further economic gains, supply chains should be developed with a focus towards intra-industry trade while also seeking greater market access in services trade with ASEAN economies.

Further, there are significant opportunities for enhancing India-ASEAN trade and investments in areas such as infrastructure development, "Make in India", innovation and skill set enhancement, cooperation in Science and Technology (S&T), pharmaceuticals and health facilitation, among others.

I extend my best wishes to the participants of the India-ASEAN Business Summit: Today, Tomorrow, Together.



(Pradeep Multani)

India's Trade and Investment Opportunities with ASEAN economies



Shri Ajay Poddar

From Chairman, ASEAN, East Asia & Oceania Committee's Desk, PHD Chamber

India-ASEAN relations have significantly strengthened over the years with joint endeavours taken in the spirit of equality and partnership. The active collaboration and mutual assistance on matters of common interest in the economic, social, cultural, technical, scientific and administrative segments have been immensely focused by the two regions.

India's relation with ASEAN is a key pillar of our foreign policy and the foundation of our Act East Policy. Over the years, India-ASEAN trade pattern has witnessed a significant reorientation that has resulted in greater economic benefits to both the regions. As a result greater flow of goods and services has strengthened economic relations between India and ASEAN economies.

It is highly encouraging that the Government of India is undertaking significant efforts to enhance India's integration with ASEAN economies in various sectors including agriculture, pharmaceuticals, IT & ITES, education and skill development, tourism, infrastructure, among others.

Going ahead, it becomes crucial to promote greater private sector engagement and encourage business-to business relations in order to establish sound business networks and collaborations. Greater and balanced socio-economic cooperation between India and ASEAN economies will definitely boost the trade and investment flows.

My best wishes for the grand success of the India-ASEAN Business Summit: Today, Tomorrow, Together.



(Ajay Poddar)

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Executive Summary

Association of South East Asian Nations (ASEAN) is one of the growth centers in the world economy. ASEAN encompasses of ten nations such as Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam—economies at vastly different stages of development but all sharing immense growth potential. ASEAN is a major global hub of manufacturing and trade, as well as one of the fastest-growing consumer markets in the world.

Economic engagement with ASEAN has been, and will remain, a crucial element of India's Act East policy and strategy. Strengthening ASEAN, expanding connectivity and deepening India-ASEAN economic integration are among key priorities of India's "Act East Policy". The Government of India is making significant efforts to increase partnership with ASEAN in the areas of mutual interests. India and ASEAN are together a home to 1.9 billion people, having a combined economy of USD 5.7 trillion and a substantial share of world resources.

With shared land and maritime boundaries, ASEAN-India relations are firmly embedded in culture, commerce and connectivity. To take plurilateral economic relations to the next level, India signed an FTA in goods with ASEAN in 2009 known as the ASEAN-India Free Trade Agreement (AIFTA). Later on, an FTA in services and investments was signed in 2014. Apart from this, India intensified its relations by signing the Comprehensive Economic Cooperation Agreement (CECA) with various countries of ASEAN.

The study attempts to understand the growth of trade between India and ASEAN economies in the pre and post AIFTA period. India's trade relations with ASEAN have witnessed a shift during the pre and post AIFTA. During pre-AIFTA, India's merchandise trade with ASEAN economies has increased from USD 8 billion in 2001 to USD 42 billion in 2009 with a CAGR of around 20%. India's merchandise exports to ASEAN economies have increased from USD 3 billion in 2001 to USD 18 billion in 2009 with a CAGR of around 22% while India's merchandise imports from ASEAN economies have increased from USD 4 billion in 2001 to USD 24 billion in 2009 with a CAGR of around 22%.

During post-AIFTA, India's total merchandise trade with ASEAN economies has increased from USD 53 billion in 2010 to USD 93 billion in 2018 with a CAGR of around 7%. India's merchandise exports to ASEAN economies increased from USD 23 billion in 2010 to USD 36 billion in 2018 with a CAGR of around 5% while India's merchandise imports from ASEAN economies increased from USD 30 billion in 2010 to USD 57 billion in 2018 with a CAGR of around 8%. It has observed that the concentration of India's exports to ASEAN economies is very high in the top 20 commodities with a share of around 85% in 2009 and 2018. However, ASEAN economies have been able to marginally expand their trade basket with India. The share of top 20 import items of India from ASEAN economies in India's total

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imports from ASEAN have declined from 92% in 2009 to about 90% in 2018. Going ahead, commodity composition of India should be focused for diversification with the inclusion of more and more commodities in its export baskets to ASEAN economies.

There is immense potential for increasing India's exports to ASEAN economies considering the inherent advantages of the Indian industry in various product categories. With the backdrop of strong complementarities between India and ASEAN economies, the merchandise trade between the two regions stands at USD 97 billion during 2018-19 and is expected to double to USD 200 billion by 2025. Going forward, strong economic linkages and complementarities between India and ASEAN economies will lead to greater economic integration to the mutual benefit of all.

The ASEAN-India Trade in Services and Investment Agreement came into effect in 2015. Over the years, the Services Agreement has opened up opportunities of movement of both manpower and investments from either side between India and ASEAN economies. India's services trade with ASEAN economies has increased from USD 30 billion in 2010 to USD 45 billion in 2016 and is expected to reach USD 100 billion by 2025. In a nutshell, India's bilateral trade with ASEAN economies presently is estimated at more than USD 142 billion of which USD 97 billion is in the merchandise and around USD 45 billion is in services which is expected to reach USD 300 billion by 2025 of which USD 200 billion will be in the merchandise and around USD 100 billion will be in services.

During April 2000 to June 2019, Foreign Direct Investment (FDI) equity inflows into India from ASEAN economies stand at USD 91 billion. Amongst the ASEAN economies investing in India, Singapore ranks the highest with cumulative FDI equity inflows of USD 88337 million from April 2000 to June 2019, followed by Malaysia (USD 986 million), Indonesia (USD 629 million), Thailand (USD 474 million), Philippines (USD 312 million), among others. Singapore constitutes 97% of the total FDI inflows in India while the remaining 3% of the total FDI inflows is accounted by the joint contribution of Malaysia, Indonesia, Thailand, Philippines, Cambodia, Myanmar, Vietnam and Brunei.

In order to enhance economic cooperation between the two regions, companies from India and Association of South-East Asian Nations (ASEAN) may promote in forming joint ventures and set up entities to start manufacturing. ASEAN companies can be given certain aid and incentives to enhance their contribution in India's MSME sector. Through mutual cooperation and greater market access for sectors like agriculture and food processing, IT/ITeS, e-commerce and fintech, infrastructure, healthcare, pharmaceutical, automotive, education and skill development, tourism, among others would strengthen India-ASEAN trade and investment relations in the coming times. Some of the key recommendations for enhancing India-ASEAN services' trade potential include exploring synergies between manufacturing and services trade, facilitation of mobility of professionals and business visits

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between India and ASEAN, encouraging greater regulatory cooperation and exchange of best international practices, among others.

Over the years, India and ASEAN have enjoyed a strong socio-economic relationship which has only strengthened year after year. India's relationship with ASEAN economies is a key pillar of India's foreign policy and the foundation of its "Act East Policy". Thus, India-ASEAN cooperation holds immense potential for the future to transform into a sound economic partnership in the form of a robust trade bloc. The influence of commerce and connectivity remains vital to enhance trade and investment relations between India and ASEAN. Greater flow of goods, services, skilled workers and investments are expected to only enhance economic relations further.

Going forward, there are also immense opportunities for enhancing India-ASEAN cooperation in other important areas such as Make in India, infrastructure development, development of smart cities, innovation and skill set enhancement, cooperation in space, science and technology, among others. Greater economic and trade linkages among the economies of Asia will prove to be a mutually rewarding association for India. The Government is undertaking significant efforts to play a catalytic role in increasing India's integration with the global economy by promoting and facilitating India's international trade and investment particularly with Asian countries, including ASEAN

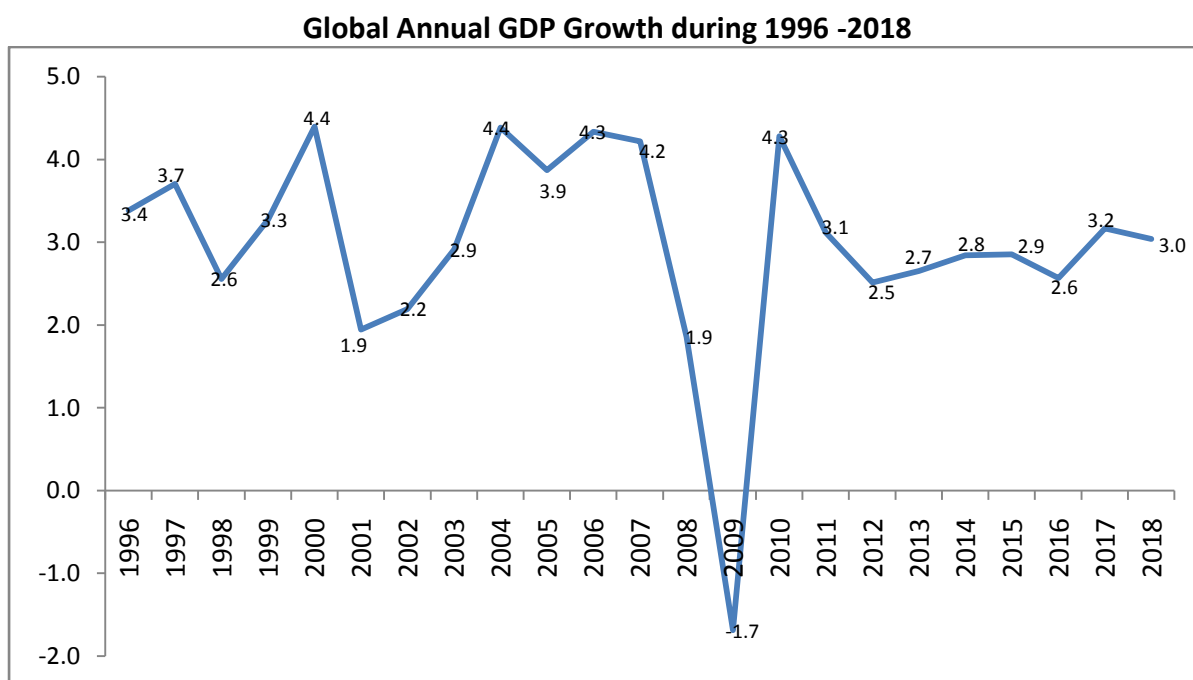
Therefore, the importance of India's current relations with ASEAN and its future potential for mutually beneficial growth will require greater economic, political, and diplomatic engagement with ASEAN in the coming years. There exist huge trade and investment complementarities between India and ASEAN and concerted efforts should be made to realize the full potential of economic and trade growth between them. Some of the recommendations for steering India-ASEAN dynamic trade relations include enhancing ASEAN-India trade in Services and Investment agreements, continuous review of the ASEAN India trade in Goods agreement, harmonizing and simplifying the customs procedures, undertaking capacity building programmes, workshops and seminars, promoting greater private sector engagement, supporting improved access to financial services especially for Micro, Small & Medium Enterprises (MSMEs), among others.

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Chapter 1 Global Trade and Investment Scenario

1.1 Introduction

According to the Asian development Bank, ASEAN's economies remained robust in 2018, despite of uncertainties in the regional and global economies. The global economic growth for 2018 stood at 3% with forecasted growth of 3.9% for 2019 and 3.6% in 2020¹. ASEAN is now collectively ranked as the world 5th largest and Asian 3rd largest economy. The Global GDP at current prices have expanded from USD 31 trillion in 1996 to USD 85 trillion in 2018². The average global GDP growth stands at 3% during 1996 to 2018. Since the global financial crisis of 2008, the economic growth in both developing and advanced economies has slowed down. Asia's growth has also moderated after the crisis, to a large extent driven by the slowdown in the China.



Source: PHD Research Bureau, PHDCCI Compiled from World Bank Database.

The cyclical factors like weak global recovery has curtailed exports of developing economies that are open and highly reliant on external demand, including those closely integrated in global value chains. The flagging global recovery, coupled with the China's growth moderation, commodity price changes can affect inflation and the terms of trade at the

¹ Data pertains to International Monetary Fund

² Data pertains to World Bank Database

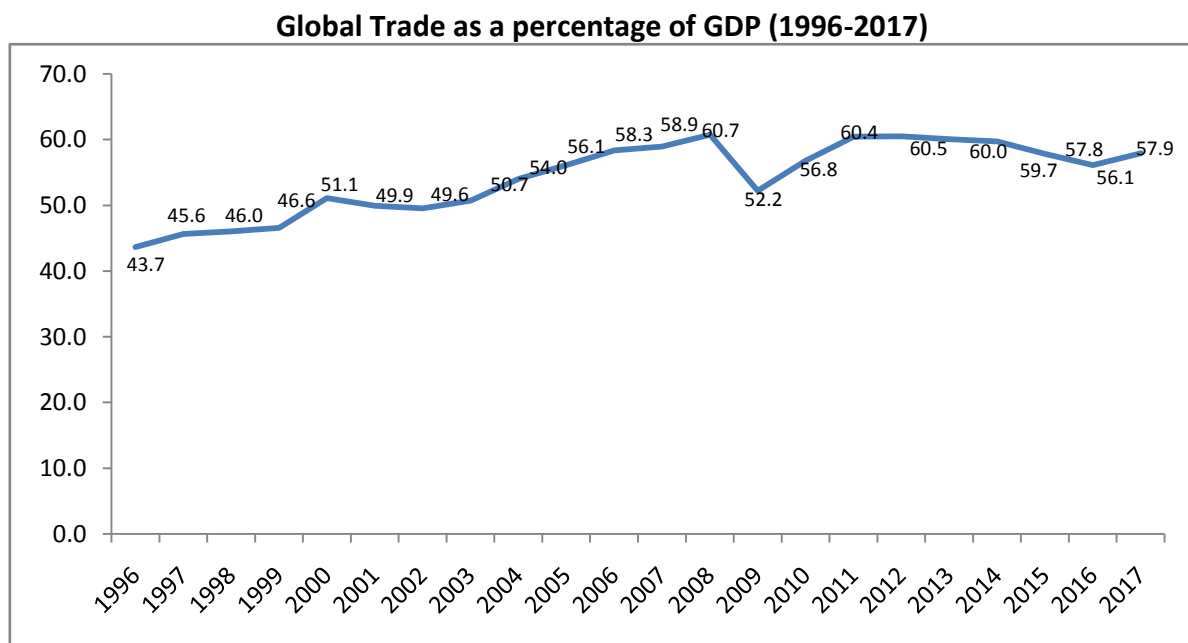


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global level, with possibly large effects on other emerging and developing economies³. Effective demand management, including both monetary and fiscal measures, is important to respond to cyclical slowdowns.

The global trading system is being fuelled by the dramatic reduction in global transport and communication costs however, geopolitics like trade wars are also playing a decisive role in restructuring and reinforcing the global trading patterns.

Global economic performance goes hand in hand with the global trade performance. Trade has the potential to strengthen global growth if the movement of goods and supply of services across borders remains largely unregulated. The share of global trade as a percentage of global GDP grew from 44% in 1996 to 58% in 2018. However, the share has witnessed a fall from a high of 61% during the global crisis in 2008.



Source: PHD Research Bureau, PHDCCI Compiled from World Bank Database

1.2 Global Investments

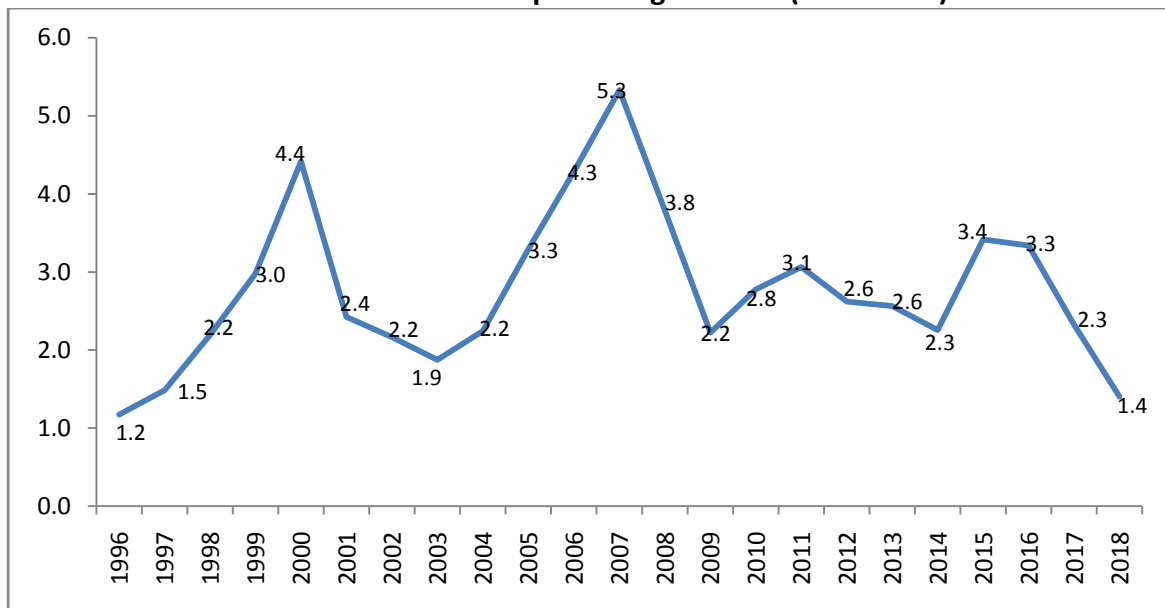
The global share of FDI inflows as a percentage of GDP has increased from 1.2% in 1996 to 1.4% in 2018. Although, this share stood at 3.8% during the global recession in 2008. Going forward, higher economic growth prospects, trade volumes and commodity prices aim towards a potential increase in global FDI in coming times.

³ China's Impact on world Commodity market, IMF



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Global FDI inflows as a percentage of GDP (1996-2018)



Source: PHD Research Bureau, PHDCCI Compiled from World Bank Database

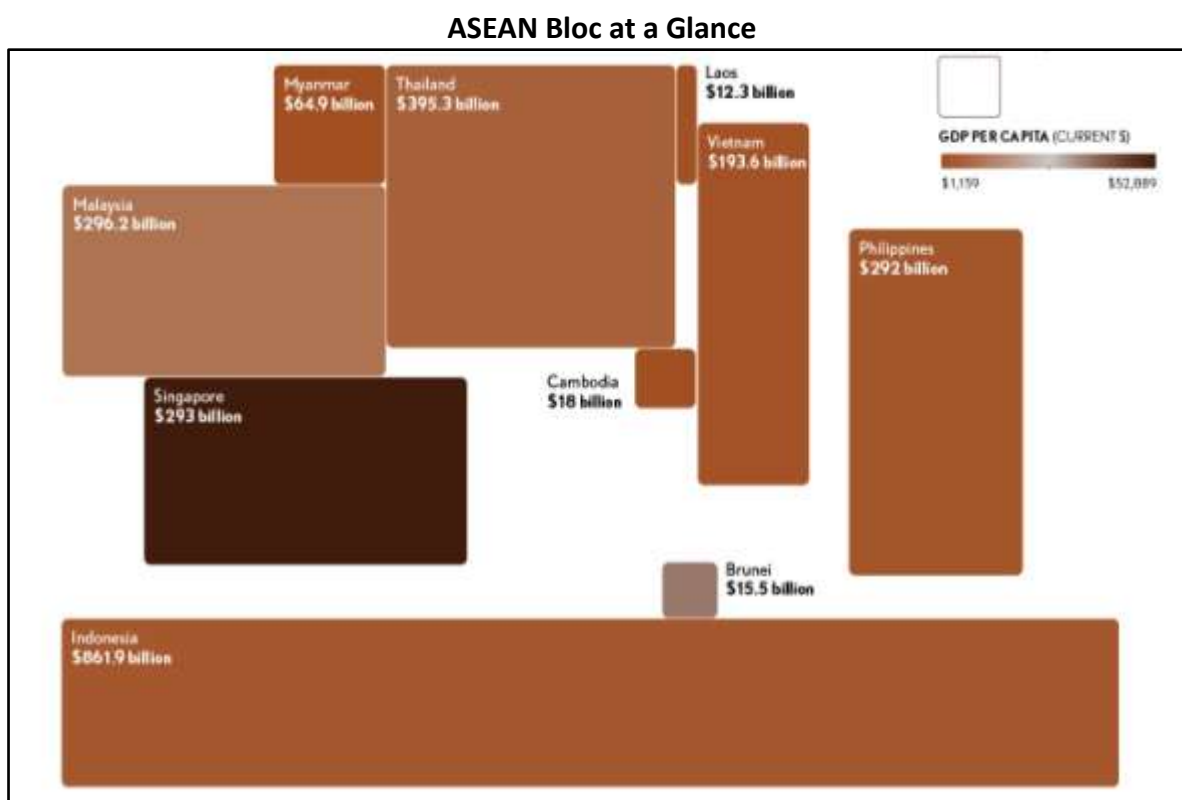


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Chapter 2 Economic Outlook and Structure of ASEAN economies

2.1 Introduction

Association of South East Asian Nations (ASEAN) is one of the growth centers in the world economy. The current trend in the 21st century is an integration of the South East Asian region. The ASEAN was established on 8th August 1967 in Bangkok, Thailand with the signing of the ASEAN Declaration (Bangkok Declaration) by the Founding Fathers of ASEAN, namely Indonesia, Malaysia, Philippines, Singapore and Thailand. Brunei Darussalam, then, joined on 7th January 1984, Vietnam on 28th July 1995, Laos and Myanmar on 23rd July 1997, and Cambodia on 30th April 1999, making up what is today the ten Member States of ASEAN.



Source- PHD Research Bureau, PHDCCI compiled from the Association of Southeast Asian Nations (ASEAN)

ASEAN encompasses of ten nations such as Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam—economies at vastly different stages of development but all sharing immense growth potential. ASEAN is a major global hub of manufacturing and trade, as well as one of the fastest-growing consumer markets in the world.



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Some of the key characteristics of ASEAN region:-

1. **ASEAN's ten member states form an economic powerhouse:** If ASEAN were a single country, it would already be the 5th largest economy in the world, with a combined GDP of USD 2.8 trillion in 2017. It is projected to rank as the 4th largest economy by 2050.

Labor-force expansion and productivity improvements drive GDP growth and ASEAN is making impressive strides in both areas. Home to more than 600 million people, it has a larger population than the European Union or North America. ASEAN has the third-largest labor force in the world, behind China and India; its youthful population is producing a demographic dividend. Almost 60% of total growth since 1990 has come from productivity gains, as sectors such as manufacturing, retail, telecommunications, and transportation grow more efficient.

2. **ASEAN is not a monolithic market:** ASEAN is a diverse group. Indonesia represents almost 40% of the region's economic output and is a member of the G20, while Myanmar is one of the frontier markets working to build its institutions. GDP per capita in Singapore, for instance, is more than 30 times higher than in Laos and more than 50 times higher than in Cambodia and Myanmar; in fact, it even surpasses that of mature economies such as Canada and the United States.

The region is well acknowledged for its diverse culture, language, and religion. Although ASEAN is becoming more integrated, it offers investors several opportunities in terms of local preferences, cultural diversities and wide varying markets.

3. **Macroeconomic stability has provided a platform for growth:** The ASEAN region proved to be remarkably resilient in the aftermath of the 2008 global financial crisis, and presently is in a much stronger fiscal position; government debt is under 50% of GDP, viz. far lower than the 90% share in the United Kingdom or 105% in the United States.
4. **ASEAN is a growing hub of consumer demand:** ASEAN has dramatically outpaced the rest of the world on growth in GDP per capita since the late 1970s. Income growth has remained strong since 2000, with average annual real gains of more than 5%. Some member nations have grown at a rapid pace, for instance Vietnam took just 11 years (from 1995 to 2006) to double its per capita GDP from USD 1,300 to USD 2,600. Extreme poverty is rapidly reducing in the region. In 2000, 14% of the region's population was below the international poverty line of USD 1.25 a day

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(calculated in purchasing-power-parity terms), but by 2013, that share had fallen to just 3%.

Around 67 million households in ASEAN states are part of the consuming class with incomes exceeding the level at which they can begin to make significant discretionary purchases. It is expected that the number could almost double to 125 million households by 2025, making ASEAN a pivotal consumer market of the future. There is emerging broad trends have witnessed in ASEANs with a greater focus on leisure activities, a growing preference for modern retail formats, and increasing brand awareness.

5. **ASEAN is well positioned in global trade flows:** ASEAN is the 4th largest exporting region in the world, trailing only the European Union, North America, and China. It accounts for 7% of global exports and as its member states have developed more sophisticated manufacturing capabilities, their exports have diversified.

Vietnam specializes in textiles and apparel, while Singapore and Malaysia are leading exporters of electronics. Thailand has joined the ranks of leading vehicle and automotive-parts exporters. Other ASEAN members have built export industries around natural resources. Indonesia is the world's largest producer and exporter of palm oil, the largest exporter of coal, and the 2nd largest producer of cocoa and tin. While Myanmar is one of the promising economies and holds large reserves of oil, gas, and precious minerals. In addition to exporting manufactured and agricultural products, the Philippines have established a thriving business-process-outsourcing industry. China has become one of the important export market for Malaysia and Singapore. But demand from the United States, Europe, and Japan continues to propel growth.

ASEAN Free Trade Area

The implementation of the ASEAN Free Trade Area (AFTA) provides a stepping-stone to broader liberalization, and, in turn, to promote globalization in the ASEAN region. The evidence lies in the deliberate decision by original members to offer preferential tariff rates to non-members on a most favored nation (MFN) basis. More than 90% of ASEAN countries' tariff lines have a preference margin of zero, where preferential tariffs are no lower than the MFN rate. Over 70% of intra-ASEAN trade is also conducted at MFN rates at zero.

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2.2 Macroeconomic Performance

The growth in ASEAN and India is expected to further strengthen on account of promising economic reforms, strong trade rebound and resilient domestic consumption scenario. Southeast Asia is poised to maintain its growth momentum, averaging 5.2% per year from 2018 to 2022 on robust domestic private spending and the implementation of planned infrastructure initiatives⁴. ASEAN accounts for consistently positive GDP Growth during 2000-2017. Following the economic recovery from the Asian financial crisis in 1998-1999 with growth rate at 6.0% in 2000, and then continued to grow steadily with the annual average rate at 5.3% until 2017. The bloc is currently of almost US\$2.8 trillion GDP in 2017 and ranked as the world 5th largest and Asian 3rd largest economy. The per capita GDP at current prices of ASEAN stood at USD US\$ 4,308 in 2017.

GDP per capita in Singapore and Brunei Darussalam were considerably higher reaching US\$57,772 and US\$28,986 respectively, in 2017. The 2017 GDP per capita of other ASEAN Member States (AMS) stood at US\$9,899 for Malaysia, US\$6,736 for Thailand, US\$3,872 for Indonesia, US\$2,992 for Philippines, US\$2,390 for Viet Nam, US\$2,531 for Lao PDR, US\$1,421 for Cambodia, and US\$1,229 for Myanmar. While GDP per capita increased significantly during 2000-2017 and recorded in Lao PDR (with an increase of 662.0%), Myanmar (502.3%), Viet Nam (492.3%) and Cambodia (394.0%).

Macroeconomic Performance Table

Countries	GDP at Current Prices in 2017 (USD Million)	GDP Per Capita at Current Prices in 2017 (USD)	GDP Share in 2017 (%)			Inflation rate (Y-o-Y) Average in 2017 (%)	Government Budget Deficit as a percentage of GDP in 2017 (%)
			Agriculture	Industry	Services		
Brunei	12,212	28,986	0.8	63.2	37.9	-0.2	NA
Cambodia	22,340	1,421	20.6	33.1	39.3	2.2	NA
Indonesia	1,013,926	3,872	12.7	40.1	47.2	3.6	-2.51
Lao PDR	17,090	2,531	15.3	35.1	39.4	0.8	-5.55
Malaysia	317,252	9,899	8.2	38.4	52.0	3.7	0.18
Myanmar	65,607	1,229	25.9	31.5	42.5	4.5	NA
Philippines	313,875	2,992	8.5	34.0	57.5	3.2	-2.22

⁴ Economic Outlook for Southeast Asia, China and India 2018, OECD



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Singapore	323,954	57,722	0.1	59.1	20.4	0.6	2.15
Thailand	455,704	6,736	6.3	36.0	58.1	0.7	NA
Vietnam	223,837	2,390	14.8	35.0	38.8	3.5	NA
ASEAN	2,765,798	4,308	-	-	-	-	-

Source: PHD Research Bureau, PHDCCI Compiled from ASEAN Statistical Yearbook 2018

2.3 Education and Health

Education and Health sectors are two of the sectors identified as having a pivotal role in community development of ASEAN region. The socio – economic parameters in ASEAN indicates promising numbers in terms of strong literacy and life expectancy rate, and balanced crude birth and death rate. The adult literacy rate recorded strong figures for Singapore (97.2%), Brunei (96.6%), Philippines (96.5%), and Indonesia (95.5%) in ASEAN region. The crude birth rate for Laos, Cambodia and Philippines registered numbers greater than 20 whereas the death rate remained in the range of 6 per thousand people, respectively.

Education and Health

Countries	Adult Literacy Rate (%) 2017	Crude Birth Ratio (per 1000) 2016	Crude Death Ratio(per 1000) 2016	Life Expectancy Rate (%) 2017
Brunei	96.6*	15.2	3.9	80.7
Cambodia	84.4*	23.3	6.1	69.9
Indonesia	95.5	19.0	7.1	71.1
Lao PDR	84.7^	23.9	6.7	67.0
Malaysia	94.9	17.1	4.9	75.5
Myanmar	89.7*	17.8	8.1	66.7
Philippines	96.5#	23.2	6.5	69.2
Singapore	97.2	9.4	4.8	83.1
Thailand	92.9^	10.3	7.9	75.5
Vietnam	95.1	16.7	5.8	76.5

Source: PHD Research Bureau; PHDCCI Compiled from ASEAN Statistical Yearbook 2018; *Data pertains to 2016 ^2015; #2013

2.4 Employment

The employment trend in ASEAN economies is witnessing a structural shift. In most ASEAN economies, manufacturing as a share of total employment is falling, while services share is rising. This could reduce the share of wage workers more and service sector tends to have more self employed people. This also has implications for overall productivity growth, since



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productivity in manufacturing is highest in the ASEAN region, especially in electronics, textiles, and machineries among others.

Although Asia has been growing in a stable scenario, global uncertainty looms large on its employment scenario as most countries in ASEAN are largely export dependent. Unemployment rates are low in most ASEAN countries especially those with large rural economies.

Thailand and Cambodia registered the lowest unemployment rates in ASEAN region in 2017, viz. at 1.2% and 0.2% respectively. On the other hand, Brunei, Philippines, and Indonesia registered the highest rates of unemployment of 6.9%, 6.6%, and 5.3%, respectively. Based on head counts, Indonesia employed the 7 million people during 2017; followed by Laos at 3.9 million and Philippines at 2.7 million during the same period.

Employment Scenario in ASEAN region

Countries	Unemployment rate (Age 15 years and above) (in percent) 2017	Number of Unemployed (in thousands) 2017
Brunei	6.9*	14*
Cambodia	0.2	16
Indonesia	5.3	7,005
Lao PDR	1.9^	3,887*
Malaysia	3.4	503
Myanmar	2.1	168*
Philippines	6.6	2,761
Singapore	3.1	71
Thailand	1.2	451
Vietnam	2.0	1,120

Source: PHD Research Bureau; PHDCCI Compiled from ASEAN Statistical Yearbook 2018; * Data pertains to 2014 ^2010

2.5 Population

In 2017, the total population of all ASEAN states amounted to an estimated 642 million inhabitants. The most populous nations in ASEAN are Indonesia (261 million); followed by Philippines (104 million) and Vietnam (93 million).

In ASEAN, on an average population grew around 7.5 million persons annually between 1980 and 2017. The share of youth population has dropped from 40.7% in 2000 to 34.5% in 2017, the share of productive working-age population has increased from 48.1% to 50.4% during the same period. The share of population aged over 55 years also increased from 11.1% in 2000 to 15.2% in 2017.



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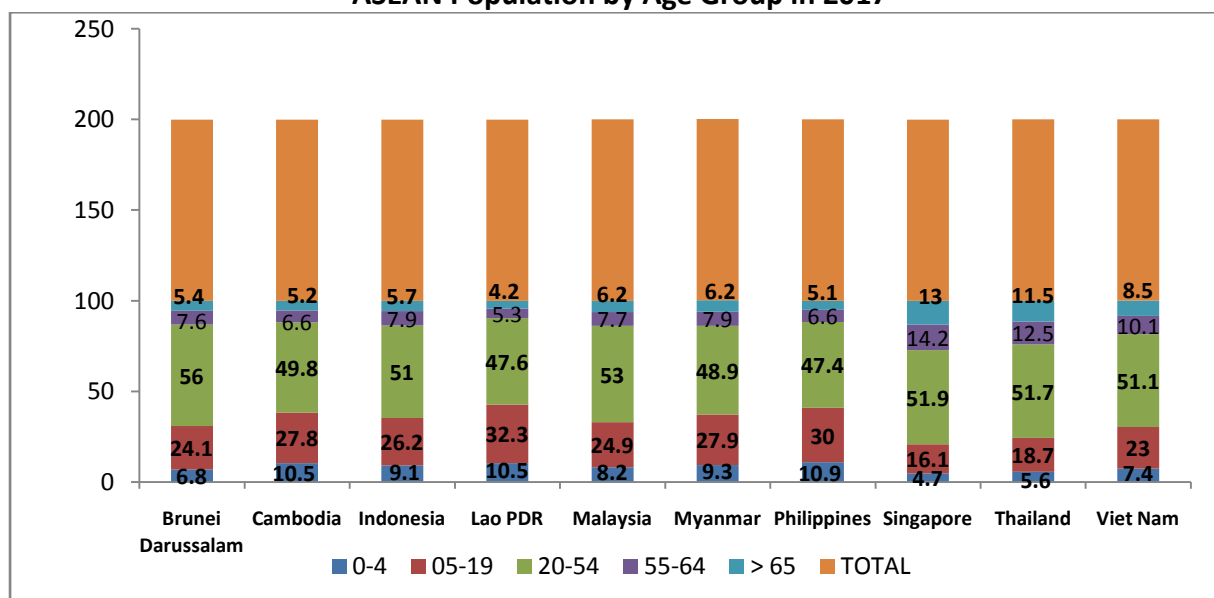
ASEAN Population at a Glance (2017)

Country	Population (in thousands)	Population growth (%)	Urban Population (%)
Brunei	421	1.0	77
Cambodia	15,718	1.7	23
Indonesia	261,891	1.2	55
Lao PDR	6,753	2.0	34
Malaysia	32,050	1.3	75
Myanmar	53,388	0.9	30
Philippines	104,921	1.6	47
Singapore	5,612	0.1	100
Thailand	67,653	0.3	49
Vietnam	93,672	1.1	35
ASEAN	642,079	1.2	48.5

Source: PHD Research Bureau; PHDCCI Compiled from ASEAN Statistical Yearbook 2018

Population increase in ASEAN was mainly due to natural increases and membership expansions, the latter notably during 1984-1999. Observed changes in population age structures indicate that ASEAN is experiencing demographic transition as reflected in declining fertility and mortality levels during the last few decades. This demographic transition leads to increase in the shares of youth and working-age population, albeit at different stages of transitions among ASEAN Member States (AMS).

ASEAN Population by Age Group in 2017



Source: PHD Research Bureau, PHDCCI compiled from ASEAN Statistical Yearbook 2018

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Majority of the ASEAN population lies between 20-54 year age group, indicating a strengthened demographic dividend whereas ASEAN population is generally characterized by high proportion of youth and productive working-age population. The highest share of population between age group 20-54 years is of Brunei Darussalam accounting 56% of the total population. The share of population aged over 55 years also increased from 11.1% in 2000 to 15.2% in 2017. Changes in population age structure indicate the ongoing process of demographic transition, which is associated with declining fertility and mortality levels during last few decades, However the stages of demographic transitions vary from 2000 to 2017, reflecting different levels of development.

2.6 Foreign Direct Investments

FDI flows in ASEAN remained at a high level in 2017 at USD 135.62 billion. Inward flows of FDI to the region from both intra-ASEAN and extra ASEAN have increased between 2000 and 2017, except for a drop of almost 50% in 2008-2009 due to the global financial crisis. The region recorded the highest amount of FDI inflows in 2017, at USD 27.0 billion from intra-ASEAN and USD 108.6 billion from extra-ASEAN.

Foreign Direct Investment flow in ASEAN during 2017

Countries	Net FDI Inward Flows (USD Million)	Net Intra-ASEAN FDI Inward Flows (USD Million)
Brunei	460.1	535
Cambodia	2,732	604
Indonesia	23,064	11,873
Lao PDR	1,695	171.2
Malaysia	9,447	2,166
Myanmar	4,002	2,591
Philippines	10,057	722
Singapore	62,017	3,958
Thailand	8,046	1,824
Vietnam	14,100	2,531
ASEAN	135,621	26,975

Source: PHD Research Bureau; PHDCCI Compiled from ASEAN Statistical Yearbook 2018

ASEAN's trade and investments have fluctuated since 2010 due to general cyclical downturn in trade and overall moderation in the global economy. Trade picked up in 2017 as advanced economies started to recover and instabilities in the markets subsided with expectations of gradual policy normalisation⁵.

⁵ ASEAN Integration Report 2018



India's Trade and Investment Opportunities with ASEAN economies

The total share of ASEAN top ten FDI countries in 2017 is 74.2% where Japan ranked at the highest of accounting share of 9.9%, china at 8.4%, Hong Kong at 5.5% respectively. FDI Picked up by other remaining countries holds 25.8% share. Thus, the region accounts the highest amount of FDI inflows in the year 2017 of USD 135.62 billion. ASEAN region has become one of the attractive investment locations in the developing world.

ASEAN Top Ten FDI Country Source in 2017 (USD Million)

Country	Value in 2017	Share
ASEAN	26,975	19.9
European Union	24,858	18.3
Japan	13,415	9.9
China	11,371	8.4
Hong Kong	7,704	5.7
Korea, Republic of	5,059	3.7
United States	4,322	3.2
Switzerland	2,592	1.9
Taiwan. Province of China	2,263	1.7
Australia	2,099	1.5
Top 10 Countries	100,659	74.2
Others	34,962	25.8
Total	135,621	100

Source: PHD Research Bureau; PHDCCI Compiled from ASEAN Statistical Yearbook 2018

2.7 Infrastructure

ASEAN covers a land area of 4.4 million sq. kms. ASEAN territorial waters cover an area about three times larger than its land counterpart, making it particularly important in terms of sea lanes and fisheries. The role of infrastructure is critical to promoting sustainable growth and improving connectivity among the ASEAN economies.

Increased connectivity and quality of infrastructure will facilitate business and trade growth. Countries with strengthened and robust infrastructure tend to have better quality infrastructure and are more competitive.

Among ASEAN nations, Indonesia, Vietnam, Malaysia, Thailand and Myanmar have one of the strengthened road infrastructure in terms of length of kms. Compared to other ASEAN Nations, Indonesia holds a robust infrastructure ecosystem wherein number of domestic and international airports and ports are expanding year after year. Among the other countries Myanmar has the strengthened railway route length; Indonesia with the highest domestic port; Philippines with the highest international port and Indonesia with the highest number of International airports as per the year 2017.



India's Trade and Investment Opportunities with ASEAN economies

Comparison of Infrastructure (2017)

Countries	Road Infrastructure - Total Length (Km)	Railway Route Length (Km)	No. of Domestic ports (Maritime)	No. of International Ports (Maritime)	No. of Domestic airports (Civil Aviation)	No. of International airports (Civil Aviation)
Brunei	3,053	NA	NA	1	NA	1
Cambodia	61,508	650	5	3	5	3
Indonesia	539,415	5,551	639	85	265	29
Lao PDR	59,870	3.5	NA	NA	9	4
Malaysia	237,022	1,833	13	15	19	6
Myanmar	164,377	6,112	22	9	31	3
Philippines	32,868	529	428	189	75	11
Singapore	3,500	200	NA	2	NA	2
Thailand	284,729	4,034	246	8	31	6
Vietnam	370,664	3,160	NA	163	13	8

Source: PHD Research Bureau, PHDCCI Compiled from ASEAN Statistical Yearbook 2018

2.8 Tourism prospects

The ASEAN Tourism Strategic Plan (ATSP) targets tourism to make up 15% of ASEAN GDP by 2025. Total number of foreign tourist arrivals to ASEAN has markedly increased during from 2000 to 2016 reaching to a total of 10.89 crore (approx). The number of foreign tourist arrival within the ASEAN nations totaled to above 4.65 crores, while the tourist arrivals in the ASEAN nation from other countries, not falling in the ASEAN region, was total of 6.9 crores (approx) in the year 2016.

ASEAN: Tourism prospects

Countries	Foreign Tourist Arrival (in Thousands) 2016	Intra-ASEAN Foreign Tourist Arrival (in Thousands) 2016	Extra-ASEAN Foreign Tourist Arrival (in Thousands) 2016
Brunei	219	118	101
Cambodia	5,012	2,121	2,890
Indonesia	11,519	3,818	7,702
Lao PDR	4,239	3,083	1,156
Malaysia	26,757	20,271	6,486
Myanmar	2,907	403	2,504
Philippines	5,967	462	5,505
Singapore	16,404	5,936	10,467
Thailand	32,530	8,897	23,632
Vietnam	10,013	1,461	8,552
ASEAN	108904	46,570	68,996

Source: PHD Research Bureau, PHDCCI Compiled from ASEAN Statistical Yearbook 2018; Note: Intra means within ASEAN and Extra means Extra-ASEAN Visitor Arrivals by Country of Destination.



India's Trade and Investment Opportunities with ASEAN economies

Chapter 3 India's Engagement with ASEAN economies

3.1 Introduction

India and ASEAN are together a home to 1.9 billion people, having a combined economy of USD 5.7 trillion and a substantial share of world resources. With shared land and maritime boundaries, ASEAN-India relations are firmly embedded in culture, commerce and connectivity.

Hon'ble Former Prime Minister of India, Shri Narasimha Rao's visit to Southeast Asian countries marked the start of India's Look East policy in the early 1990's. In 1992, India became a dialogue partner across limited sectors in ASEAN, which was graduated to the status of full dialogue partnership in 1995. In 1996, India became a full member of the ASEAN Regional Forum (ARF). Since then, India-ASEAN relations have continued to significantly grow and mature. Factors relating to economics, security, and connectivity have always been at the forefront of India-ASEAN relations.

To take plurilateral economic relations to the next level, India signed an FTA in goods with ASEAN in 2009. Later on, an FTA in services and investments was signed in 2014. Apart from this, India intensified its relations by signing the Comprehensive Economic Cooperation Agreement (CECA) with various countries of ASEAN.

3.2 ASEAN – India Free Trade Agreement (AIFTA)

The ASEAN–India Free Trade Agreement (AIFTA) is a free trade area among the ten member states⁶ of the Association of Southeast Asian Nations (ASEAN) and India. The initial framework agreement was signed on 8th October 2003 in Bali, Indonesia and the final agreement was on 13 August 2009. The free trade area came into effect on 1st January 2010. AIFTA emerged from a mutual interest of both parties to expand their economic ties in the Asia-Pacific region. India's Look East policy was reciprocated by similar interests of many ASEAN countries to expand their interactions westward.

ASEAN member countries have made significant progress in the lowering of intra-regional tariffs through the Common Effective Preferential Tariff (CEPT) Scheme for AFTA. More than 99% of the products in the CEPT Inclusion List (IL) of ASEAN – 6, comprising of Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore and Thailand, have been brought down to 0-5% tariff range.

⁶ASEAN group includes Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam

India's Trade and Investment Opportunities with ASEAN economies

For entire ASEAN region, both India and ASEAN have agreed to progressively eliminate tariffs on 80% of the tariff lines, accounting for 75% of the trade.⁷ India has excluded 489 tariff lines (HS-06 Digit level) from the list of tariff concessions and 590 tariff lines from the list of tariff elimination to address sensitivities in agriculture, textiles, auto, chemicals, petrochemicals, crude and refined palm oil, coffee, tea, pepper, etc.

Benefits to Indian exporters under AIFTA:

- Preferential tariff access for Indian products throughout 10 member countries.
- The elimination of tariffs of importing countries would result reduction in price of products throughout ASEAN.
- Encouraging higher market completion
- Help Indian products gain access to a regional market that incorporates many substantial advantages.
- ASEAN consumers benefit from cheaper prices of goods given lower tariffs of raw materials used by region's producers.
- Some of the ASEAN's processing factories enjoy cheaper imported raw materials from India in the face of tariff elimination, cutting their production costs.
- ASEAN countries integrated into a single market which is an important point because the market is stronger and larger with a high population.
- The export and investment sectors generate higher potential in the long term.
- India's export complementarities are higher with the ASEAN countries compared to other regions.

ASEAN – India Agreement on Trade in Services and Investment Agreement

The ASEAN-India Trade in Services and Investment Agreement came into effect in 2015. Select articles contained in the Services Agreement include transparency, domestic regulations, recognition, market access, and national treatment, increasing participation of developing countries, joint committee on services, review, dispute settlement and denial of benefits. The Investment Agreement primarily focuses on protection of investment to ensure fair and equitable treatment for investors, non-discriminatory treatment in expropriation or nationalization, and fair compensation.

Benefits of FTA in services and investment

- Facilitates the movement of manpower and investment between India and ASEAN.
- Assists to reduce our trade deficit with ASEAN.
- It has the potential to boost Indian – ASEAN trade to more than USD 100 billion.

⁷ Ministry of Commerce and Industry, Government of India

India's Trade and Investment Opportunities with ASEAN economies

- Provides joint review, dispute settlement and other mechanisms to iron out problems.
- Contains information on movement of natural persons – business visitors, managers, executives, specialists and contractual service suppliers. This facilitates movement of Indian service professional in ASEAN countries.
- It acts as a fundamental stone in moving towards the Regional Comprehensive Economic Partnership (RCEP) agreement.

ASEAN's tariff reduction Framework for India

Category	India, Singapore, Brunei, Indonesia, Malaysia and Thailand	India and Philippines	India, Cambodia, Laos, Myanmar and Vietnam
Normal Track 1	0% by 2013	0% by 2018	India: 0% by 2013 CLMV: 0% by 2018
Normal Track 2	0% by 2016	0% by 2019	India: 0% by 2016 CLMV: 0% by 2021
Sensitive Track	No more than 5% by 2016	No more than 5% by 2019	India: No more than 5% by 2016
Highly Sensitive Track	Reduced to 25% or 50% by 31 st December 2019 for Indonesia, Malaysia and Thailand	Reduced to 25% or 50% by 31 December 2022 for the Philippines	Reduced to 25% or 50% by 31 December 2024 for Cambodia and Vietnam
Special Products	Reduced to 37.5% for crude palm oil, 50% for pepper, and 45% for the rest by 31 st December 2019	Reduced to 37.5% for crude palm oil, 50% for pepper and 45% for the rest by 31 st December 2019	Reduced to 37.5% for crude palm oil, 50% for pepper and 45% for the rest by 31 st December 2019
Exclusion List	Products subject to annual tariff review with a view to improve market access.	Products subject to annual tariff review with a view to improve market access.	Products subject to annual tariff review with a view to improve market access.

Source: PHD Research Bureau, PHDCCI Compiled from Ministry of Commerce and Industry, Government of India



India's Trade and Investment Opportunities with ASEAN economies

Rules of origin: A good shall qualify as an originating good of a party if:

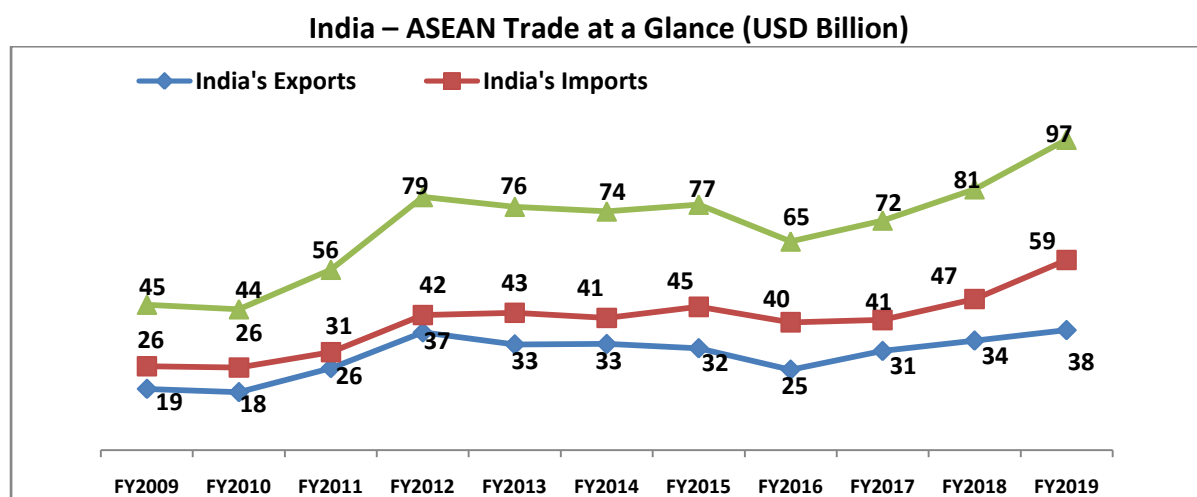
- It is wholly obtained or produced entirely in the exporting party as set out and defined in Rule 3; or
- The good has regional value content (RVC), of not less than 35% of free on board (FOB) value, and the non-originating materials have undergone at least a change in HS classification on the 6-digit level, provided that the final process of the manufacture is performed within the territory of the exporting party.

Other major agreements between ASEAN and India include:

- Plan of Action to Implement the ASEAN-INDIA Partnership for Peace, Progress and Shared Prosperity (2016- 2020)
- Instrument of Accession to the Treaty of Amity and Cooperation in Southeast Asia by India
- ASEAN - India Joint Declaration for Cooperation to Combat International Terrorism, Bali, Indonesia, October 2003

3.3 Growth of Trade

Over the years, merchandise trade with ASEAN economies has increased significantly from around USD 45 billion in FY2009 to around USD 97 billion in FY2019. India's merchandise exports to ASEAN economies have increased from around USD 19 billion in FY2009 to around USD 38 billion in FY2019 while India's merchandise imports from ASEAN economies have increased from around USD 26 billion to around USD 59 billion during the same period.



Source: PHD Research Bureau, PHDCCL; Compiled from Ministry of Commerce and Industry, Government of India

India's Trade and Investment Opportunities with ASEAN economies

3.3.1 Pre – AFTA Growth of Trade

India's merchandise trade relations with ASEAN have witnessed a shift during the pre and post AFTA. The Compound Annual Growth Rate (CAGR) of India's merchandise exports and imports to ASEAN economies during pre-AFTA stood at 22% during 2001-09. India's trade deficit with ASEAN also grew by 22% during the same period from USD 1 billion to USD 6 billion, respectively.

India – ASEAN trade in the pre-AFTA (USD Billion)

Year	India's exports to ASEAN	India's imports from ASEAN	India's Trade Deficit
2001	3	4	-1
2002	5	5	0
2003	5	7	-2
2004	8	9	-1
2005	10	11	-1
2006	12	16	-4
2007	14	21	-7
2008	19	27	-8
2009	18	24	-6
CAGR (%)	22%	22%	22%

Source: PHD Research Bureau, PHDCCI; Compiled from Trade Map Database (All data from Trademap pertains to Calendar Year)

Pre – AFTA Growth of Trade vis-à-vis World

India's merchandise exports to world increased from USD 44 billion in 2001 to USD 177 billion in 2009 with a CAGR of around 17%. India's exports to ASEAN economies have increased from USD 3 billion in 2001 to USD 18 billion in 2009. During 2001 and 2009, India's exports to ASEAN have registered a CAGR of around 22%.

India's exports to ASEAN economies vis-à-vis World (in USD Billion)

Year	India's exports to ASEAN	Growth (%)	India's exports to world	Growth (%)
2001	3	NA	44	NA
2002	5	36	50	14
2003	5	13	59	18
2004	8	49	76	28
2005	10	36	100	32
2006	12	20	121	21
2007	14	12	146	20



India's Trade and Investment Opportunities with ASEAN economies

2008	19	41	182	25
2009	18	-8	177	-3
CAGR (2001-2009)	22%		17%	

Source: PHD Research Bureau, PHDCCI; compiled from Trademap database

India's merchandise imports from world increased from USD 51 billion in 2001 to USD 266 billion in 2009 with a CAGR of around 20% while India's imports from ASEAN economies have increased from USD 4 billion in 2001 to USD 24 billion in 2009. During 2001 and 2009, India's imports from ASEAN have exhibited a CAGR of around 22%.

India's imports from ASEAN economies vis-à-vis World (in USD Billion)

Year	India's imports from ASEAN	Growth (%)	India's imports from world	Growth (%)
2001	4	NA	51	NA
2002	5	11	57	13
2003	7	39	72	26
2004	9	28	99	37
2005	11	24	141	42
2006	16	53	178	27
2007	21	29	219	23
2008	27	27	316	44
2009	24	-10	266	-16
CAGR (2001-2009)	22%		20%	

Source: PHD Research Bureau, PHDCCI; compiled from Trademap database

Between 2001 and 2009, India's total merchandise trade with world has increased significantly from USD 95 billion in 2001 to USD 443 billion in 2009 with a CAGR of around 19%. India's total trade with ASEAN economies has increased from USD 8 billion in 2001 to USD 42 billion in 2009. India's total trade with ASEAN has exhibited a CAGR of around 20% during 2001 to 2009.

India's total trade with ASEAN economies vis-à-vis World (in USD Billion)

Year	India's total trade with ASEAN	Growth (%)	India's total trade with world	Growth (%)
2001	8	NA	95	NA
2002	9	22	108	14
2003	12	26	132	23



India's Trade and Investment Opportunities with ASEAN economies

2004	16	37	175	33
2005	21	30	241	38
2006	29	37	299	24
2007	35	22	365	22
2008	46	32	498	36
2009	42	-9	443	-11
CAGR (2001-2009)	20%		19%	

Source: PHD Research Bureau, PHDCCL; compiled from Trademap database

3.3.2 Post – AIFTA Growth of Trade

During the post-AIFTA regime, India's merchandize exports increased from USD 23 billion in 2010 to USD 36 billion in 2018 with a CAGR of 5%. India's imports increased from USD 30 billion in 2010 to USD 57 billion in 2018 with a CAGR of 8%.

India – ASEAN trade in the post-AIFTA (USD Billion)

Year	India's exports to ASEAN	India's imports from ASEAN	India's Trade Deficit
2010	23	30	-7
2011	35	40	-5
2012	32	43	-11
2013	38	43	-5
2014	31	44	-13
2015	26	42	-16
2016	26	38	-12
2017	35	45	-10
2018	36	57	-21
CAGR (%)	5%	8%	13%

Source: PHD Research Bureau, PHDCCL; Compiled from Trade Map Database

Post – AIFTA Growth of Trade vis-à-vis World

Over the years, India's merchandize exports to world have increased from USD 220 billion in 2010 to USD 323 billion in 2018 with a CAGR of around 4%. India's exports to ASEAN economies have shown significant changes during the past few years. India's exports to ASEAN economies increased from USD 23 billion in 2010 to USD 36 billion in 2018. During 2010 and 2018, India's exports to ASEAN have exhibited a CAGR of around 5%.



India's Trade and Investment Opportunities with ASEAN economies

India's exports to ASEAN economies vis-à-vis World (in USD Billion)

Year	India's exports to ASEAN	Growth (%)	India's exports to world	Growth (%)
2010	23	28	220	25
2011	34	50	301	37
2012	32	-6	290	-4
2013	38	17	337	16
2014	31	-17	318	-6
2015	26	-16	264	-17
2016	26	0	260	-2
2017	35	34	296	14
2018	36	2	323	9
CAGR (2010-2018)	5%		4%	

Source: PHD Research Bureau, PHDCCL; compiled from Trademap database

Over the years, India's merchandise imports from world have increased from USD 350 billion in 2010 to USD 508 billion in 2018 with a CAGR of around 4%. India's imports from ASEAN economies have also shown significant changes during the past few years. India's imports from ASEAN economies increased from USD 30 billion in 2010 to USD 57 billion in 2018. During 2010 and 2018, India's imports from ASEAN have exhibited a CAGR of around 8%.

India's imports from ASEAN economies vis-à-vis World (in USD Billion)

Year	India's imports from ASEAN	Growth (%)	India's imports from world	Growth (%)
2010	30	24	350	32
2011	40	36	462	32
2012	43	6	489	6
2013	42	-1	466	-5
2014	44	5	459	-1
2015	42	-7	391	-15
2016	38	-8	357	-9
2017	45	19	444	24
2018	57	26	508	14
CAGR (2010-2018)	8%		4%	

Source: PHD Research Bureau, PHDCCL; compiled from Trademap database



India's Trade and Investment Opportunities with ASEAN economies

Between 2010 and 2018, India's total merchandize trade with world has increased significantly from USD 570 billion in 2010 to USD 831 billion in 2018 with a CAGR of around 4%. India's total trade with ASEAN economies has increased from USD 53 billion in 2010 to USD 93 billion in 2018. India's total trade with ASEAN has exhibited a CAGR of around 7%.

India's total trade with ASEAN economies vis-à-vis World (in USD Billion)

Year	India's total trade with ASEAN	Growth (%)	India's total trade with world	Growth (%)
2010	53	25	570	29
2011	75	42	764	34
2012	75	0	779	2
2013	80	7	803	3
2014	76	-6	777	-3
2015	68	-10	655	-16
2016	65	-5	617	-6
2017	81	25	740	20
2018	93	16	831	12
CAGR (2010-2018)	7%		4%	

Source: PHD Research Bureau, PHDCCI; compiled from Trademap database

Post-AIFTA Growth of Trade for select period (2018)

India's merchandize exports to ASEAN economies stands at USD 36 billion in 2018. Singapore stands at first rank with a share of 29% in India's total exports to ASEAN followed by Vietnam (19%), Malaysia (18%), Indonesia (13%), Thailand (12%), Philippines (5%), among others.

India's exports to ASEAN economies in 2018: Country-wise (in USD billion)

Rank	Country	India's Exports to ASEAN	Share in India's total exports to ASEAN (%)
1	Singapore	10	29
2	Viet Nam	7	19
3	Malaysia	7	18
4	Indonesia	5	13
5	Thailand	4	12
6	Philippines	2	5
7	Myanmar	1	3



India's Trade and Investment Opportunities with ASEAN economies

8	Cambodia	0.2	0.5
9	Brunei Darussalam	0.1	0.2
10	Lao People's Democratic Republic	0.04	0.1
	India's total exports to ASEAN	36	100

Source: PHD Research Bureau, PHDCCL; compiled from Trademap database

India's merchandise imports from ASEAN economies stands at USD 57 billion in 2018. Indonesia stands at first rank with a share of 28% in India's total imports from ASEAN followed by Singapore (25%), Malaysia (18%), Thailand (13%), Vietnam (13%), Philippines (1%), among others.

India's imports from ASEAN economies in 2018: Country-wise (in USD billion)

Rank	Country	India's imports from ASEAN	Share in India's total imports from ASEAN(%)
1	Indonesia	16	28
2	Singapore	14	25
3	Malaysia	10	18
4	Thailand	8	13
5	Viet Nam	7	13
6	Philippines	0.6	1
7	Myanmar	0.4	1
8	Brunei Darussalam	0.4	1
9	Cambodia	0.05	0
10	Lao People's Democratic Republic	0.02	0
	India's total imports from ASEAN	57	100

Source: PHD Research Bureau, PHDCCL; compiled from Trademap database

India's total merchandise trade with ASEAN economies stands at USD 93 billion in 2018. Singapore stands at first rank with a share of 27% in India's total trade with ASEAN followed by Indonesia (22%), Malaysia (18%), Vietnam (15%), Thailand (13%), Philippines (3%), among others.



India's Trade and Investment Opportunities with ASEAN economies

India's total trade with ASEAN economies in 2018: Country-wise (in USD billion)

Rank	Country	India's total trade with ASEAN	Share in India's total trade with ASEAN (%)
1	Singapore	25	27
2	Indonesia	21	22
3	Malaysia	17	18
4	Viet Nam	14	15
5	Thailand	12	13
6	Philippines	2	3
7	Myanmar	2	2
8	Brunei Darussalam	0.5	0.5
9	Cambodia	0.2	0.2
10	Lao People's Democratic Republic	0.1	0.1
	India's total trade with ASEAN	93	100

Source: PHD Research Bureau, PHDCCI; compiled from Trademap database

Concentration of Trade: A Comparison

In 2009, India's top 20 export items to ASEAN economies are Mineral fuels, mineral oils with a share of 17.6% in India's total exports to ASEAN, followed by Ships, boats and floating structures (12.9%), Electrical machinery and equipment (8.3%), Natural or cultured pearls, precious or semi-precious stones (6.4%), among others. In 2018, India's top 20 export items to ASEAN economies are Mineral fuels, mineral oils with a share of 26.2% in India's total exports to ASEAN, followed by Meat and edible meat offal (7.4%), Machinery, mechanical appliances (7%), Organic chemicals (5.9%), Fish (4.4%), Vehicles other than railway (4.2%), among others. The total share of top 20 export items to ASEAN in India's total exports to ASEAN has remained almost similar at around 86% in 2009 and 2018.

Share of India's top 20 export items to ASEAN economies

S.No.	Commodity name	2009 (%)	Commodity name	2018 (%)
1	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...	17.6	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...	26.2
2	Ships, boats and floating structures	12.9	Meat and edible meat offal	7.4
3	Electrical machinery and equipment and parts thereof; sound recorders and	8.3	Machinery, mechanical appliances, nuclear reactors, boilers; parts	7.0

India's Trade and Investment Opportunities with ASEAN economies

	reproducers, television ...		thereof	
4	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad ...	6.4	Organic chemicals	5.9
5	Commodities not elsewhere specified	5.5	Fish and crustaceans, molluscs and other aquatic invertebrates	4.4
6	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	5.2	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	4.2
7	Organic chemicals	4.4	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad ...	3.9
8	Residues and waste from the food industries; prepared animal fodder	4.3	Iron and steel	3.9
9	Iron and steel	3.3	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...	3.0
10	Meat and edible meat offal	2.8	Aluminium and articles thereof	2.9
11	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	1.8	Cotton	2.8
12	Pharmaceutical products	1.8	Pharmaceutical products	2.5
13	Copper and articles thereof	1.7	Ships, boats and floating structures	2.1
14	Cereals	1.6	Coffee, tea, maté and spices	1.7
15	Aluminium and articles thereof	1.6	Plastics and articles thereof	1.5
16	Articles of iron or steel	1.4	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal ...	1.4
17	Aircraft, spacecraft, and parts	1.3	Miscellaneous chemical	1.2



India's Trade and Investment Opportunities with ASEAN economies

	thereof		products	
18	Miscellaneous chemical products	1.3	Tanning or dyeing extracts; tannins and their derivatives; dyes, pigments and other colouring...	1.2
19	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal ...	1.2	Residues and waste from the food industries; prepared animal fodder	1.1
20	Cotton	1.2	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical ...	1.0
	Share of top 20 export items to ASEAN in India's total exports to ASEAN	85.8		85.4

Source: PHD Research Bureau, PHDCCL; compiled from Trademap database

In 2009, India's top 20 import items from ASEAN economies are Mineral fuels, mineral oils with a share of 24.9% in India's total imports from ASEAN, followed by Animal or vegetable fats and oils (15.4%), Electrical machinery and equipment (11.5%), Machinery, mechanical appliances (9.8%), Organic chemicals (4.6%), Edible vegetables (3.6%), among others. In 2018, India's top 20 import items from ASEAN economies are Mineral fuels, mineral oils with a share of 20.7% in India's total imports from ASEAN, followed by Electrical machinery and equipment (15.1%), Animal or vegetable fats (9.8%), Machinery, mechanical appliances (9%), Organic chemicals (5.8%), Plastics and articles thereof (4.4%), among others. The total share of top 20 import items from ASEAN in India's total imports from ASEAN has declined from around 92% in 2009 to around 90% in 2019.

Share of India's top 20 import items from ASEAN economies

S.No.	Commodity name	2009 (%)	Commodity name	2018 (%)
1	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...	24.9	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...	20.7
2	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal ...	15.4	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...	15.1



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3	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...	11.5	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal ...	9.8
4	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	9.8	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	9.0
5	Organic chemicals	4.6	Organic chemicals	5.8
6	Edible vegetables and certain roots and tubers	3.6	Plastics and articles thereof	4.4
7	Ores, slag and ash	3.5	Iron and steel	2.9
8	Wood and articles of wood; wood charcoal	3.3	Copper and articles thereof	2.9
9	Plastics and articles thereof	2.8	Rubber and articles thereof	2.6
10	Ships, boats and floating structures	2.4	Ships, boats and floating structures	2.5
11	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad ...	1.7	Miscellaneous chemical products	2.3
12	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical ...	1.5	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical ...	1.9
13	Rubber and articles thereof	1.5	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad ...	1.8
14	Miscellaneous chemical products	1.4	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, ...	1.7
15	Iron and steel	1.1	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	1.5



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16	Articles of iron or steel	1.0	Aluminium and articles thereof	1.4
17	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	0.6	Wood and articles of wood; wood charcoal	1.3
18	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, ...	0.6	Articles of iron or steel	1.3
19	Aluminium and articles thereof	0.5	Ores, slag and ash	1.2
20	Salt; sulphur; earths and stone; plastering materials, lime and cement	0.5	Paper and paperboard; articles of paper pulp, of paper or of paperboard	0.6
	Share of top 20 import items from ASEAN in India's total imports from ASEAN	92.2		90.5

Source: PHD Research Bureau, PHDCCI; compiled from Trademap database

The above analysis indicates that the bilateral relations between India and ASEAN economies have seen significant expansion in trade exhibiting the intensity of economic engagements between India and ASEAN. The signing of AIFTA has opened up immense potential for increasing India's exports to ASEAN economies considering the inherent advantages of the Indian industry in certain product categories. With the backdrop of strong complementarities between India and ASEAN economies, the merchandise trade between the two regions stands at USD 97 billion during 2018-19 and is expected to double to USD 200 billion by 2025. Going forward, strong economic linkages and complementarities between India and ASEAN economies will lead to greater economic integration to the mutual benefit of all.



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Chapter 4 India-ASEAN Investments and Joint ventures

The Association of South-East Asian Nations (ASEAN) comprises of Brunei, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam. Significant changes in the political and economic scenario of the world and India's march towards economic liberalization since 1990s has enforced India to focus on a strengthened and multi-faceted relation with ASEAN. India's search for economic space resulted in the "Look East Policy". The Look East Policy has today matured into a dynamic and action oriented "Act East Policy".

ASEAN has been an important axis of regional economic cooperation and FTA in East Asia. The strong dynamics of ASEAN have been lucrative for attracting investments from the global investors. India, one of the promising economies in the world economic system is one of the famous destinations for investors. Both the size of the Indian economy, rising incomes and expanding middle class and huge investment requirements for India's infrastructure investment offers lucrative investment opportunities. To promote employment opportunities, the Government is making significant efforts to raise the share of India's manufacturing sector from 16% presently to 25% by 2022. "Make in India along with Ease of Doing Business is being pursued aggressively by the Central and State Governments by reducing complex procedures, making them available at one platform preferably online, simplifying the forms and formats.

Over the years, India-ASEAN trade and investment relations have been growing steadily. In 2010, India began a Free Trade Agreement (FTA) with ASEAN, and this has resulted in a rise in their trade in goods in volumes. Although a decline in the growth rate of trade is visible in the post-AIFTA period. Investments in the manufacturing and services sectors will boost bilateral trade volumes if India widens its reach in ASEAN. Together, ASEAN and India have a combined GDP of USD 5.7 trillion.⁸ India attaches great significance to trade, investments and business partnership with counterparts in the ASEAN region. Currently, India and ASEAN have a bilateral trade of USD 97 billion in 2018-19.⁹ Keeping into consideration the geographical proximity of India with the ASEAN countries, it is very important that we strengthen our economic linkages. Trade and investment can play an instrumental role in furthering our ties with ASEAN region.

Investment flows are also substantial both ways, with ASEAN accounting for approximately 21% of FDI flows into India since 2000. Though, there are huge opportunities for South East Asian companies to increase investments in India in areas such as medical devices, fishing

⁸ Source: World Bank

⁹ Ministry of Commerce & Industry, Government of India

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and ship-building. Relaxation of several laws and regulations under Make in India initiative has proven beneficial to attract investments. During April 2000 to June 2019, Foreign Direct Investment (FDI) equity inflows into India from ASEAN economies stand at USD 91 billion. Over 97% of total FDI inflows into India are from Singapore, with other Southeast Asian countries accounting for 3%. The India-Singapore Comprehensive Economic Cooperation Agreement has provided an impetus to growing partnership between the two countries.

Amongst the ASEAN economies investing in India, Singapore ranks the highest with cumulative FDI inflows of USD 88337 million from April 2000 to June 2019, followed by Malaysia (USD 986 million), Indonesia (USD 629 million), Thailand (USD 474 million), Philippines (USD 312 million), among others.

Singapore constitutes 97% of the total FDI inflows in India while the remaining 3% of the total FDI inflows is accounted by the joint contribution of Malaysia, Indonesia, Thailand, Philippines, Cambodia, Myanmar, Vietnam and Brunei.

Share of ASEAN economies in India's FDI equity inflows (in USD Million)

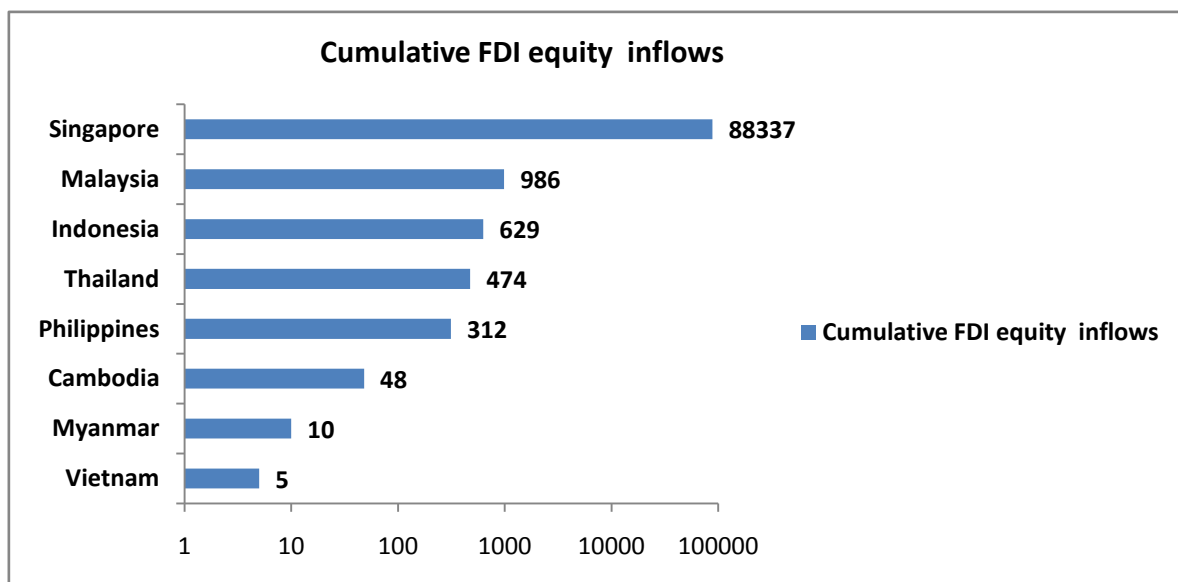
Rank	Name of the Country	Cumulative FDI equity inflows from April 2000 to June 2019	% age of inflows of respective country in India's total inflows from ASEAN
1	Singapore	88337	97
2	Malaysia	986	1
3	Indonesia	629	0.7
4	Thailand	474	0.5
5	Philippines	312	0.4
6	Cambodia	48	0.2
7	Myanmar	10	0.01
8	Vietnam	5	0.01
9	Brunei	0.4	-
10	Lao PDR	NA	-
	India's total FDI equity inflows from ASEAN countries	90802	100%

Source: PHD Research Bureau, PHDCCI compiled from Department for promotion of Industry and Internal Trade, Government of India. Note: Share of ASEAN's FDI in India's total FDI is approximately 21%.



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Contribution of ASEAN economies in India's FDI equity inflows (in USD Million)



Source: PHD Research Bureau, PHDCCI compiled from Department for promotion of Industry and Internal Trade, Government of India.

In order to enhance economic cooperation between the two regions, companies from India and Association of South-East Asian Nations (ASEAN) may promote in forming joint ventures and set up entities to start manufacturing. ASEAN companies can be given certain aid and incentives to enhance their contribution in India's MSME sector. Through mutual cooperation, increase in investments in various sectors like airlines, fishing and ship building can be realized which will further facilitate the growth and development of both India and ASEAN economies. Thus, investment and growth opportunities must be availed mutually to grow and enhance the trade between India and ASEAN economies.

Indian Micro, Small and Medium Enterprises (MSMEs) account for 40% of total industrial production in India and 40% of the total Indian exports.¹⁰ Going forward, efforts must be encouraged to work towards building an agreement between India and ASEAN to promote cooperation between the Small & Medium Enterprises (SMEs) of the two regions. It would provide a structured framework and an enabling environment to the MSME sector of the two regions to understand each other's strengths, markets, technologies, policies, etc. This framework would enable the enterprises to seek cooperation and help each other and also to initiate sustainable business alliances in terms of technology transfers, joint ventures and business partnerships in the MSME sector between the two regions.

¹⁰ Strategic Action Plan, Ministry of Micro, Small and Medium Enterprises, Government of India



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Invest India aims at promoting investments in India and also focuses on facilitating mutual trade gains among India and ASEAN economies. The mandate is to facilitate and handhold investments right from market opportunity assessment, policy and regulatory advisory, partner identification and policy advocacy. This platform has been extended and facilitated to several companies from the ASEAN region. Since 2000, an FDI of USD 91 billion from ASEAN countries has been extracted, and this number will increase in the years to come.

India Investment Grid is a key initiative of Invest India. It is a portal where potential investors can identify and search for investible projects across the country, and across sectors. Make in India is an opportunity for ASEAN to invest more in India and trade more with India. Creation of regional value chains will further expand India-ASEAN economic partnership at a faster pace in future. Regional value chains strengthen economic cooperation by expanding market access among nations. Integrating with regional value chains leads to benefits such as reduced cost of manufacturing and trading for the participating countries. The benefits accrue from outsourcing and fragmentation of production in various locations. There are a range of policy measures including trade facilitation, liberalization of goods, services and capital, competition policy, and infrastructure quality that promote value chain integration. FDI flow is one of the major factors that enable integration of economies by linking them to regional and global value chains.

There is potential to create value chains in textiles between India and a few ASEAN economies, as the latter import cotton yarn (an input used in manufacturing of textiles) from India. Creating a value chain in fibers is another area of possible collaboration between India and ASEAN. India, being a global hub for design and engineering R&D, is critical to any value chain. India and ASEAN can exploit their complementariness in value chains. India can prove itself to be one of the best choices for tech MNCs and may host the maximum number of tech R&D centers outside its boundaries. Such linkages do exist but we need to work harder, hand in hand to build more linkages at an increased pace. This will boost investments, trade and growth prospects of both India and ASEAN region.

Another area which would hold the key to greater cooperation between India and ASEAN would be with Startups. India-Singapore Entrepreneurship Bridge is a digital platform to enable startups, investors and aspiring entrepreneurs of both countries to connect with one another with a focus on knowledge exchange, networking opportunities and capacity building.

There is a wider scope for joint ventures between India and ASEAN in capital intensive industries such as oil and gas exploration, mineral extraction, and metals processing, infrastructure, banking and other potential areas (agro industries) and manufacturing, etc. Indian companies have many manufacturing joint ventures with Indonesian counterparts in

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the fields of synthetic fibers, textiles, garments, steel and hand tools, infrastructure, oil exploration and mining.

There are several joint ventures operating in Malaysia (rather small but more technology oriented industries with as much local equity as possible), mainly in textiles, steel files, spinning plant, furniture, sugar, diesel engines, paper and paper boards, cosmetic and pharmaceutical etc. Joint ventures operating in Myanmar are in the manufacturing and infrastructural sector.

With Singapore, many joint ventures are operated in the field of IT, Infrastructure investment and critical technologies in India. In Singapore, joint ventures are working in shipping, automobile accessories, computer accessories; chemicals etc. Joint Ventures with Thailand are relatively high-tech and even capital intensive and cover a wide range of products and activities including pulp chemicals, pharmaceuticals, textiles, nylon, tyre cord and real estate.

Joint Ventures between India and Vietnam are in the field of oil and gas exploration and exploitation, plastics industries, pharmaceutical, steel production, etc. Joint Ventures with other countries in ASEAN as Laos, Philippines, and Cambodia concentrate on capital intensive industries, IT infrastructures, processing and manufacturing that India poses advantages over these countries.

Hence, ASEAN's share in India's foreign trade and FDI inflows is significant and both the regions are working quite well in terms of joint ventures and mutual cooperation. To foster joint ventures abroad, both ASEAN and India need to enact suitable policies to eliminate trade barriers and reduce restrictions for improved inflows of capital. The two-way trade between ASEAN and India is increasing steadily. India is committed to assist the CLMV countries (Cambodia, Laos PDR, Myanmar and Vietnam) in their economic development. Connectivity has become the key word in ASEAN-India cooperation. ASEAN and India have expressed their willingness to enhance intra-regional tourism and people-to-people connectivity, civilization and cultural influences have been reiterated by both sides. There is a strong need for the private sectors of both sides to collaborate in the realm of services so that not only the services' trade grows faster but also there is higher growth in the manufacturing and agriculture sectors. Physical, infrastructural and institutional connectivity will further help in improving and harmonizing trade and investment relations between India and ASEAN nations.

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Chapter 5 Trade in Services between India and ASEAN economies

During recent years, one of the most prominent trends across the world economy has been a rise in trade in services in the backdrop of liberalization of the services sector and expansion of services sector activities. Travel and transport services dominate the services trade in many of the ASEAN economies while computers and information services form a major chunk of India's services trade. Over the years, India's services trade has increased significantly from USD 232 billion in 2010 to USD 382 billion in 2018. India's services exports have increased from USD 117 billion in 2010 to USD 205 billion in 2018 while India's services imports have increased from USD 115 billion to USD 177 billion during the same period.

India's Services Trade with world (in USD Billion)

Year	India's Services Exports	India's Services Imports	Total Trade
2010	117	115	232
2011	139	125	264
2012	146	130	275
2013	149	127	276
2014	157	128	286
2015	156	124	280
2016	162	134	295
2017	185	155	340
2018	205	177	382

Source: PHD Research Bureau, PHDCCI; compiled from Trademap database

For ASEAN economies combined, services trade has increased from USD 440 billion in 2010 to USD 703 billion in 2017. ASEAN's services exports have increased from USD 214 billion in 2010 to USD 361 billion in 2017 while ASEAN's services imports have increased from USD 226 billion to USD 343 billion during the same period.

ASEAN's Services Trade with world (in USD Billion)

Year	ASEAN's Services Exports	ASEAN's Services Imports	Total Trade
2010	214	226	440
2011	254	265	519
2012	279	289	569
2013	307	316	623
2014	322	336	658
2015	324	327	651



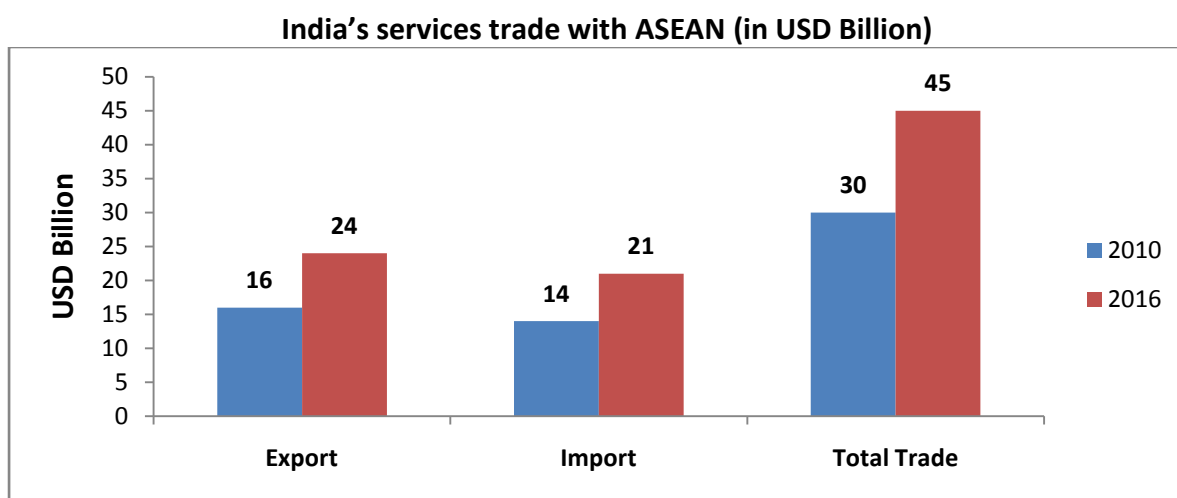
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2016	337	325	663
2017	361	343	703
2018	NA	NA	NA

Source: PHD Research Bureau, PHDCCI Compiled from ASEAN Statistical Yearbook 2018, NA: Not Available

India's services trade with ASEAN economies has increased from USD 30 billion in 2010 to USD 45 billion in 2016. India's services exports to ASEAN economies have increased from USD 16 billion in 2010 to USD 24 billion in 2016 while India's services imports from ASEAN economies have increased from USD 14 billion to USD 21 billion during the same period. The ASEAN-India Trade in Services and Investment Agreement came into effect in 2015.

Over the years, the Services Agreement has opened up opportunities of movement of both manpower and investments from either side between India and ASEAN economies. The Trade in Services Agreement with the ASEAN economies contains all features of a modern and comprehensive agreement on Services and is in line with the other bilateral agreements that India has signed so far. Some of the important Articles contained in the Agreement are the ones on transparency, domestic regulations, recognition, market access, national treatment, increasing participation of developing countries, joint committee on services, review, dispute settlement and denial of benefits. India's services trade with ASEAN economies is expected to increase from USD 45 billion presently to around USD 100 billion by 2025.



Source: PHD Research Bureau, PHDCCI Compiled from various sources

In a nutshell, India's bilateral trade with ASEAN economies presently is estimated at more than USD 142 billion of which USD 97 billion is in the merchandise and around USD 45 billion is in services which is expected to reach USD 300 billion by 2025 of which USD 200 billion will be in the merchandise and around USD 100 billion will be in services.



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Although much progress has been made to enhance services' trade relations between India and ASEAN economies, there are certain barriers because of the restrictive nature of the services trade market in ASEAN economies. These include security and data protection issues, non-recognition of qualifications, complex licensing procedures, lack of market knowledge, local certification and clearances, among others. In view of this, the Government of India is committed to seek greater market access in services trade with ASEAN economies.

Considering that the global and regional markets for IT-BPO services are huge, ASEAN can collaborate with India to expand and deepen its IT services sector. India can share its vast and growing expertise with the ASEAN countries, particularly with CLMV and plan vocational courses to support the initiative. This partnership will serve to deepen India-ASEAN economic ties to a greater extent. Computer and information services and other business services are the key areas of strategic interest for India's exports, however, significant export potential exists in segments such as financial services and travel services. In this context, Indian firms can focus on investing in subsidiaries and joint ventures in such promising areas. These initiatives are expected to help in the growth of industry and commerce and create employment opportunities, thereby contributing to the overall development of both India and ASEAN economies.

Hence, going forward, growing India-ASEAN services trade will strengthen the multilateral rules based order and provide a sustained momentum to India-ASEAN trade relations. The integration of services will serve the purpose for not just better access in each others' markets but also for better collective access in global markets. Some of the key recommendations for enhancing India-ASEAN services' trade potential in the coming years are:

- Facilitate greater bilateral investments in services where there are complementarities in capacities and interests on both the sides.
- Explore synergies between manufacturing and services trade (such as business support, IT, transport) and role of services in regional value chains.
- Facilitate mobility of professionals and business visits between India and ASEAN by easing of visas and regulatory requirements.
- Undertaking sectoral and issue based cooperation initiatives such as in ICT, energy, Research & Development (R&D), health, digital technology, e-commerce, among others.
- Encourage greater regulatory cooperation and exchange of best international practices.
- Collective and comprehensive development of regulations, regulatory standards and sharing of knowledge, experience along with capacity building.

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Chapter 6 Conclusions and Recommendations

ASEAN is one of the most economically dynamic regions of the world today. Economic engagement with ASEAN has been, and will remain, a crucial element of India's Act East policy and strategy. India's close economic and cultural links with ASEAN provide a strong foundation on which the two regions have built a robust, modern and multifaceted strategic partnership. Strengthening ASEAN, expanding connectivity and deepening India-ASEAN economic integration are among key priorities of India's "Act East Policy".

The Government of India is making significant efforts to increase partnership with ASEAN in the areas of mutual interests. Several high level summits have been held between India and ASEAN where leaders of the two regions have reiterated to further strengthen trade and economic relations in terms of capacity building and partnerships in areas such as agriculture and food processing, ICT, engineering, IT/ITeS, healthcare and pharmaceuticals, education and skill development, tourism, among others.

India and ASEAN are together a home to 1.9 billion people, having a combined economy of USD 5.7 trillion and a substantial share of world resources. With shared land and maritime boundaries, ASEAN-India relations are firmly embedded in culture, commerce and connectivity. To take plurilateral economic relations to the next level, India signed an FTA in goods with ASEAN in 2009 known as the ASEAN-India Free Trade Agreement (AIFTA).

India's trade relations with ASEAN have witnessed a shift during the pre and post AIFTA. During pre-AIFTA, India's merchandise trade with ASEAN economies has increased from USD 8 billion in 2001 to USD 42 billion in 2009 with a CAGR of around 20%. India's merchandise exports to ASEAN economies have increased from USD 3 billion in 2001 to USD 18 billion in 2009 with a CAGR of around 22% while India's merchandise imports from ASEAN economies have increased from USD 4 billion in 2001 to USD 24 billion in 2009 with a CAGR of around 22%.

During post-AIFTA, India's total merchandise trade with ASEAN economies has increased from USD 53 billion in 2010 to USD 93 billion in 2018 with a CAGR of around 7%. India's merchandise exports to ASEAN economies increased from USD 23 billion in 2010 to USD 36 billion in 2018 with a CAGR of around 5% while India's merchandise imports from ASEAN economies increased from USD 30 billion in 2010 to USD 57 billion in 2018 with a CAGR of around 8%.

It has observed that the concentration of India's exports to ASEAN economies is very high in the top 20 commodities with a share of around 85% in 2009 and 2018. However, ASEAN economies have been able to marginally expand their trade basket with India. The share of

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top 20 import items of India from ASEAN economies in India's total imports from ASEAN have declined from 92% in 2009 to about 90% in 2018.

However, there is immense potential for increasing India's exports to ASEAN economies considering the inherent advantages of the Indian industry in certain product categories. With the backdrop of strong complementarities between India and ASEAN economies, the merchandise trade between the two regions stands at USD 97 billion during 2018-19 and is expected to double to USD 200 billion by 2025. Going forward, strong economic linkages and complementarities between India and ASEAN economies will lead to greater economic integration to the mutual benefit of all.

In addition, India-ASEAN services trade holds immense potential for future growth. India's services trade with ASEAN economies has increased from USD 30 billion in 2010 to USD 45 billion in 2016 and is expected to reach USD 100 billion by 2025. The ASEAN-India Trade in Services and Investment Agreement came into effect in 2015. Over the years, the Services Agreement has opened up opportunities of movement of both manpower and investments from either side between India and ASEAN economies. Considering that the global and regional markets for IT-BPO services are huge, ASEAN can collaborate with India to expand and deepen its IT services sector. India can share its vast and growing expertise with the ASEAN countries, particularly with Cambodia, Laos, Myanmar and Vietnam (CLMV) and plan vocational courses to support the initiative. This partnership will serve to deepen India-ASEAN economic ties to a greater extent.

In a nutshell, India's bilateral trade with ASEAN economies presently is estimated at more than USD 142 billion of which USD 97 billion is in the merchandise and around USD 45 billion is in services which is expected to reach USD 300 billion by 2025 of which USD 200 billion will be in the merchandise and around USD 100 billion will be in services.

During April 2000 to June 2019, Foreign Direct Investment (FDI) equity inflows into India from ASEAN economies stand at USD 91 billion. Amongst the ASEAN economies investing in India, Singapore ranks the highest with cumulative FDI inflows of USD 88337 million from April 2000 to June 2019, followed by Malaysia (USD 986 million), Indonesia (USD 629 million), Thailand (USD 474 million), Philippines (USD 312 million), among others. Singapore constitutes 97% of the total FDI inflows in India while the remaining 3% of the total FDI inflows is accounted by the joint contribution of Malaysia, Indonesia, Thailand, Philippines, Cambodia, Myanmar, Vietnam and Brunei.

Thus, India-ASEAN cooperation holds immense potential for the future to transform into a sound economic partnership in the form of a robust trade bloc. The influence of commerce and connectivity remains vital to enhance trade and investment ties between India and ASEAN. Greater flow of goods, services, skilled workers and investments are expected to only enhance economic relations further.

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Over the years, efforts have been made by Government of India to recognize the enormous opportunities presented by the ASEAN's growth and economic integration. Going forward, it becomes crucial to understand the strengths of India's businesses in the ASEAN market and to tailor their strategies accordingly.

Undoubtedly, India's engagement with ASEAN has brought strategic gains to India in terms of greater economic integration in global value chains. Further, in order to realize greater economic gains supply chains should be developed with a focus towards intra-industry trade. In this regard, the India-ASEAN FTA provides increased scope for integration of supply chains in the machinery, electrical and electronics sectors and transport, among others which could be further supplemented by services trade and investments. However, improved facilitation of business to business connections, information flow, harmonization and mutual recognition of standards as well as removal of non-tariff barriers is crucial for realizing the full trade potential and product integration between India and ASEAN.

Going forward, there are also immense opportunities for enhancing India-ASEAN cooperation in other important areas such as Make in India, infrastructure development, development of smart cities, innovation and skill set enhancement, cooperation in space, science and technology, among others. Greater economic and trade linkages among the economies of Asia will prove to be a mutually rewarding association for India. The Government is undertaking significant efforts to play a catalytic role in increasing India's integration with the global economy by promoting and facilitating India's international trade and investment particularly with Asian countries, including ASEAN.

Therefore, the importance of India's current relations with ASEAN and its future potential for mutually beneficial growth will require greater economic, political, and diplomatic engagement with ASEAN in the coming years. There exist huge trade and investment complementarities between India and ASEAN and concerted efforts should be made to realize the full potential of economic and trade growth between them. Some of the recommendations for steering India-ASEAN dynamic trade relations are as follows:

- Commodity composition of India should be focused for diversification with the inclusion of more and more commodities in its export baskets to ASEAN economies.
- Need to enhance the facilitation to exporters to diversify the composition of export basket with enhanced knowledge of ASEAN markets regarding demand for goods across borders.
- Significantly increase services trade with ASEAN economies as these economies are becoming increasingly services-oriented.

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- Enhancing ASEAN-India trade in Services and Investment agreements to facilitate further economic integration between India and ASEAN.
- Undertaking continuous review of the ASEAN-India trade in Goods agreement and monitor market access issues relevant to both tariff and non-tariff measures in order to promote and increase the FTA utilization.
- Enhancing bilateral trade between the two regions and regular high-level consultations and meetings for greater market access for Indian commodities including, agriculture and food processing, IT/ITeS, e-commerce and fintech, infrastructure, healthcare, pharmaceutical, automotive, education and skill development, tourism, among others should be focused.
- Harmonizing and simplifying the customs procedures, thereby reducing the time and cost involved in transit.
- Enhancing cooperation on capacity building and economic development to support efforts in enhancing regional integration, community building, and narrowing the development gap.
- Undertake capacity building programmes, workshops and seminars that support India-ASEAN FTA, Rules of Origin (ROO), services liberalization, regulatory aspects of E-Commerce, elimination of non-tariff barriers, Competition Policy and Intellectual Property Rights, SMEs cooperation and promotion.
- Promote greater private sector engagement and encourage business-to business relations in order to strengthen business networks and opportunities.
- Promote and facilitate FDI into India and ASEAN countries through cooperation among investment promotion agencies, linkages between investors and local entrepreneurs.
- Timely dissemination of information on investment rules, regulations and policies of general application that pertain to investments in both India and ASEAN.
- Establish and enhance coordination in areas of mutual interest at multilateral fora such as the World Trade Organization (WTO).
- Support greater financial inclusion towards improving access to financial services especially to Micro, Small & Medium Enterprises (MSMEs) to promote stable and sustainable growth.





NATIONAL APEX CHAMBER

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PHD Research Bureau

PHD Research Bureau; the research arm of the PHD Chamber of Commerce and Industry was constituted in 2010 with the objective to review the economic situation and policy developments at sub-national, national and international levels and comment on them in order to update the members from time to time, to present suitable memoranda to the government as and when required, to prepare State Profiles and to conduct thematic research studies on various socio-economic and business developments.

The Research Bureau has been instrumental in forecasting various lead economic indicators national and sub-national. Many of its research reports have been widely covered by media and leading newspapers. The Research Bureau has undertaken various policy studies for Government of India and State Governments.

Research Activities	Comments on Economic Developments	Newsletters	Consultancy
<ul style="list-style-type: none"> Research Studies 	<ul style="list-style-type: none"> Global Economic Developments 	<ul style="list-style-type: none"> Economic Affairs Newsletter (EAC) 	<ul style="list-style-type: none"> Trade and Investment Facilitation Services (TIFS)
<ul style="list-style-type: none"> State Profiles 	<ul style="list-style-type: none"> India's Economic Developments 	<ul style="list-style-type: none"> Forex and FEMA Newsletter 	
<ul style="list-style-type: none"> Impact Assessments 	<ul style="list-style-type: none"> States' Economic Developments 	<ul style="list-style-type: none"> Global Economic Monitor (GEM) 	
<ul style="list-style-type: none"> Thematic Research Reports 	<ul style="list-style-type: none"> International Developments 	<ul style="list-style-type: none"> Trade & Investment Facilitation Services (TIFS) Newsletter 	
<ul style="list-style-type: none"> Releases on Economic Developments 	<ul style="list-style-type: none"> Financial Markets 	<ul style="list-style-type: none"> State Development Monitor (SDM) 	
	<ul style="list-style-type: none"> Foreign exchange market 	<ul style="list-style-type: none"> Industry Development Monitor (IDM) 	
	<ul style="list-style-type: none"> Developments in International Trade 		



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Studies undertaken by the PHD Research Bureau

A: Thematic research reports

1. Comparative study on power situation in Northern and Central states of India (September 2011)
2. Economic Analysis of State (October 2011)
3. Growth Prospects of the Indian Economy, Vision 2021 (December 2011)
4. Budget 2012-13: Move Towards Consolidation (March 2012)
5. Emerging Trends in Exchange Rate Volatility (Apr 2012)
6. The Indian Direct Selling Industry Annual Survey 2010-11 (May 2012)
7. Global Economic Challenges: Implications for India (May 2012)
8. India Agronomics: An Agriculture Economy Update (August 2012)
9. Reforms to Push Growth on High Road (September 2012)
10. The Indian Direct Selling Industry Annual Survey 2011-12: Beating Slowdown (March 2013)
11. Budget 2013-14: Moving on reforms (March 2013)
12. India- Africa Promise Diverse Opportunities (November 2013)
13. India- Africa Promise Diverse Opportunities: Suggestions Report (November 2013)
14. Annual survey of Indian Direct Selling Industry-2012-13 (December 2013)
15. Imperatives for Double Digit Growth (December 2013)
16. Women Safety in Delhi: Issues and Challenges to Employment (March 2014)
17. Emerging Contours in the MSME sector of Uttarakhand (April 2014)
18. Roadmap for New Government (May 2014)
19. Youth Economics (May 2014)
20. Economy on the Eve of Union Budget 2014-15 (July 2014)
21. Budget 2014-15: Promise of Progress (July 2014)
22. Agronomics 2014: Impact on economic growth and inflation (August 2014)
23. 100 Days of new Government (September 2014)
24. Make in India: Bolstering Manufacturing Sector (October 2014)
25. The Indian Direct Selling Industry Annual Survey 2013-14 (November 2014) Participated in a survey to audit SEZs in India with CAG Office of India (November 2014)
26. Role of MSMEs in Make in India with reference to Ease of Doing Business in Ghaziabad (Nov 2014)
27. Exploring Prospects for Make in India and Made in India: A Study (January 2015)
28. SEZs in India: Criss-Cross Concerns (February 2015)
29. Socio-Economic Impact of Check Dams in Sikar District of Rajasthan (February 2015)
30. India - USA Economic Relations (February 2015)
31. Economy on the Eve of Union Budget 2015-16 (February 2015)
32. Budget Analysis (2015-16)
33. Druzhba-Dosti: India's Trade Opportunities with Russia (April 2015)
34. Impact of Labour Reforms on Industry in Rajasthan: A survey study (July 2015)
35. Progress of Make in India (September 2015)
36. Grown Diamonds, A Sunrise Industry in India: Prospects for Economic Growth (November 2015)
37. Annual survey of Indian Direct Selling Industry 2014-15 (December 2015)



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38. India's Foreign Trade Policy Environment Past, Present and Future (December 2015)
39. Revisiting the emerging economic powers as drivers in promoting global economic growth (February 2016)
40. Bolstering MSMEs for Make in India with special focus on CSR (March 2016)
41. BREXIT impact on Indian Economy (July 2016)
42. India's Exports Outlook (August 2016)
43. Ease of Doing Business : Suggestive Measures for States (October 2016)
44. Transforming India through Make in India, Skill India and Digital India (November 2016)
45. Impact of Demonetization on Economy, Businesses and People (January 2017)
46. Economy on the eve of Budget 2017-18 (January 2017)
47. Union Budget 2017-18: A budget for all-inclusive development (January 2017)
48. Annual Survey of Indian Direct Selling Industry 2015-16 (February 2017)
49. Worklife Balance and Health Concerns of Women: A Survey (March 2017)
50. Special Economic Zones: Performance, Problems and Opportunities (April 2017)
51. Feasibility Study (socio-Economic Survey) of Ambala and Rohtak Districts in Haryana (March 2017)
52. Goods and Services (GST): So far (July 2017)
53. Reshaping India-Africa Trade: Dynamics and Export Potentiality of Indian Products in Africa (July 2017)
54. Industry Perspective on Bitcoins (July 2017)
55. Senior Housing: A sunrise sector in India (August 2017)
56. Current state of the economy (October 2017)
57. Equitable finance to fulfill funding requirements of Indian Economy (October 2017)
58. The Wall of Protectionism: : Rise and Rise of Protectionist Policies in the Global Arena, (November 2017)
59. India-Israel Relations: Building Bridges of Dynamic Trade (October 2017)
60. Role of Trade Infrastructure for Export Scheme (TIES) in Improving Export Competitiveness (November 2017)
61. India - China Trade Relationship: The Trade Giants of Past, Present and Future (January 2018)
62. Analysis of Trade Pattern between India and ASEAN (January 2018)
63. Union Budget 2018-19 – (February 2018)
64. Ease of Doing Work for Women: A survey of Delhi NCR (February 2018)
65. Restraining Wilful Defaults: Need of the hour for Indian Banking System (March 2018)
66. Impact of GST on Business, Industry and Exporters (April 2018)
67. India – Sri Lanka Bilateral Relations: Reinforcing trade and investment prospects (May 2018)
68. Growth Prospects of the Indian Economy: Road to US \$5 Trillion Economy (May 2018)
69. India's Free Trade Agreements Dynamics and Diagnostics of Trade Prospects (May 2018)
70. Growth Prospects of the India Economy: Road to US \$5 Trillion Economy (May 2018)
71. India – UK Trade Relations and Societal Links: Way Forward (June 2018)
72. Rural India: Road to US\$ 5 trillion economy (September 2018)
73. Economy on the eve of Interim Budget 2019-20 (January 2019)
74. Interim Budget 2019-20 analysis (February 2019)
75. Women Entrepreneurship: Transforming from domestic households to Financial Independence (March 2019)



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76. Prospects for Exports from India: Five Pronged Strategy to Achieve USD700 Billion Merchandise Exports by 2025 (March 2019)
77. India Towards Shared Prosperity: Economic Agenda for the Next Five Years (March 2019)
78. Job Creation: A Pan India Survey of Households (March 2019)
79. India Inc. Speaks Live: Wish List for the Next Five Years (May 2019)
80. Suggestive Roadmap for Revitalizing Economic Growth (June 2019)
81. Indian Economy on the Eve of Union Budget 2019-20 (July 2019)
82. Union Budget 2019-20: Road to US\$ 5 trillion economy (July 2019)
83. Ease of Doing Business for MSMEs (September 2019)
84. Emerging Contours of India's Defence and Homeland Security (October 2019)
85. Framework of University-Industry Linkages in Research (November 2019)

B: State profiles

86. Rajasthan: The State Profile (April 2011)
87. Uttarakhand: The State Profile (June 2011)
88. Punjab: The State Profile (November 2011)
89. J&K: The State Profile (December 2011)
90. Uttar Pradesh: The State Profile (December 2011)
91. Bihar: The State Profile (June 2012)
92. Himachal Pradesh: The State Profile (June 2012)
93. Madhya Pradesh: The State Profile (August 2012)
94. Resurgent Bihar (April 2013)
95. Life ahead for Uttarakhand (August 2013)
96. Punjab: The State Profile (February 2014)
97. Haryana: Bolstering Industrialization (May 2015)
98. Progressive Uttar Pradesh: Building Uttar Pradesh of Tomorrow (August 2015),
99. Suggestions for Progressive Uttar Pradesh (August 2015)
100. State profile of Telangana- The dynamic state of India (April 2016)
101. Smart Infrastructure Summit 2016- Transforming Uttar Pradesh (August 2016)
102. Smart Infrastructure Summit 2016-Transforming Uttar Pradesh : Suggestions for the State Government (August 2016)
103. Rising Jharkhand: An Emerging Investment Hub (February 2017)
104. Punjab: Roadmap for the New Government Suggestions for the Industrial and Socio-Economic Development – Focus MSMEs ease of doing business (May 2017)
105. Prospering Himachal Pradesh: A Mountain of Opportunities (August 2017)
106. Kashmir: The way forward (February 2018)
107. Analysis of State Budgets for 2018-19: Select States (March 2018)
108. Rising Uttar Pradesh : One District One Product Summit (August 2018)
109. Rajasthan Steady Strides into the Future: Emerging Growth Dynamics and the Way Forward (August 2018)
110. Jharkhand: Economic Profile (January 2019)
111. Rising Jharkhand: Skill Development to spur socio-economic growth (January 2019)
112. Progressive Haryana: The Agricultural Hub of India (February 2019)
113. Progressive Haryana: Economic Profile (February 2019)



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