



# Reshaping India-ASEAN Trade and Investment Ties: Post-Covid Collaborative Responses

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**Abstract:** *India's bilateral relations with the Association of Southeast Asian Nations (ASEAN) have witnessed significant growth since the inception of their partnership. This paper utilizes secondary data to provide a comprehensive analysis of the evolving India-ASEAN trade and investment dynamics over the past few years. The study also delves into the primary challenges that have arisen in this trade relationship, with a particular focus on the disruptions caused by the Covid-19 pandemic. In addition to highlighting the challenges, this paper explores the collaborative efforts undertaken by India and ASEAN to combat the pandemic collectively, showcasing their mutual commitment to addressing shared challenges. It examines the strategies employed by both parties to mitigate the impact of the pandemic on trade and investment. Furthermore, this study aims to identify and present innovative ideas and perspectives that can contribute to a collaborative approach in reinforcing economic ties between India and ASEAN amidst the evolving global landscape post the Covid-19 pandemic. It seeks to identify potential opportunities and solutions that can enhance the resilience and sustainability of the India-ASEAN economic relationship in the face of the changing world order.*

**Key Words:** *India-ASEAN Relations, Trade Dynamics, Investment Partnerships, Economic Integration, Trade Trends, Regional Economic Engagement, Post pandemic cooperation.*

## 1. INTRODUCTION:

ASEAN, the Association of Southeast Asian Nations, was established in 1967 and consists of ten member countries. Today, it stands as one of the most rapidly growing economic organizations in Asia. Collectively, these ASEAN member nations hold the distinction of being the third-largest economy in Asia and the seventh-largest globally. India's relationship with ASEAN has steadily evolved since their partnership began. Over the past few decades, intra-Asian trade and investment have seen a threefold increase in value (Source: "India ASEAN Trade and Investment Relations: Opportunities and Challenges," 2016). This growth has opened up significant possibilities for mutually beneficial economic, political, and demographic engagement between India and ASEAN.

However, the global outbreak of the Covid-19 pandemic has disrupted trade and investment relations between India and ASEAN. It has caused supply chain interruptions, health and nutrition challenges, and various other setbacks. Today, both India and ASEAN share a common challenge: safeguarding their economies from the devastating impacts of the pandemic. Since the early months of the global lockdown, India and ASEAN have been actively collaborating to address these formidable challenges and combat the pandemic collectively. This collaboration bodes well for the future of economic partnership between India and ASEAN, marked by peaceful coexistence, increased integration, and a swift recovery in trade and investment relations.

This paper offers an in-depth examination of the changing dynamics of trade and investment relations between India and ASEAN, both pre and post the emergence of Covid-19. It analyzes emerging trends in trade and investment, identifies the key challenges posed by the pandemic, and explores the joint efforts and cooperation between India and ASEAN nations in confronting these challenges. Furthermore, the paper presents fresh ideas and perspectives aimed at finding collective solutions to strengthen economic ties between India and ASEAN amidst the evolving global landscape shaped by the Covid-19 pandemic. This study stands out due to its unique focus on providing a comprehensive perspective of India-ASEAN bilateral relations, particularly in the ongoing pandemic context, and the collaborative efforts employed to address the challenges, which has not been extensively covered in existing literature.



## 2. REVIEW OF LITERATURE:

In this section, an attempt has been made to make an in-depth review the existing studies undertaken in the concerned area relevant to our study.

C Veeramani and Gordhan K Saini (2011) in their paper, 'Impact of ASEAN-India Preferential Trade Agreement on Plantation Commodities: A Simulation Analysis', analysed the impact of Indo ASEAN trade agreement on some selected plantation commodities. The commodities they considered are tea, coffee and pepper. The results of their study showed that India's imports from ASEAN is likely to increase as a result of the trade agreement. There would also be some net gain as a result of gain in consumer surplus. Smwarajit Lahiri Chakravarty and Ranajit Chakrabarty, (2013), their study, 'A gravity model approach to Indo-ASEAN trade-fluctuations and swings', considered the time period 1971-2010 in an attempt to study bilateral trade flows between India and ASEAN countries using the Augmented Gravity model of Frankel. The core objectives of their study were to examine whether there are any correlation as proposed by the gravity theory between Indian's bilateral trades with the ASEAN countries? Nilanjan Banik (2014), made a study on the untapped potential of India ASEAN trade in view of the free trade agreement. The study conclude that the 'Look East' policy of India complements very well the 'Look West' policy of ASEAN and hence there is ample scope for the partnership to prosper. Harsh V Pant and Avantika Deb (2017) in their work titled, 'India-ASEAN partnership at 25' provides an overview of the trajectory of India and ASEAN partnership with its ups and downs during the past 25 years. They concluded that deeper co-operation and partnership should be prioritised for India and ASEAN. In another study by Vishal Sarin (2018), India-ASEAN trading ties are being explored and results showed that the emerging relationship of India and ASEAN is based on complementarities in different fields like trade, investment, human resource development, and infrastructure and so on.

## 3. OBJECTIVES:

The objective of this study are as follows-

- To explore the trade and investment relation between India and ASEAN and
- To analyze the emerging trends in the trade and investment relation.
- To explore the key challenges posed by the pandemic and the mutual co-operation between India and ASEAN to overcome these challenges.

## 4. MATERIALS AND METHODS:

The study is descriptive in nature and based on secondary data on trade, investment and other indicators compiled from various sources like DOTS, IMF, and some reports and published works. We have calculated simple percentages, shares, growth rate etc. and used tables and graphs to chart the data. The time period of the study is 2010-11 to 2019-20.

## WHY INDIA-ASEAN?

The significance of trade relations between India and ASEAN lies in the promising future they hold. Rooted in the strong complementarity of their economies, the trade in goods between these two regions reached USD 97 billion in 2018-19 and is projected to double, reaching USD 200 billion by 2025. These robust economic ties, built upon shared advantages, are poised to foster greater economic integration, benefiting all parties involved (Source: "India's Trade and Investment Opportunities with ASEAN Economies," 2019). The primary aim when establishing this partnership was to tap into the advantages of geographical proximity and natural resources shared among India and ASEAN member nations. It was also a means to reduce dependence on more prosperous global markets (Kahler, 1995). Following the ASEAN India Free Trade Area (AIFTA) agreement, India-ASEAN merchandise trade has experienced growth. India's "Act East Policy," now referred to as "Act Asia Pacific," underscores the importance of promoting mutual cooperation between India and ASEAN.

Furthermore, there is immense potential for diversifying India's export portfolio to ASEAN countries, particularly within the top 20 commodities. India's exports to ASEAN already account for a significant 85% share (Handique, 2020). In addition, substantial opportunities for trade and investment exist in specific sectors such as e-commerce, education, health, and pharmaceuticals. Engaging in trade and investment within these promising sectors can yield additional benefits, particularly in the post-pandemic era.

Figure 1 depicts India-ASEAN trade (imports, exports and total trade) from 2009 to 2019. 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 Trade and Investment Opportunities with ASEAN Economies, 2019). India's merchandise export to ASEAN and imports from ASEAN both have increased significantly during the study period. India's exports to ASEAN was USD 19 billion in 2009 which increase to 38 billion USD in 2019. Similarly, imports



also increased from 26 billion USD to 59 billion USD during the same time period. As such, total trade between India and ASEAN have also been increasing (given by the green line in the figure).

**Figure 1 India-ASEAN Trade at a Glance (USD Billion)**

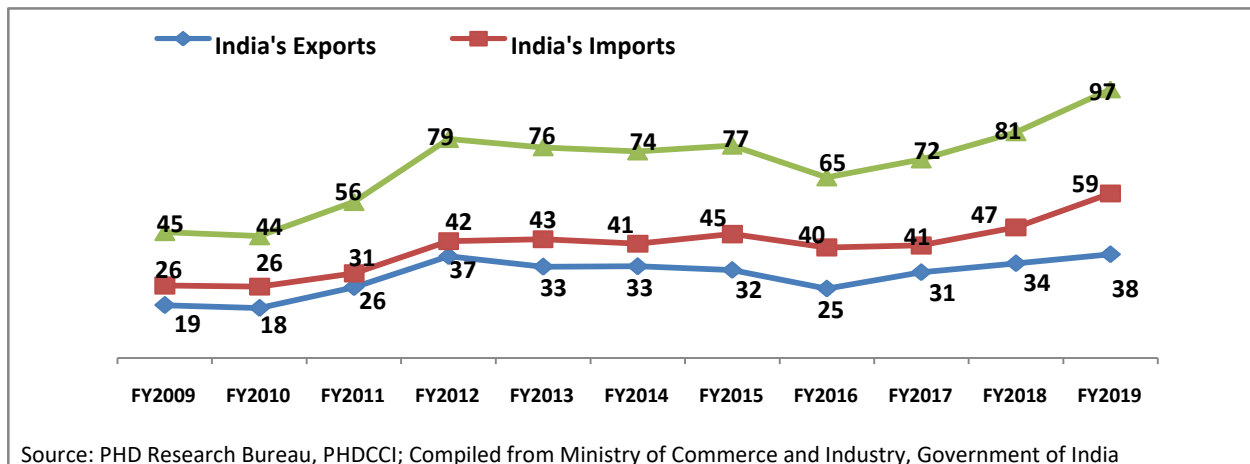


Table 1 provides an overview of India’s trade with ASEAN countries and rest of the world. Here, India’s trade (import and export) with ASEAN and Two time periods are analyzed for comparison, i.e. 2010-11 and 2019-20. In the year 2010-11, India’s export to ASEAN was 25.63 billion USD which increased to 31.55 billion USD in 2018-19. India’s export to the world has also increased during the study period from 249.82 billion USD to 313.36 billion USD in 2018-19. The share of India’s export to ASEAN as a % of total world export however remained more or less same during the period, i.e. 10.2% in 2010-11 and 10.1% in 2018-19. In case of imports, there has been an increasing trend as India’s imports from ASEAN in 2010-11 was 25.80 billion USD which increased to 55.37 billion USD in 2018-19. India’s total import from the rest of the world also increased from 288.37 billion USD in 2010-11 to 474. 71 billion USD in 2018-19. As a result ASEAN’s share in India’s total imports from the world rose from 8.95 billion USD to 11.66 billion USD during the study period.

**Table 1- Growth Rates of India’s trade with ASEAN and world**

	2010-11			2019-20			Growth Rate	
	To ASEAN	To world	Share of ASEAN in world	To ASEAN	To world	Share of ASEAN in world	ASEAN (2010-11-2019-20)	World (2010-11-2019-20)
	USD Billion		(%)	(USD billion)		(%)	(%)	
<b>Export</b>	25.63	249.82	10.26	31.55	313.36	10.17	2.10	2.29
<b>Import</b>	25.80	288.37	8.95	55.37	474.71	11.66	7.94	5.11
<b>Total</b>	51.43	538.19	9.56	86.92	788.07	11.03	5.39	3.89

Source-India ASEAN development and cooperation report 2021, DOTS, IMF

Table 2 shows the share of India’s top 20 total import and exports items in ASEAN trade. For simplicity, the list of commodities are not mentioned in the table. It is seen that the share of imports is quite high i.e. 92.2 % in 2009 which slightly decreased to 90.5 % in 2018. Similarly, exports share us also quite high at 85.8% in 2009 and 85.4% in 201

<b>Table 2 Share of India’s top 20 world import and export items to ASEAN countries</b>	<b>2009</b>	<b>2018</b>
	<b>%</b>	
Share of top 20 import items from ASEAN in India’s total imports from ASEAN	<b>92.2</b>	<b>90.5</b>
Share of top 20 export items from ASEAN in India’s total imports from ASEAN	<b>85.8</b>	<b>85.4</b>

Source: PHD Research Bureau, PHDCCI; compiled from Trade map database



Overall, the average annual growth rate of India’s exports, imports and total trade with ASEAN and with rest of the world has been positive and increasing during the time period. Also the share of India’s total exports and imports to ASEAN is quite high. This buoyancy in trade figures shows the deepening ties between India and ASEAN over the past few decades. Total bilateral trade increased more than threefold from US\$ 21 billion in 2005-06 to US\$ 65 billion in 2015-16, (India ASEAN Trade and Investment Relations: Opportunities and Challenges, 2016). The improvement in trade relations may be due to the formation of the ASEAN India Free Trade Agreement (AIFTA) in 2010. The FTA reduced tariffs on multiple commodities which facilitated imports and exports between the two regions.

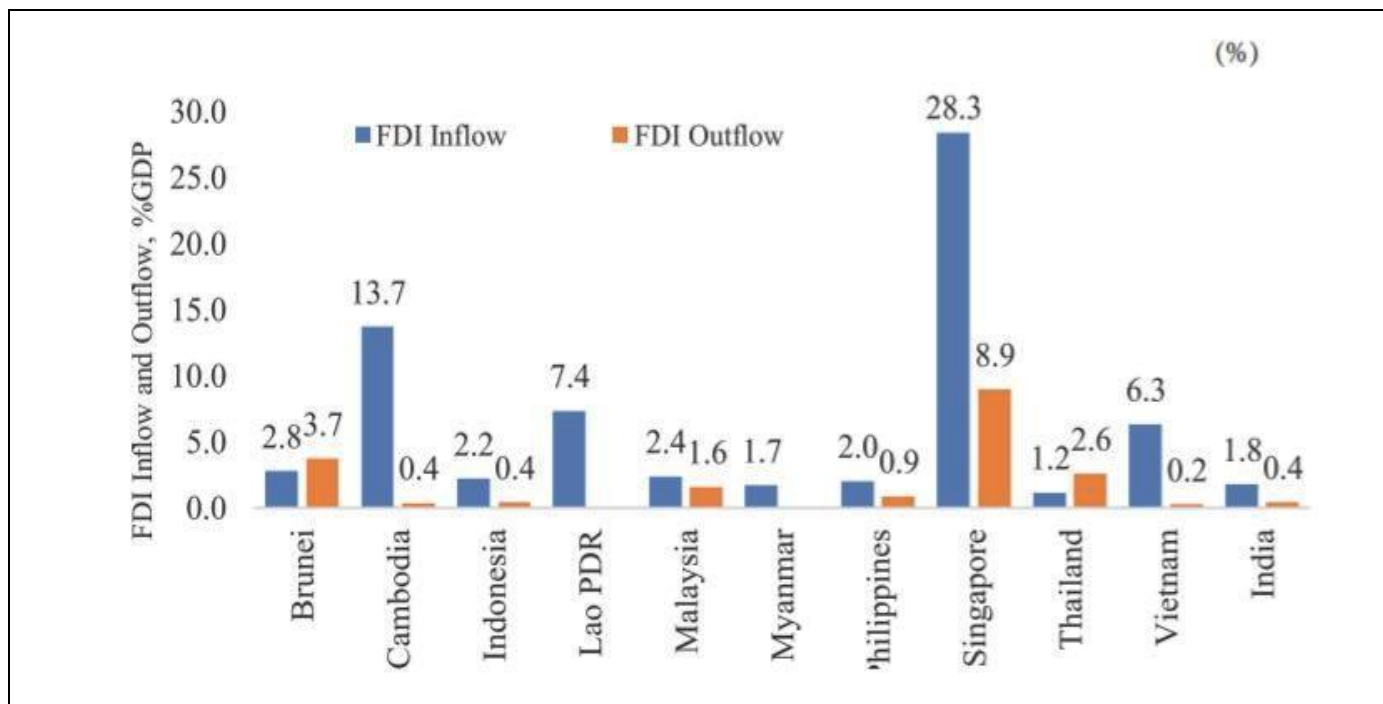
**5. EMERGING TRENDS IN INDIA-ASEAN TRADE AND INVESTMENT RELATIONS:**

Lately, Asian countries have received considerable attention of investors due to their rapid economic growth rates. Moreover, they have emerging markets, suitable environments and active participations in global investment markets. As a result, there has been substantial inflow of investments to ASEAN countries like Singapore (USD 105.47 billion), Malaysia (USD 8.57 billion), Indonesia (USD 24.58 billion) and so on and so forth. India has also attracted a significant amount of FDI in 2019 (USD 50.61 billion).

Figure 2 shows the inflow and outflow of FDI in ASEAN and India as a percentage of their GDP. Singapore, Cambodia, Vietnam, Lao PDR are among the top countries with significant share of FDI in their respective GDPs. While India’s FDI inflow and outflow is about 2% of the GDP.

In figure 3, we tried to put forward a comparative picture of Share of India’s FDI inflows and outflows to regional groups in total FDI.

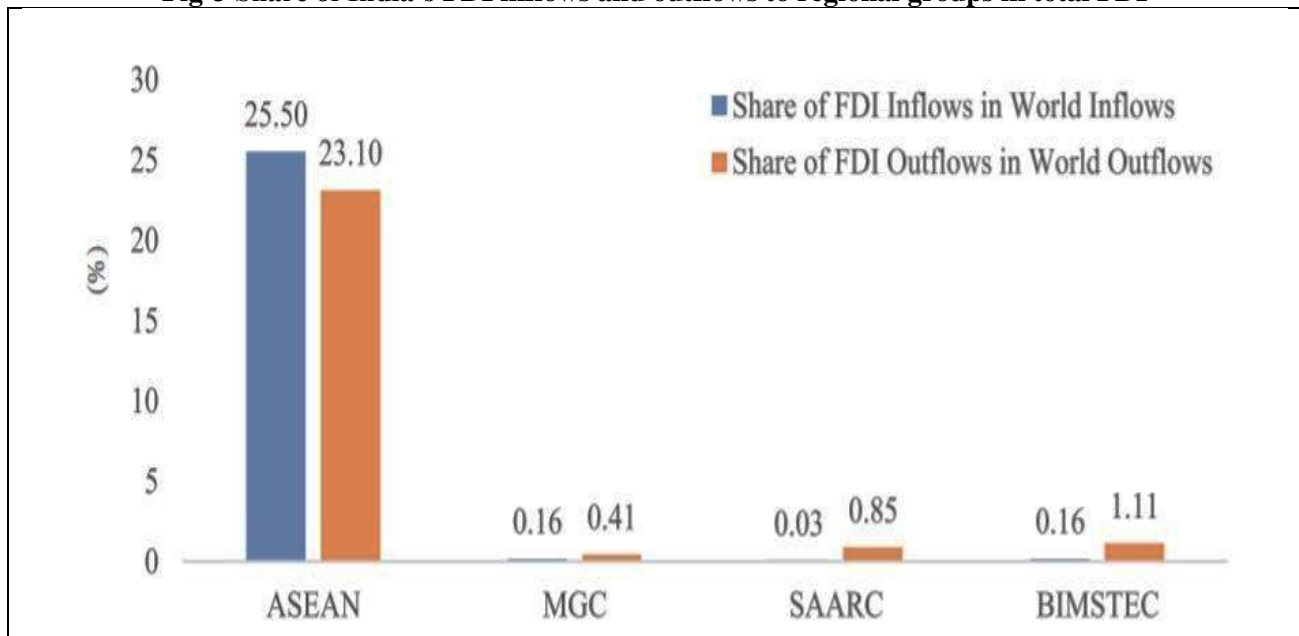
**Fig-2 Inflow and outflow of FDI in India and ASEAN as % of GDP**



Source- compiled from Trade map database

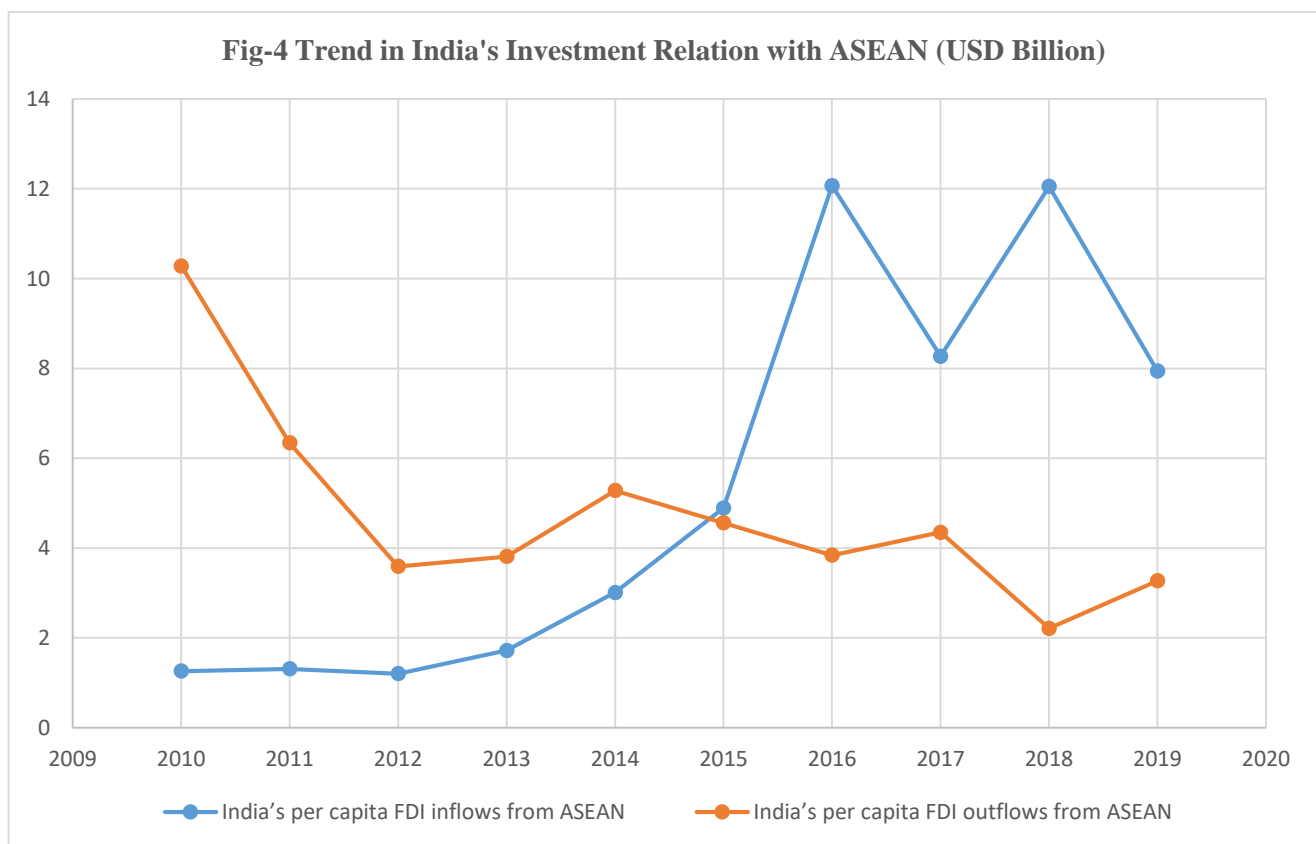


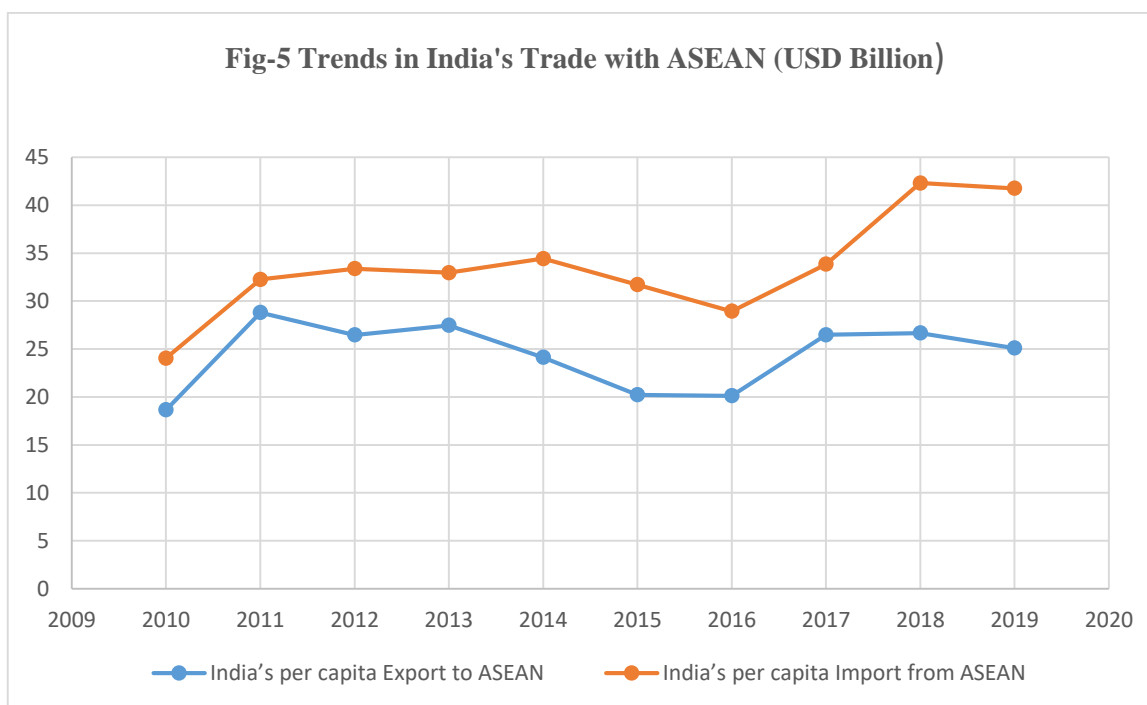
**Fig-3 Share of India's FDI inflows and outflows to regional groups in total FDI**



Source- compiled from Trade map database

**Fig-4 Trend in India's Investment Relation with ASEAN (USD Billion)**





**India-ASEAN mutual co-operation in fighting back the pandemic-**

The COVID-19 pandemic has left an indelible mark on the global economy and public health, and India and ASEAN have not been immune to its impact. Both India and ASEAN rank among the top three worst-affected regions, with a staggering 8.29 million and 7.49 million total cases, respectively. However, amidst these challenges, India and ASEAN have demonstrated resilience and determination in their response to the pandemic. This section of the study highlights the collaborative efforts of India and ASEAN in combating the pandemic.

India ASEAN co-operation to deal with the pandemic										
	Brunei	Cambodia	Indonesia	Lao PDR	Malaysia	Myanmar	The Philippines	Singapore	Thailand	Vietnam
Telephone/video conferencing		Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes
Vande Bharat Mission		Yes	Yes		Yes	Yes	Yes	Yes	Yes	Yes
Exchange of information and experts			Yes			Yes	Yes	Yes	Yes	Yes
Distribution of medical supplies		Yes	Yes	Yes	Yes	Yes	Yes		Yes	Yes
<i>Note-blank cell indicates unavailable data</i>										
<i>Source-India ASEAN development and cooperation report 2021</i>										

The table illustrates India's engagement with ASEAN countries and their collaborative efforts in response to the COVID-19 pandemic. India and ASEAN nations cooperated through various means, including telephonic and video conferences, online expert meetings, and the distribution of medical and pharmaceutical supplies. India's "Vande Bharat Mission," one of the largest global evacuation missions, operated at full capacity during this period. This mission involved the Indian government rescuing and repatriating nearly 9.5 lakh Indians stranded across the world during the pandemic. India also extended its assistance to Indians in ASEAN countries, successfully repatriating them during this challenging period.



## 6. CONCLUSION:

In conclusion, the paper has provided a comprehensive analysis of the evolving India-ASEAN trade and investment relations, both before and after the emergence of the Covid-19 pandemic. It has highlighted the promising prospects for economic collaboration between India and ASEAN, driven by their strong economic linkages and complementarities. The Covid-19 pandemic, while posing substantial challenges, has also demonstrated the resilience and cooperative spirit of India and ASEAN. Together, they have engaged in various forms of cooperation, from telephonic and video conferencing to the distribution of essential medical supplies, to combat the pandemic's impact.

As the world grapples with the changing global order post-pandemic, the paper emphasizes the need for continued collaboration between India and ASEAN. It calls for innovative ideas and collective solutions to strengthen their economic ties in this evolving landscape. This study is unique in its focus on India-ASEAN bilateral relations in the context of the ongoing pandemic and their collaborative efforts to address the associated challenges. It sheds light on a critical aspect of their partnership that has not been extensively covered in existing literature. In the face of a dynamic and uncertain future, India and ASEAN have shown that by working together, they can not only overcome shared challenges but also build a stronger foundation for mutual prosperity and cooperation. The prospects for their economic partnership remain promising, underpinned by their shared commitment to progress and regional stability.

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