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India's Economic Engagement with Southeast Asia: Progress and Challenges¹

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Introduction

The dynamics of India's economic engagement with Southeast Asia must be comprehended in the light of the contrasts existing in both India and the Southeast Asian region. India's states differ widely in demographic features, markets and natural resource endowments. Their populations vary from 60,000 (Lakshadweep) to 191 million (Uttar Pradesh). Per capita incomes also show fairly high dispersion, ranging from US\$157 to US\$1,733.³ Similarly, Southeast Asia comprises a diverse group of economies with different economic structures and levels of development. While the populations in these economies range from as low as 396,000 to 225 million, per capita incomes vary from US\$215.60 to US\$35,206.⁴

The heterogeneities on either side provide considerable scope for meaningful economic exchanges. Businesses from both India and the member states of the Association of Southeast Asian Nations (ASEAN)⁵ can look at different economic structures and resource endowments to locate appropriate complementarities. These mutual synergies have been the principal drivers of greater economic interactions between India and Southeast Asia in the last couple of decades.

India's 'Look East' policy was launched in 1992 as a response to the new geo-economic and geo-strategic landscape following the end of the Cold War. The 'Look East' policy was motivated by the conviction that greater engagement with the rest of Asia will enhance commercial opportunities and help to maximise opportunities arising from globalisation. The 'Look East' policy has guided India's engagement with ASEAN and Southeast Asia since its inception. Enhanced economic ties have been a key feature of such engagement. Indeed, India's growing strategic engagement with ASEAN⁶ has been accompanied by efforts from both sides to create institutional frameworks for economic cooperation. During the last two decades, India and ASEAN have focused on building institutional frameworks for economic cooperation and security dialogue through the ASEAN Regional Forum. The free trade agreement (FTA) between India and ASEAN must be perceived in the light of such efforts towards greater economic and strategic cooperation.

This paper examines the key aspects of India's economic engagement with Southeast Asia since the end of the Cold War and the introduction of the 'Look East' policy. It looks closely at bilateral trade, investment, sub-regional cooperation initiatives and the salient aspects of

the India-ASEAN FTA, and the issues involved in the latter's implementation. The paper critically examines the challenges that both India and ASEAN need to overcome in order to enhance deeper economic engagement and the enabling vision for such engagement.

Economic Engagement: Trade and Investment

Merchandise Trade

Bilateral merchandise trade between India and ASEAN increased from US\$2.3 billion in 1991-92 to US\$38.4 billion in 2007-08. The balance of trade is in ASEAN's favour with a trade surplus of US\$6.9 billion in 2007-08. ASEAN's share in India's total merchandise trade increased from 6.1 percent in 1991-92 to 9.6 percent in 2007-08.⁷ On the other hand, India's share in ASEAN's trade increased from 0.7 percent to 1.4 percent during the period 1993-2005.⁸ Clearly, the significance of Southeast Asia in India's trade increased faster than India's importance in the region's trade.

India's exports to ASEAN have increased rapidly since 2001-02. Indeed the annual growth of exports since 2001-02 has been 28 percent, with exports amounting to US\$15.7 billion in 2007-08. The Southeast Asian markets presently account for a tenth of total Indian exports. Singapore absorbs 43.6 percent of India's exports to the region, followed by Malaysia (16.1 percent), Indonesia (13.1 percent), Thailand (11.5 percent) and Vietnam (10.1 percent).⁹ India's trade with Singapore has increased much faster than with those in the rest of ASEAN, with Singapore emerging to become India's fourth largest export market in the world.¹⁰

India's exports to ASEAN have undergone considerable structural changes over the years. Resource-intensive exports such as refined petroleum products now figure prominently in India's exports. The changes are broadly in line with those that have taken place in India's overall export basket. The high growth of petroleum exports and the decline of primary exports such as cotton, oilseeds and meat underline a more pronounced manufacturing orientation in India's exports to ASEAN.¹¹

India's imports from ASEAN stood at US\$22.7 billion in 2007-08. ASEAN's share in India's total imports increased from 6.5 percent in 1991-92 to 9.4 percent in 2007-08. Singapore accounts for 35.8 percent of India's total ASEAN imports; Malaysia and Indonesia follow with shares of 26.5 percent and 21.3 percent respectively. Thailand and Myanmar account for 10.2 percent and 3.6 percent of India's ASEAN imports respectively.¹²

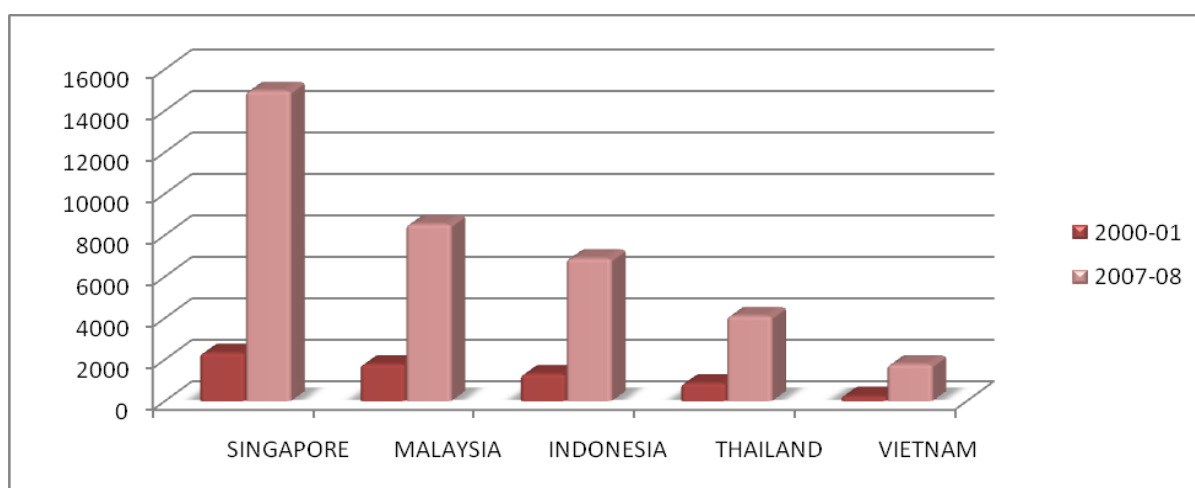
Mineral oil and fuels (such as petroleum oils, steam and anthracite coal, kerosene, high speed diesel and liquefied butanes) account for 30.9 percent of India's total imports from ASEAN. Other key imports include machinery and mechanical appliances, electrical machinery and equipment, vegetable fats and oils (such as crude palm oil and its extractions, crude palm kernel oil, other refined palm oil, refined deodorised palmolein, and coconut crude oil and its fractions), organic chemicals, iron and steel, and wood and wood articles.¹³

The structural changes in India's imports from ASEAN point to an increasing dominance of resource-intensive and mineral products, compared to chemicals and machineries earlier. In this context, it is important to note that many of India's imports from China (such as machinery and mechanical appliances, electrical equipments, iron and steel, plastics and organic chemicals) are common to those from ASEAN. The sharp increase in Chinese

imports into India¹⁴ is likely to create greater competition as far as the market access of ASEAN products into India is concerned.

A comparative profile of India’s trade with the major Southeast Asian economies (see Figure 1) shows that the increase in trade has been accompanied by its diversification and changes in the direction within the region. India’s direct trade with the ASEAN economies other than Singapore has increased steadily. Direct linkages between India and other ASEAN economies can help to reduce information and perception gaps, and play a key role in deepening bilateral engagement.¹⁵

Figure 1: India’s Trade with Key ASEAN Economies (US\$ million)



Source: Directorate General of Commercial Intelligence & Statistics (DGCI&S), Ministry of Commerce, Government of India.

Note: Figures exclude re-exports.

Services Trade

Bilateral trade in services has also picked up though the lack of disaggregated information constrains the analysis of such trade. Tourism is a key component of services trade. In 2007, 1.7 million Indian tourists visited the different ASEAN countries. The share of Indian tourists, as a percentage of total tourist traffic flows into ASEAN, increased from 2.1 percent in 2004 to 3.1 percent by 2007. Bilateral tourist flows have been helped by better air connectivity,¹⁶ competitive airfares and efforts to promote both ASEAN and India as mutually attractive tourist destinations.

In ASEAN, Singapore, Thailand and Malaysia attract the largest number of Indian tourists. The latest data on outbound tourists available till 2005 shows that, in 2005, 46.4 percent of Indian tourists to ASEAN travelled to Singapore, while 28 percent, 17.9 percent, and 4.6 percent of tourists travelled to Thailand, Malaysia and Indonesia respectively.¹⁷ The other ASEAN members are yet to emerge as key destinations for Indian tourists.

As far as ASEAN’s tourist traffic to India is concerned, the largest inflows in 2005 were from Malaysia (38.1 percent), followed by Singapore (29.3 percent), Thailand (16.5 percent) and Indonesia (6 percent).¹⁸ Malaysia and Singapore were India’s ninth and eleventh largest source of overall tourists respectively in 2005. They accounted for 2.4 percent and 1.9 percent respectively of total tourist arrivals in India in 2005.

Both India and ASEAN have been promoting institutional arrangements to facilitate tourist flows. Tourism was identified as an area of cooperation way back in 1993 during the Meeting on the Establishment of a Sectoral Dialogue between India and ASEAN. Apart from cooperation in travel trade and hotel industry, the meeting also agreed to manage destination tourism and set up an ASEAN-India tourist information centre.¹⁹

In a recent key initiative, ASEAN and Indian tourism ministers met in Bangkok on 22 January 2008 to discuss steps to promote bilateral tourism.²⁰ The potential for tourism growth between India and ASEAN continues to remain vast. India has proposed joint efforts to realise the target of receiving one million tourists from ASEAN by 2010. One of the key steps in this regard will be to simplify existing visa regimes, particularly for business travel.

India and ASEAN enjoy strong complementarities in information technology (IT) trade. Bilateral IT trade is growing at a rapid pace. Many Indian software service providers have set up bases in different ASEAN countries, with the majority of them being in Singapore, given its competitiveness arising from a well-developed technology and communications infrastructure.

India has been bilaterally pursuing initiatives with individual ASEAN members to facilitate IT trade. These include mutual recognition of accredited IT courses with Singapore; agreement on IT cooperation with Malaysia; a task force to explore greater opportunities with Thailand; and developing IT capabilities in the CLMV (Cambodia-Laos-Myanmar-Vietnam) countries. India can collaborate with Vietnam and the Philippines in the IT sector to leverage on human resources for mutual benefit.

Cross-border Investment

Cross-border long-term foreign direct investment (FDI) flows between India and ASEAN have been increasing steadily. Indian investments in ASEAN have increased along with the increase in overall outward FDI from India.²¹ A time-series of India's FDI inflows into ASEAN shows such flows to have increased from US\$108.08 million in 1995-96 to US\$380.4 million in 2007-08.²² There were, however, sub-phases during this period, particularly from 1996-2001, when Indian FDI inflows to ASEAN reduced sharply. However, they have shown sustained recovery since 2002.

Singapore currently attracts the largest Indian FDI across the world.²³ Among the ASEAN countries as well, Singapore is drawing the maximum Indian FDI. Such FDI is showing a clear bias for locating in services, with finance and IT-related activities being the key sectors. The signing of the bilateral Double Tax Avoidance Treaty (DTA) is also responsible for the spurt in FDI to Singapore. In the rest of ASEAN, Indian FDI shows a greater manufacturing orientation. This is reflected in Indian investments in Malaysia and Thailand. India is the seventh largest source of FDI for Malaysia,²⁴ with investments in paper, printing, metal products, chemicals and wood products.²⁵ Similarly, Indian joint ventures in Thailand are largely in chemicals, steel, drugs and pharmaceuticals, and textiles.²⁶ Indian investment in the rest of ASEAN, however, is fairly limited at the moment.

The FDI inflows from ASEAN to India are also increasing, with some Southeast Asian economies such as Singapore becoming major sources of FDI for India. Singapore is the third largest source of FDI for India, following Mauritius and the United States. During the period August 1991 to May 2007, Singapore's total FDI into India stood at US\$1,800.3 million,

which was 3.7 percent of total FDI into India during the period.²⁷ Singapore-based companies have been investing mostly in telecommunication, financial services, electrical equipments (particularly software and electronics), energy and transportation.²⁸ With the DTA facilitating bilateral FDI, Singapore can emerge as another regional ‘hub’ to channel FDI from different parts of the world into India in a manner similar to Mauritius.

Malaysia and Thailand are the two other significant ASEAN investors in India.²⁹ The biggest proportion of Malaysia’s investment in India is in construction activities, particularly highways, followed by hotels and tourism. Thailand’s investments are largely in telecommunications, hospitality and tourism. Inward FDI from the Philippines, Indonesia, Myanmar and Vietnam are still negligible.

Bilateral FDI between India and ASEAN has considerable potential of expanding further if India and ASEAN respond to each other’s complementarities. More diversified investments by Indian companies in ASEAN and by domestic and multinational companies based in ASEAN, including the sovereign wealth funds of Singapore, Vietnam and other ASEAN members in India, can deepen market-based integration.

Sub-Regional and Bilateral Economic Engagement

India’s economic engagement with Southeast Asia is visible at the sub-regional as well as bilateral levels. Sub-regional initiatives include the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) and the Mekong Ganga Cooperation (MGC). India has been simultaneously engaging bilaterally with several Southeast Asian economies. These have produced bilateral economic cooperation frameworks such as those with Singapore and Thailand.

Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation

BIMSTEC was born in 1997. It originally comprised Bangladesh, India, Sri Lanka and Thailand. Subsequently, Bhutan, Nepal and Myanmar expanded the grouping. The arrangement is a contiguous linkage between countries of South Asia and Southeast Asia with the exception of Sri Lanka. BIMSTEC’s main priorities include transport connectivity, technological development, tourism, fisheries, energy, agriculture and human resource development. The members are working towards a Framework Agreement for free trade and are examining issues pertaining to the rules of origin (ROO) and dispute settlement.³⁰

BIMSTEC can provide effective land linkages between South Asia and Southeast Asia by connecting India’s northeast with Thailand through Myanmar.³¹ Indeed transport bottlenecks are the key constraints to growth of trade and commerce in the region. There are also studies pointing to prevalence of non-tariff barriers such as procedural requirements, sanitary measures and technical standards³² that are impeding trade. These require the urgent attention of the members.

Mekong Ganga Cooperation

Efforts towards establishing the MGC began in November 2000. Apart from India, the only South Asian member, the grouping includes Thailand, Laos, Cambodia, Myanmar and Vietnam. The development of transportation networks is a key priority of the MGC. The proposed networks include the East-West Corridor project and the Trans-Asian Highway.³³

The initiative is progressing in line with the decisions taken at the Hanoi Programme of Action in July 2001. There is also a proposal to build a rail link from Hanoi in Vietnam to New Delhi in India which will pass through Myanmar, Laos, Thailand and Cambodia. The link will integrate India's northeast with the Mekong delta and southern China and can be of significant economic benefit.

India's trade with the MGC increased from US\$1.7 billion in 2001-02 to US\$4 billion in 2005-06, though this is essentially a reflection of India's greater trade with Thailand.³⁴ India's important initiatives under the MGC include a grant of US\$1 million to set up a museum of traditional textiles in Siem Reap in Cambodia, offering scholarships to students in the region to study in India and convening a meeting of tourism ministers of the MGC members in Delhi in 2004.³⁵

Bilateral Initiatives

The India-Singapore Comprehensive Economic Cooperation Agreement (CECA) is India's first comprehensive economic cooperation agreement with any country. It came into force in August 2005 and covers trade in goods and services as well as cross-border investments. The CECA has played a key role in increasing bilateral trade between India and Singapore. Such trade is expected to increase further with the successful conclusion of the mutual recognition agreements for skilled professionals and the agreement on intellectual property rights.³⁶

India and Malaysia are also moving towards a bilateral framework agreement following the establishment of a Joint Study Group (JSG) in March 2005 and the adoption of its report in August 2007. Ongoing negotiations on the trade in goods, services, investment and other related areas of economic cooperation are expected to conclude soon. There are also encouraging signs in the bilateral trade talks between India and Indonesia.³⁷

Thailand was the first Southeast Asian economy with whom India signed a framework agreement to establish an FTA in October 2003. Under the agreement, tariff cuts were agreed on a mutually reciprocal basis on a large cross-section of products. The FTA, despite objections expressed by some Indian exporters regarding greater access granted to Thai products,³⁸ is reportedly progressing well with the satisfactory movements made in tariff reductions and eliminations, ROO and dispute settlement. In a significant development aimed at strengthening bilateral economic ties, India signed four economic cooperation agreements with Myanmar in June 2008.³⁹ India is also keen on playing an active role in developing hydro-electric power capacities in Myanmar.⁴⁰

India has been collaborating with Vietnam in specific areas such as biotechnology, IT, electronics, ocean development and medical research. India's similar efforts with Cambodia pertain to tourism and air services while with Laos, they cover agricultural cooperation, science and technology, entrepreneurship development and IT development⁴¹ as well as the development of irrigation facilities and transport infrastructure development.⁴²

India-ASEAN Free Trade Agreement

The desire of both ASEAN and India to provide a strong push to mutual economic engagement and cooperation was formalised in a framework agreement on comprehensive economic cooperation in October 2003 during the Second India-ASEAN Summit at Bali in Indonesia. The formalisation signalled the first move towards an India-ASEAN Regional

Trade and Investment Area that will include an FTA for both goods and services as well as cross-border investment.⁴³

Negotiations on a bilateral FTA in goods were concluded in August 2008. Though the FTA was to be signed by both India and ASEAN in December 2008, unforeseen political developments in Thailand delayed the process. However, the agreement is expected to be signed any time in the foreseeable future.

The FTA will significantly deepen bilateral economic engagement. While ASEAN is an important source of resource-intensive imports (such as energy, food, forest and other resources) for India, a significant scale and scope economies can be achieved by India through the acquisition of a larger share in the ASEAN markets for intermediate inputs and capital goods. There is also scope for improving connectivity and density of relations with Indonesia and Vietnam, two of India's major trade partners in ASEAN.

The FTA comes after a long history of intensive and difficult negotiations. The Framework Agreement was to come into force in July 2004 with an Early Harvest Programme (EHP) having 105 product categories for tariff concessions.⁴⁴ India agreed to extend unilateral tariff concessions on several other items to the CLMV countries.⁴⁵ This was an attempt to fulfill one of the core objectives of the Framework Agreement – enabling greater economic integration of the new ASEAN states and helping them to achieve higher growth and development.

The EHP could not become functional due to differences over the ROO.⁴⁶ The negotiations that followed proceeded broadly satisfactorily for both sides, with India and ASEAN agreeing to reduce tariffs in a phased and reciprocal manner on 80 percent of items featuring in their bilateral goods trade. However, problems arose over tariff reduction for agricultural products. Country-specific advantages in the production and trade of specific agricultural commodities such as crude and refined palm oil⁴⁷ emerged as major roadblocks. The latter underscored the importance of a functional architecture in pushing negotiations,⁴⁸ an aspect that future negotiations on services will need to keep a note of.

However, it is encouraging to note that both India and ASEAN have been able to successfully resolve the contentious issues and draw the negotiations to a close. The fine prints of the agreement will become available in public domain only after it is formalised. However, the FTA augurs well for both sides since it can substantively increase bilateral trade if it is implemented in a meaningful and constructive manner.

Bilateral FTAs usually have differentiated impact on different trade sectors. Gains and losses from obtaining greater access in exports and granting similar access to imports become comprehensible only over a period of time. The India-ASEAN FTA is also not an exception. The outcomes of the agreement will need careful monitoring and evaluation. At the same time, it is imperative to ensure that the FTA is implemented with low transaction costs on both sides. The ASEAN Free Trade Agreement (AFTA), which accounts for only five percent of cumulative intra-ASEAN trade, is a pertinent example. The AFTA has been variously criticised for its failure to minimise transaction costs.

Both India and ASEAN need to take specific measures to implement the FTA with low transaction costs. Low transaction costs can be achieved only with improved trade surveillance and effective commercial intelligence networks. This will call for greater efforts

on the part of the national customs authorities on both sides. Furthermore, both India and the ASEAN economies need to clearly decipher and follow each others' trade documentation and reporting practices. This may require significant investments in logistics and human resources. Finally, it is important to ensure that the FTA does not obstruct the movement of goods under existing arrangements such as those between India and Singapore, and India and Thailand.

Though the FTA has been negotiated, its implementation has been withheld due to the necessity by the legislatures of some ASEAN members to ratify the agreement. Unfortunate political developments have caused considerable delay in the formalisation of the agreement. Further delays are likely to create major operational difficulties for India. With the earlier deadline of December 2008 having been missed, there is a strong possibility of the tariff reduction being substantively revised to allow more time between the phased cuts. The new government in India will have to look at the tariff reduction schedule closely to decide the phased implementation.

Future Economic Engagement: Prospects and Challenges

India's future economic engagement with Southeast Asia is expected to focus upon two key priorities. While the near-term priority involves the implementation of the bilateral FTA, the medium-term objective will be guided by the larger vision of a pan-Asian economic community.

The Free Trade Agreement and Bilateral Economic Engagement

India's economic interaction with Southeast Asia over the last couple of decades has increased both quantitatively and qualitatively. Bilateral trade and investment has enhanced with the flow of goods, services and capital becoming increasingly diversified and widely distributed. India's economic exchanges have been relatively more with the older ASEAN members such as Singapore, Malaysia, Indonesia and Thailand. However, in more recent years, engagements with the relatively new ASEAN members have also increased. India's bilateral initiatives with the CLMV group show its eagerness in developing capacities in these countries. The evolution of regional institutional architectures such as the recently-concluded bilateral FTA can play an effective role in enhancing India's economic engagement with the CLMV countries.

Apart from formalising bilateral economic ties, the FTA is also testimony to ASEAN's recognition that deeper engagement with India can lend more resilience to its economies. The resilience and prospective recoveries of the ASEAN economies have assumed critical significance in the backdrop of the current economic downturn. Overt reliance on external sector demand has resulted in a fast spread of the adverse impact of the economic crisis in several ASEAN members which are experiencing sharp contraction in outputs.⁴⁹ Harnessing complementarities with India at this juncture can result in significant gains for both sides. This implies the urgent implementation of the FTA.

From an Indian perspective, the implementation of the FTA will imply granting greater market access for imports in certain economically and politically 'sensitive' segments.⁵⁰ The possibility of such imports provoking dissenting voices within the country cannot be ruled out. The smooth functioning of the FTA will depend significantly upon India's success in managing opposition from domestic producers, particularly in plantation commodities.

Indeed, in this regard, India will be looking forward to an early start to the FTA as that will expedite the next round of negotiations. India is keenly looking forward to the outcomes of negotiations in services. These negotiations are likely to see India adopting a more aggressive posture. The concluded goods FTA will produce relatively higher gains for ASEAN. Since India already had relatively higher tariffs, the magnitude of reductions will be higher for India, thereby making relative market access gains greater for ASEAN. India looks forward to obtaining greater market access commitments from ASEAN in commercial services and an easier ‘mode 4’ access for its skilled professionals in ASEAN countries.

A Pan-Asian Economic Community

India’s future economic interactions with Southeast Asia will be guided by the objective of creating a pan-Asian economic community. Integration with the Southeast Asian regional market enables India to move further eastward into the East Asian markets. This extra-regional framework is economically superior to bilateral and sub-regional arrangements that are usually sub-optimal due to inadequate complementarities.⁵¹ The bilateral FTA marks a significant milestone in the move towards greater Asian economic integration.

Presently, large Asian economies such as Japan, China, India and Korea are engaging with ASEAN through the ‘ASEAN Plus’ negotiation approaches. These dialogue partners of ASEAN are also exploring concurrent bilateral economic arrangements between themselves (for example, Japan-India, China-Korea and India-China) as well as with ASEAN members (for example, China-Philippines, Japan-Malaysia, India-Malaysia, India-Indonesia and South Korea-Singapore) and the subgroups of these countries (BIMSTEC, and the MGC of India and the Kunming Initiative of China).⁵² However, there are far greater economic gains in moving towards bigger territorial groupings such as ASEAN+6 (Australia, China, India, Japan, Korea and New Zealand), given the diverse levels of economic development and resource endowment inherent in such combinations. A framework such as ASEAN+6 can produce powerful synergies between members with its diverse array of complementarities and encourage greater participation of low-income countries in trade, reduce transaction costs, promote investment and generate robust economic activity.⁵³

The global economic crisis offers both India and ASEAN considerable opportunities to cooperate and collaborate on shared concerns. It is firmly in the interest of both sides to ensure that the economic crisis does not degenerate into a social and political crisis. India and some ASEAN members have begun playing active roles in the global financial surveillance systems such as the Financial Stability Board. There is clearly a desire to ensure that future international financial architecture reforms reflect Asia’s increasing significance in world affairs. Such reflection will be consistent with India’s and ASEAN’s aspirations for greater representation in global councils as well as for developing capacities to contribute constructively and meaningfully to the management of global affairs.

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Endnotes

- ¹ An earlier version of this paper was presented at the International Science Conference on ‘The Relationship between India and Southeast Asia – A Strategic Commitment or Regional Integration’ organised by the University of Social Sciences and Humanities, Vietnam, and the Maulana Abul Kalam Azad Institute for Asian Studies, India, in Ho Chi Minh City on 15-16 May 2009. The author is grateful to the participants of the conference and Dr S. Narayan for their useful comments.
- ² Dr Amitendu Palit is a Visiting Research Fellow at the Institute of South Asian Studies, an autonomous research institute at the National University of Singapore. The views expressed in the paper are entirely personal. Usual disclaimers apply. Dr Palit can be contacted at isasap@nus.edu.sg.
- ³ Computed in US\$ (at US\$1 = INR50) from Appendix Table 1.8 of *Economic Survey for 2007-08*. For the *Economic Survey*, please see <http://www.indiabudget.nic.in>. (Accessed on 29 October 2008)
- ⁴ See <http://www.aseansec.org/stat/Table1.pdf> (Accessed on 29 October 2008). Per capita income computations are at current prices (US\$ 2007).
- ⁵ ASEAN comprises Brunei Darussalam, Cambodia, Indonesia, Malaysia, Myanmar, Lao PDR, Philippines, Singapore, Thailand and Vietnam.
- ⁶ Beginning from a sectoral dialogue partner in 1992, India became a full dialogue partner of ASEAN in 1995. Thereafter, it became a member of the ASEAN Regional Forum in 1996 and finally a Summit-level partner of ASEAN in 2002.
- ⁷ Data obtained from a) Export-Import Data Bank, Ministry of Commerce, Government of India (<http://commerce.nic.in/eidb/ernq.asp> (Accessed on 23 August 2008) and b) System on Foreign Trade Performance Analysis, Ministry of Commerce, Government of India (<http://commerce.nic.in/ftpa/rgn.asp> (Accessed on 23 August 2008).
- ⁸ Detailed partner country-wise direction of trade statistics for ASEAN members is available up to the year 2005. The shares have been computed from the *ASEAN Statistical Yearbook 2006*, p. 84, Table V. 12. See <http://www.aseansec.org/13100.htm>. (Accessed on 23 August 2008)
- ⁹ As in 7 above.
- ¹⁰ Malaysia, Indonesia and Thailand were India’s 17th, 21st and 24th largest export markets in 2007-08. See <http://commerce.nic.in/ftpa/cnt.asp>. (Accessed on 23 August 2008)
- ¹¹ Palit, A. (2008), ‘India’s Multi-faceted Ties with Southeast Asia: The Economic Dimension’; Paper presented at the Workshop on ‘Inter-Regional Relations: South Asia and Southeast Asia’, organised by the Institute of South Asian Studies, National University of Singapore, in Singapore on 9 September 2008.
- ¹² As in 9 above.
- ¹³ Myanmar is a key source of wood imports.
- ¹⁴ From the period 1998-99 to 2007-08, the share of Chinese imports in total Indian imports increased from 2.6 percent to 11.5 percent.
- ¹⁵ Asher, M., and Palit, A. (2009), ‘India-ASEAN PTA: Achieving Strategic Growth’, *CFO Connect*, 29 April 2009, Delhi.
- ¹⁶ ASEAN air carriers have limitless access to four major metros in India during tourist months. See Chanda, R. and Sasidaran, G. (2008), ‘Understanding India’s Regional Initiatives within Asia’, Working Paper 48, Institute of South Asian Studies, National University of Singapore, Singapore, 15 August 2008.
- ¹⁷ Computed from Table 4.1.3 (Destination-wise Indian Nationals Outbound Travel 2000-2005), Chapter 4, pp. 73-75 in *Indian Tourism Statistics 2006*; See <http://www.tourism.gov.in/statistics/ITS2006.pdf>. (Accessed on 19 August 2008)
- ¹⁸ Computed from Table 2.1.2 (Nationality-wise Foreign Tourist Arrivals in India 2005 and 2006), Chapter 2, pp. 8-10 in *Indian Tourism Statistics 2006*; See <http://www.tourism.gov.in/statistics/ITS2006.pdf>. (Accessed on 19 August 2008)
- ¹⁹ See <http://www.aseansec.org/5734.htm>. (Accessed on 19 August 2008)
- ²⁰ See <http://www.aseansec.org/21348.htm>. (Accessed on 19 August 2008)
- ²¹ Outward FDI from India increased to US\$17.4 billion in 2007-08 from US\$1.5 billion in 2003-04. See <http://rbidocs.rbi.org.in/rdocs/Bulletin/PDFs/85583.pdf>. (Accessed on 25 August 2008)
- ²² See <http://www.aseansec.org/18177.htm>. (Accessed on 25 August 2008)
- ²³ Singapore absorbed 35 percent of total outward FDI proposals from India involving an aggregate FDI of more than US\$5 million in 2007-08 (Asher and Palit, 2009).
- ²⁴ <http://www.money3.com.my/MalaysiaFinancialNews/NewsContent.aspx?NewsID=250&Title=Malaysia+News+To+Attract+More+Investment+From+India>. (Accessed on 25 August 2008)
- ²⁵ See <http://www.thehindubusinessline.com/2007/11/27/stories/2007112751861000.htm>. (Accessed on 25 August 2008)
- ²⁶ See http://commerce.nic.in/pressrelease/pressrelease_detail.asp?id=256. (Accessed on 25 August 2008)
- ²⁷ Source: http://www.dipp.nic.in/fdi_statistics/India_FDI_May_2007.pdf. (Accessed on 25 August 2008)

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- ²⁸ See <http://www.bridgesingapore.com/FDI.htm>. (Accessed on 25 August 2008)
- ²⁹ In terms of source country rankings for cumulative FDI inflows into India from August 1991 to May 2007, Malaysia and Thailand rank 23rd and 28th respectively.
- ³⁰ See http://www.bimstec.org/free_trade.html. (Accessed on 21 August 2008)
- ³¹ Reddy, K. R. (2006), 'Sub-Regional Economic Cooperation between India and ASEAN' in Kumar N., Sen R., and Asher M.(eds), *India-ASEAN Economic Relations: Meeting the Challenges of Globalization* published by Research and Information System for Developing Countries, Delhi, India, and Institute of Southeast Asian Studies, Singapore.
- ³² Banik, N. (2007), 'The BIMSTEC FTA and Its Relevance', Centre for Studies in International Relations and Development (CSIRD), Discussion Paper (DP) #36, Kolkata, October; See <http://www.csird.org.in/pdf/DP36.pdf>. (Accessed on 21 August 2008)
- ³³ The East-West Corridor visualises linking the Bay of Bengal to the South China Sea. The project was finalised in December 2006. See Levesque (2007). The Trans-Asian Highway is expected to connect Singapore to New Delhi via Kuala Lumpur, Ho Chi Minh City, Phnom Penh, Bangkok, Vientiane, Chiang Mai, Yangon, Mandalay, Kalembo, Tamu, Dhaka and Kolkata. See <http://www.manipuronline.com/Features/January2002/mekongganga19.htm>. (Accessed on 22 August 2008)
- ³⁴ Levesque, J. (2007), 'Mekong-Ganga Cooperation Initiative: India's Underused Soft Power Tool', Institute of Peace and Conflict Studies (IPCS), Article no 2440, 11 December 2007, Delhi; See <http://www.ipcs.org/newKashmirLevel2.jsp?action=showView&kValue=2456&subCatID=null&mod=null>. (Accessed on 22 August 2008)
- ³⁵ See Levesque (2007).
- ³⁶ See http://www.commerce.nic.in/pressrelease/pressrelease_detail.asp?id=2279. (Accessed on 22 August 2008)
- ³⁷ A JSG constituted for examining the feasibility of the CECA between the two countries has already met twice and is expected to submit its report soon (Palit 2008).
- ³⁸ The Federation of Indian Chambers of Commerce and Industry (FICCI), (2005), 'FICCI Survey on India-Thailand FTA – Emerging Issues', June, Delhi; See http://www.ficci.com/surveys/The_India_Thailand_FTA-Report.pdf. (Accessed on 22 August 2008)
- ³⁹ These include a Bilateral Investment Protection Agreement, two credit line agreements between Exim Bank of India and the Foreign Trade Bank of Myanmar to develop electricity transmission and distribution capabilities in Myanmar and an agreement between the United Bank of India and Myanmar Economic Bank to provide banking facilities to border trade arrangements between the two countries. See Palit (2008).
- ⁴⁰ As in 39 above.
- ⁴¹ See <http://indemblaon.nic.in/relations.htm>. (Accessed on 22 August 2008)
- ⁴² See http://indemblaon.nic.in/joint_relations.htm. (Accessed on 22 August 2008)
- ⁴³ See http://www.commerce.nic.in/trade/international_ta_framework_asean.asp. (Accessed on 27 August 2008)
- ⁴⁴ These 105 tariff lines are specified in Annex A of the Framework Agreement. They are at the 6-digit level of ITC-HS product classification. See http://www.commerce.nic.in/trade/international_ta_framework_asean.asp. (Accessed on 17 August 2008)
- ⁴⁵ As specified in Annex B of the Framework Agreement. See http://www.commerce.nic.in/trade/international_ta_framework_asean.asp. (Accessed on 17 August 2008)
- ⁴⁶ The ROO are the criteria that decide the country of origin of different products and are essential to devise tariff lines. ASEAN did not accept the Indian approach to the ROO in negotiating the FTA as it wanted a more liberal framework. See Mohanty, S. (2007), 'India-ASEAN FTA Negotiations: The Way Forward', Institute of Peace and Conflict Studies, Article no. 2434, December; <http://www.ipcs.org/whatsNewArticle11.jsp?action=showView&kValue=2450&status=article&mod=b>. (Accessed on 17 August 2008)
- ⁴⁷ Prominent ASEAN exporters of edible oils such as Malaysia and Indonesia demanded deeper tariff cuts, which India did not agree to. See http://www.centad.org/tradenews_476.asp. (Accessed on 17 August 2008)
- ⁴⁸ Ariff, M. and Cheen, L.C (2006), 'ASEAN-India FTA: Issues and Prospects' in Kumar, N., Sen, R., and Asher, M., (eds.) *India-ASEAN Economic Relations: Meeting the Challenges of Globalization*, published by Research and Information Systems for Developing Countries, Delhi, India, and the Institute for Southeast Asian Studies, Singapore.
- ⁴⁹ Singapore, Indonesia, Malaysia, Philippines, Thailand and Vietnam are projected by the International Monetary Fund to grow at -10%, 2.5%, -3.5%, 0.0%, -3.0% and 3.3% respectively in 2009. See <http://www.imf.org/external/pubs/ft/reo/2009/apd/eng/areo0509.pdf>. (Accessed on 10 May 2009)
- ⁵⁰ There are 47 tariff lines in the category of edible oils that are designated as sensitive imports by India. These include crude palm oil and its fractions, refined bleached deodorised (RBD) palm oil and RBD palmolein. See Palit (2008).

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- ⁵¹ Kumar, N. (2006), 'Longer Term Vision of India-ASEAN Partnership: Towards an Asian Economic Community' in Kumar N., Sen R., and Asher M.(eds), *India-ASEAN Economic Relations: Meeting the Challenges of Globalization* published by Research and Information System for Developing Countries, Delhi, India, and the Institute of South East Asian Studies, Singapore.
- ⁵² For a detailed discussion of the different bilateral and regional negotiations, see Bonapace, T. (2005), 'Regional Trade and Investment Architecture in Asia-Pacific: Emerging Trends and Imperatives', Discussion Paper (DP) #92, Research and Information System for Developing Countries, Delhi, India.
- ⁵³ Kawai, M., and Wignaraja, G. (2007), 'ASEAN+3 or ASEAN+6: Which Way Forward?' Discussion Paper, #77, Asian Development Bank Institute, Tokyo, September 2007.