

India's Trade with ASEAN Nations- A Case Study of Singapore and Indonesia

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Abstract

The Act East Policy of India was originally conceived as an economic initiative but later it has gained strategic political and cultural dimensions including cooperation. As a result, India has upgraded its trade relations to strategic partnership with Association of Southeast Asian Nations (ASEAN) and ASEAN Regional Forum (ARF) and East Asia Summit (EAS). Among the ASEAN countries Singapore and Indonesia are the two largest trade partners of India, with trade volume of \$31.1 Billion and \$26.17 Billion in 2021-22 respectively. India has a negative trade balance with both these countries which are to the tune of \$7.8 Billion and \$9.2 Billion in 2021-22 respectively. The total trade volume of these two nations with India is 71.34% of the total trade volume of the ASEAN nations in 2021-22. Again India's trade deficit with these two nations is 65.99% of the total trade deficit with the ASEAN Nations. With the passage of time and ever rising importance of Act East Policy, India's trade with Singapore and Indonesia will increase further along with that of the other ASEAN Nations. It is important for India to increase the trade volume with these two countries but at the same time reduce the trade deficit also. If India has to reduce the trade deficit with the ASEAN Nations, it must improve trade with Singapore and Indonesia. This paper analyses India's trade with Singapore and Indonesia and tries to identify the core areas where India has an opportunity to improve its exports to these two nations so that it can reduce the trade deficit with these two countries.

Keywords: ASEAN Nations, Export, Import, Trade Deficit

1. Introduction:

ASEAN (Association of Southeast Asian Nations) is a regional intergovernmental organization consisting of ten member countries located in Southeast Asia. The ASEAN region includes Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam. The organization was established in 1967 with the aim of promoting economic cooperation, political stability, and cultural integration among its member countries. ASEAN has a combined population of over 650 million people, making it the third-largest population in the world after China and India. The region has a diverse range of cultures, languages, and religions, and is home to some of the world's fastest-growing economies. The ASEAN region is strategically located at the crossroads of major trade routes between the Indian Ocean and the Pacific Ocean, making it an important hub for global trade and commerce.

The Act East Policy of India was originally conceived as an economic initiative but later it has gained strategic political and cultural dimensions including cooperation. As a result, India has upgraded its trade relations to strategic partnership with Association of Southeast Asian Nations (ASEAN) and ASEAN Regional Forum (ARF) and East Asia Summit (EAS). India's trade with ASEAN (Association of Southeast Asian Nations) nations has been steadily growing over the years. The bilateral trade between India and ASEAN stood at USD 81.33 billion in 2020-21, making ASEAN India's fourth-largest trading partner. India's exports to ASEAN countries mainly consist of petroleum products, gems and jewelry, pharmaceuticals, chemicals, machinery, and textiles, while imports from ASEAN nations mainly comprise petroleum, machinery, chemicals, rubber, and electronic goods.

1. Methodology:

This paper is a case study of India's Trade with Singapore and Indonesia, the two largest trade partners of India. Based on secondary data this paper tries to analyse the trade volume of India with Singapore and Indonesia respectively. It studies the trends of trade and also try to find out the potentials areas for further development of trade.

2. Review of Literature:

Muni S.D. (2011) , in the working paper *India's 'Look East' Policy: The Strategic Dimension* examines the historic evolution of the look east policy of India from the 12th Century CE. Sundaram A, (2013) in the paper *Look East Policy* evaluates the Look East Policy over the past two decades and recommends increase of border trade in Agriculture via Moreh in Manipur. Sajjanhar A. (2016) in the study, *Taking Stock of India's 'Act East*

THE QUILL-An Inter-disciplinary Journal of Humanities and Social Sciences // Vol. 01, June, 2024// *Policy'* examines the motivations for launching the Act East Policy and what it has accomplished so far and concludes that India should strengthen its relations with the ASEAN Nations through Free Trade Agreements. In the concept note *Infrastructure based on Act East Policy*, published by North Eastern Development Finance Corporation Ltd(2018) provides necessary insights on various developmental necessities, constraints and bottlenecks as well as strategies to capitalize opportunities constraints (i.e. Ground realities) as well as strategies to capitalize opportunities for economic rejuvenation of NER through the Act East Policy. Singh A. (2018) in the work *The Nautical Dimension of India's "Act East "Policy* examines all the avenues of Act East Policy. Tanjea et al (2019) in the study *India's Act East Policy: Facilitating India-Myanmar Border Trade* studies the effectiveness of the new trade policy measures adopted by India with regard to bilateral trade with Myanmar across the land border and highlights the challenges faced by traders in shifting to normal trade. The study concludes that there has been a substantial increase in informal trade in the last two years and formal bilateral trade between India and Myanmar has become almost negligible. It can be seen that there are few studies relating to the India's trade with one or two ASEAN nations as a case study. Hence this paper bridges the research gap in this scenario.

3. India's Trade with ASEAN Nations:

India's trade with ASEAN (Association of Southeast Asian Nations) countries is of significant importance due to several reasons:

3.1 Strategic Importance: ASEAN countries are strategically located at the crossroads of major trade routes between the Indian Ocean and the Pacific Ocean. India's trade with ASEAN is crucial for maintaining its strategic presence in the region and for achieving its long-term geopolitical goals.

3.2 Economic Opportunities: ASEAN is a region with a combined population of over 600 million and a rapidly growing middle class. This presents a significant market opportunity for Indian businesses to expand their customer base and increase their revenue.

3.3 Increased Bilateral Trade: India's trade with ASEAN has been steadily increasing over the years. The bilateral trade between India and ASEAN stood at USD 81.33 billion in 2020-21, making ASEAN India's fourth-largest trading partner. In 2021-22 it rose to USD 110.4 Billions. India can expand its market access and reduce its reliance on traditional trading partners by further increasing its trade relations with ASEAN.

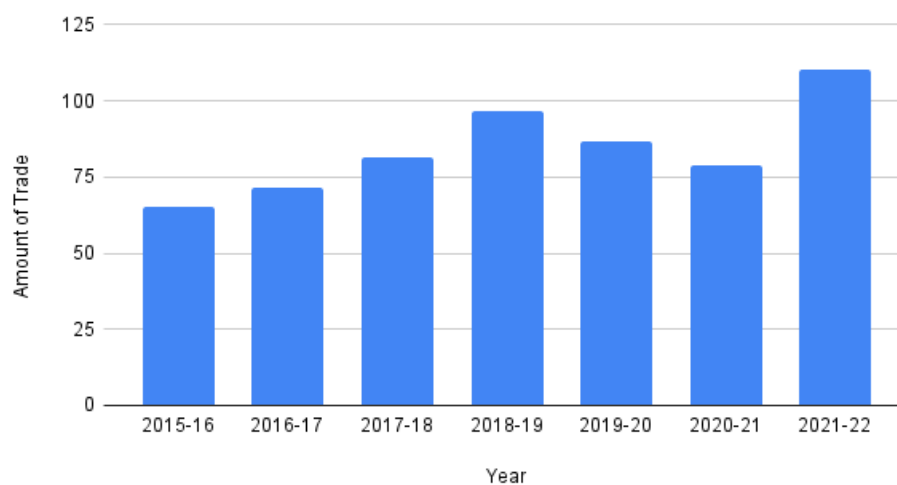
3.4 Collaboration in various fields: India and ASEAN have also collaborated in various fields such as agriculture, infrastructure, and manufacturing. This collaboration has not only led to economic benefits but also strengthened diplomatic ties between the countries.

3.5 Regional Integration: India has been actively involved in ASEAN-led initiatives such as the ASEAN-India Free Trade Area (AIFTA) and the Regional Comprehensive Economic Partnership (RCEP). These initiatives aim to promote regional integration and facilitate trade and investment between the countries.

3.6 Trend of India's Trade with ASEAN Nations:

Figure-1: Amount of India's Trade With ASEAN Nations.

Amount of Trade vs Year



Source: Dept. of Commerce, Govt. of India

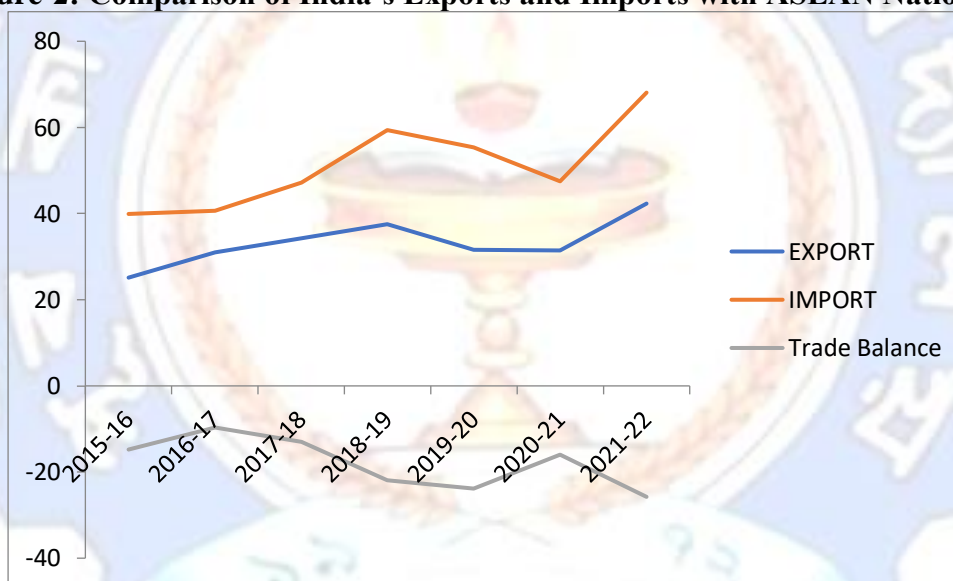
It can be seen from Figure 1 that Total Volume of India’s Trade with the ASEAN Nation has been increasing and in 2021-22 it has reached the highest level. The Detail Trade Volume of India with the ASEAN Nations is shown in Table-1. It can be seen from Table -1 that the amount of trade between India and the ASEAN Nation has been increasing steadily. In 2019-20 and 2020-21 the trade volume came down but this is due to the Covid Pandemic. After the Covid Pandemic the trade volume Increased to \$110.4 Billion.

Table-1: Amount of India’s Trade With ASEAN Nations

Year	Amount of Trade
2015-16	65.04
2016-17	71.58
2017-18	81.34
2018-19	96.80
2019-20	86.92
2020-21	78.90
2021-22	110.4

Source: Dept. of Commerce, Govt.of India

Figure-2: Comparison of India’s Exports and Imports with ASEAN Nations.



Source: Dept. of Commerce, Govt.of India

Table-2: Amount of India’s Trade With ASEAN Nations

YEAR	EXPORT	IMPORT	Trade Balance
2015-16	25.13	39.91	-14.78
2016-17	30.96	40.62	-9.66
2017-18	34.2	47.13	-12.93
2018-19	37.47	59.32	-21.85
2019-20	31.55	55.37	-23.82
2020-21	31.49	47.42	-15.93
2021-22	42.32	68.08	-25.76

Source: Dept. of Commerce, Govt.of India

It can be seen from Figure-2 and Table-2 that India always have a negative Trade Balance from the Trade with the ASEAN Nations. This Trade Defecit have been increasing rather than decreasing over the years.

4. India’s Trade with Singapore:

Among the ASEAN countries Singapore and Indonesia are the two largest trade partners of India, with trade volume of \$31.1 Billion and \$26.17 Billion in 2021-22 respectively.

India's trade with Singapore is a significant part of India's overall trade with the ASEAN region. Singapore is India's largest trading partner within the ASEAN region, accounting for about 20% of India's total trade with ASEAN nations.

Table 3 shows the quantum of India’s bilateral Trade with Singapore.

Table-3: Amount of India’s Trade with Singapore

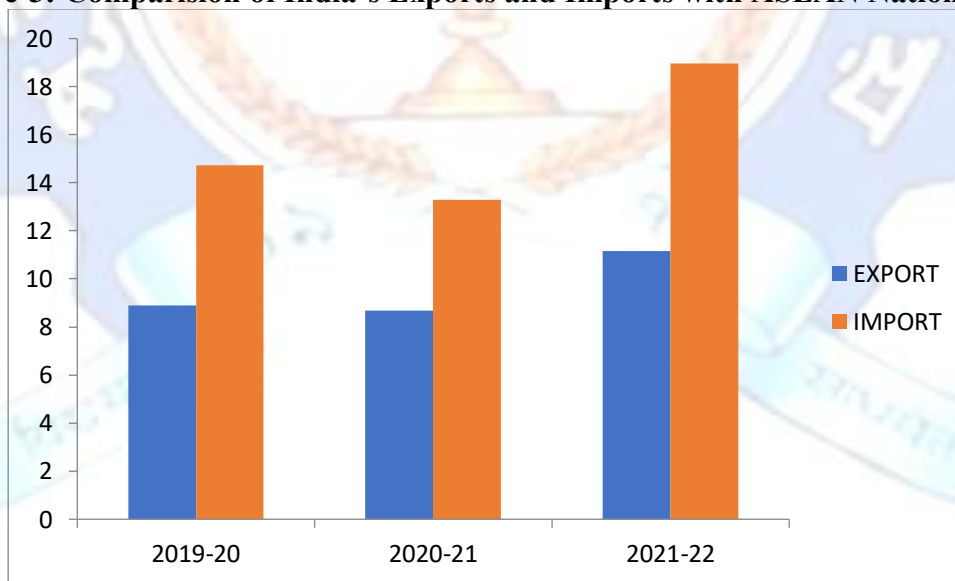
YEAR	EXPORT	IMPORT	TOTAL TRADE	Trade Balance
2019-20	8.9	14.74	23.64	-5.84
2020-21	8.68	13.3	21.98	-4.62
2021-22	11.15	18.96	30.11	-7.81

Source: Dept. of Commerce, Govt.of India

Table-3 shows that ,the bilateral trade between India and Singapore stood at USD 30.11 billion in 2020-21, with India exporting USD 11.15 billion worth of goods and importing USD 18.96 billion worth of goods from Singapore. India's top exports to Singapore include refined petroleum, organic chemicals, and iron and steel, while its top imports from Singapore comprise mineral fuels, machinery, and organic chemicals.

It is evident from Figure 3 that India’s trade deficit with Singapore is increasing consistently.

Figure-3: Comparison of India’s Exports and Imports with ASEAN Nations



Source: Dept. of Commerce, Govt.of India

Singapore is also a significant investor in India, with over 8,000 registered Singaporean companies operating in India. Singapore is the second-largest source of foreign direct investment (FDI) in India, with a cumulative FDI inflow of USD 85.9 billion from April 2000 to December 2020. The sectors that attract significant Singaporean investments in India include services, computer software and hardware, trading, construction development, and automobiles.

India and Singapore have also collaborated in various fields such as defense, cybersecurity, finance, and technology. The two countries have also established several institutional mechanisms for promoting trade and investment, such as the India-Singapore Comprehensive Economic Cooperation Agreement (CECA) and the India-Singapore Strategic Partnership.

Overall, India's trade with Singapore is an essential aspect of India's economic engagement with the ASEAN region, with significant potential for further growth and cooperation in various sectors.

5. India's Trade with Indonesia:

India's trade with Indonesia is an essential part of India's economic engagement with the ASEAN region. Indonesia is the largest economy in Southeast Asia and is an important trading partner for India in the region.

The bilateral trade between India and Indonesia stood at USD 26.17 billion in 2020-21, with India exporting USD 8.47 billion worth of goods and importing USD 17.70 billion worth of goods from Indonesia. India's top exports to Indonesia include refined petroleum, organic chemicals, and cotton, while its top imports from Indonesia comprise coal, crude palm oil, and wood products. Table 4 shows the quantum of India's bilateral Trade with Indonesia .

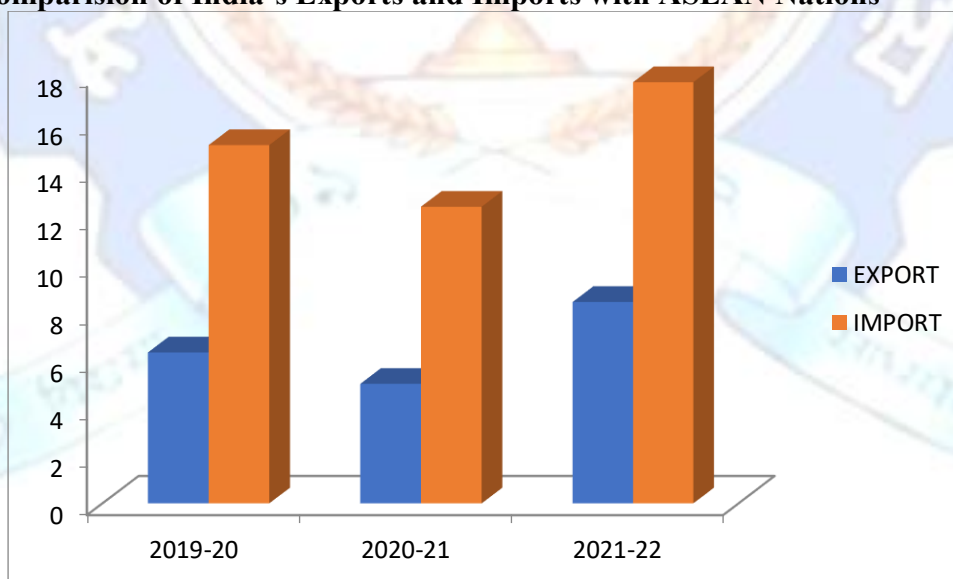
Table-4: Amount of India's Trade with Singapore

YEAR	EXPORT	IMPORT	TOTAL TRADE	Trade Balance
2019-20	6.35	15.06	21.41	-8.71
2020-21	5.03	12.47	17.5	-7.44
2021-22	8.47	17.7	26.17	-9.23

Source: Dept. of Commerce, Govt.of India

It is evident from Figure 4 that India's trade deficit with Singapore is increasing consistently.

Figure-3: Comparison of India's Exports and Imports with ASEAN Nations



Source: Dept. of Commerce, Govt.of India

India and Indonesia have been exploring ways to enhance bilateral trade and investment. In 2020, the two countries agreed to elevate their strategic partnership to a comprehensive strategic partnership to further deepen their engagement in various fields such as trade, defense, and cultural cooperation.

India and Indonesia have also established several institutional mechanisms to promote trade and investment, such as the India-Indonesia Joint Commission Meeting and the ASEAN-India Free Trade Area

Both India and Indonesia have also identified sectors of mutual interest such as infrastructure, defense, and renewable energy, and are working towards enhancing collaboration in these sectors.

Overall, India's trade with Indonesia is an important aspect of its economic engagement with the ASEAN region and has significant potential for further growth and cooperation in various sectors.

6. Conclusion:

India's trade with Singapore and Indonesia has significant potential for further growth and cooperation in various sectors. If India Acts according to the Act East Policy in the near future it has the potential to increase the volume of trade and that too with reduction of the trade deficit.

Here are some of the potential areas for further expansion of trade between India and Singapore:

Services sector: Singapore is a hub for various services such as finance, logistics, and information technology, and India has a large pool of skilled professionals in these sectors. India is the leading contributor in terms of talent to the world, with around 17.5 million Indians settled in various parts of the world. There is potential for collaboration between the two countries in areas such as fintech, logistics, and e-commerce.

Manufacturing sector: Singapore has expertise in advanced manufacturing and has developed advanced technologies in areas such as robotics and automation. India can benefit from Singapore's expertise by collaborating in areas such as aerospace, electronics, and precision engineering.

Infrastructure sector: Singapore has a strong presence in infrastructure development, and India has ambitious infrastructure development plans. There is potential for collaboration between the two countries in areas such as smart cities, urban development, and transport infrastructure. In the 2023 Budget of India Finance Minister lays down proposals of USD 122 Billion in Capital spending. India can utilize the expertise of Singapore in this sector.

Startups and innovation: Both India and Singapore have vibrant startup ecosystems and are working towards creating a culture of innovation. There is potential for collaboration between the two countries in areas such as incubation, mentoring, and funding for startups.

Defense and security: India and Singapore have a history of defense cooperation, and there is potential for further collaboration in areas such as joint military exercises, defense equipment procurement, and cyber security.

In addition to these areas, there is potential for collaboration between India and Singapore in various other sectors such as healthcare, education, and tourism. With the right policies and institutional mechanisms, the trade between India and Singapore can reach new heights and benefit both countries.

India also has the potential to improve the trade relation with Indonesia. Some sectors where India- Indonesia trade volume can be expanded are enumerated below.

Palm oil: Indonesia is the world's largest producer of palm oil, while India is the world's largest importer. In 2022 India committed palm oil import from Indonesia worth \$3.16 Billion. India can continue to import palm oil from Indonesia, and also explore opportunities for joint ventures and partnerships in palm oil cultivation and processing.

Coal: Indonesia is one of the world's largest exporters of coal, and India is one of the world's largest importers. India imports 34% of its coal from Indonesia which is highest at par with Australia. There is scope for India to import more coal from Indonesia, and also explore opportunities for joint ventures in coal mining and processing.

Textiles: India is a major producer and exporter of textiles, while Indonesia is a growing market for textiles. There is scope for India to export more textiles to Indonesia, and also explore opportunities for joint ventures in textile manufacturing.

Pharmaceuticals: India is a major producer of generic drugs, while Indonesia is a growing market for pharmaceutical products. India can export more pharmaceutical products to Indonesia, and also explore opportunities for joint ventures in pharmaceutical manufacturing.

Automobiles: Indonesia is a major producer and exporter of automobiles, while India is a growing market for automobiles. There is scope for India to import more automobiles from Indonesia, and also explore opportunities for joint ventures in automobile manufacturing.

Information Technology: India is a major player in the global IT industry, while Indonesia is a growing market for IT services. India can provide IT solutions and services to Indonesian companies, and also explore

THE QUILL-An Inter-disciplinary Journal of Humanities and Social Sciences // Vol. 01, June, 2024// opportunities for joint ventures in IT services.

Tourism: India and Indonesia are popular tourist destinations. India can attract more Indonesian tourists by promoting its cultural heritage, while Indonesia can attract more Indian tourists by promoting its beaches and islands.

Overall, there are several sectors where India can improve trade with Indonesia, and the two countries can benefit from greater collaboration and partnership. If India can increase its exports of textiles and pharmaceuticals India can definitely reduce the trade deficit with Indonesia.

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