



India's trade with individual ASEAN-3 countries

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Abstract

The India-ASEAN Free Trade Agreement came into effect on January 1, 2010 with respect to Malaysia, Singapore and Thailand. For the remaining ASEAN members it will come into force after they complete their internal requirements. ASEAN as a group is an important trade partner of India. Almost 10% of India's exports go to ASEAN and India imports almost 9% of its total imports from these countries together. The ASEAN-India Free Area 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. Much of India's trade with ASEAN is directed towards Singapore, Malaysia, and Thailand, with whom India holds strong economic relations. With this background, the present study seeks to examine the trends of exports of India's major (top ten) commodities with special reference to individual ASEAN+3 countries for the period 1992-2012.

Keywords: India-ASEAN, Malaysia, Singapore and Thailand

Introduction

The ASEAN-India Free Area 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. Much of India's trade with ASEAN is directed towards Singapore, Malaysia, and Thailand, with whom India holds strong economic relations. More than half of Singapore's exports to India are "re-exports" items that had been imported from India. Singapore is among India's largest trade and investment partner in ASEAN and accounted for 22.13% of our overall trade with ASEAN in 2014-15. Malaysia has stressed on the importance for the country and India to work closely to revitalise new trade and business opportunities in the palm oil sector, covering both food and non-food sector. Malaysia and India agreed to work closely to improve trade in agricultural products including palm oil and palm oil products. Economic & commercial linkages form an important aspect of India's partnership with Thailand. The past few years have seen a rapid growth in this area. India's bilateral relations with Thailand are rooted in history, age-old social and cultural interactions and extensive people to people contacts. Bilateral trade between India and Indonesia was US\$ 20.136 billion in 2011-12, US\$ 14.128 billion in 2010 and US\$ 13 billion in 2009-10. Bilateral trade has increased rapidly since the liberalisation of the economies of both Vietnam and India. In 2010, as the ASEAN-India free trade agreement came into effect, bilateral trade exploded to US\$3.917 billion by the end of 2012, with Vietnam exporting \$1.7 billion to India in 2012, an increase of 56.5% from 2011. India and Vietnam have also built strategic partnerships, including extensive cooperation on developing nuclear power, enhancing regional security and fighting terrorism, transnational crime and drug trafficking.

Review of literature

Sarkar (2006), in his study revealed the major commodities in India's export basket to ASEAN. The top ten products of India's exports to the ASEAN during 2004-05 were gems & jewellery, machinery & instruments, dyes & intermediates, primary & semi-finished iron & steel, oil meal, drugs/pharmaceuticals & fine chemicals, transport equipment, electronic goods, inorganic/organic/agro-based chemicals and manufactures of metals. During the period, the share of gems & jewellery had occupied the top position in the export basket. It had remained over 10 per cent all through the years except 2003-04. The next important item was machinery & instruments, although it had registered a downward trend from 1998 to 2002-03. The same trend was valid for oil meal. The share of transport equipment had increased from 0.97 to 3.27 per cent during the period under consideration. Electronic goods registered its highest share in 2001-02 (9.17%). The share of metal products had recorded a downward trend during the period under consideration. The same was true for chemical products. However, the primary & semi finished iron & steel had registered somehow an upward trend during the period. To compare the rate of growth over two sub-samples, he has a priori information of Asian financial crisis of 1997-98. Therefore, the two sub-sample periods are pre-crisis period (1991-1997) and post-crisis period (1998-2004). To estimate the exponential growth rate of India's different products to ASEAN, he has used the semi-loglinear function. The products which had recorded very high growth in the pre-crisis period (1991-98) are oil meal (16.06%), drugs, pharmaceuticals & fine chemicals (24.65%), electronic goods (30.69%) and manufactures of metals (18.57%). The growth rate of India's all commodity exports to the ASEAN was higher in post-crisis period than that in pre-crisis period.

Among the top ten products under the study, the products which have registered impressive growth rate in post-crisis period (1998-2005), were gems & jewellery (20.51%), machinery & instruments (19.38%), dyes/intermediates (35.19%), etc. and transport equipment (36.88%).

George (2003) in his study “ASEAN-India Free Trade Area” between 1993 and 2003, analysed that ASEAN-India bilateral trade grew at an annual rate of 11.2%, from US\$2.9 billion in 1993 to US\$12.1 billion in 2003. Much of India’s trade with ASEAN is directed towards Singapore, Malaysia, and Thailand, with whom India holds strong economic relations. In 2008, the total volume of ASEAN-India trade was US\$47.5 billion. ASEAN’s export to India was US\$30.1 billion – a growth of 21.1 per cent in comparison with that of 2007. ASEAN’s imports from India were US\$17.4 billion – a growth of 40.2 per cent in comparison to that of 2006. ASEAN-India trade grew at over 22 percent annually during the 2005-2011 period. Trade between India and ASEAN in 2011-2012 increased by more than 37 percent to \$79 billion, which was more than the target of \$70 billion set in 2009. Since the early 2000s, India has had an increasing trade deficit with ASEAN, with imports exceeding exports by more than US\$6 billion in 2007-2008.

So the present study will be taken under the title “India’s trade with Individual ASEAN-3 countries” with the following specific objective:

1. To examine the trends of exports of India’s major (top ten) commodities with special reference to individual ASEAN+3 countries for the period 1992-2012.

Methodology

Compound growth Rate of different export and import products have been worked out by fitting exponential function. Using the least square method, the following form of exponential function has been used to calculate Compound Growth Rate.

$$Y = AB^t$$

Where, Y= Export/import

A= Constant

B= 1+r

r = Compound growth rate

t = time variable in years (1, 2 ----- 21)

The compound growth rate (r) is equal to (B-1) x 100. In log form B has been calculated by the following formula:

$$\text{Log B} = \frac{\sum T \log Y - \sum t \sum \log Y / N}{\sum t^2 - (\sum t)^2 / N}$$

The growth rates have been tested for significance by calculating ‘t’ value where t = r/s, ‘s’ is the standard error. The value of standard error has been calculated by following formula:

$$\text{S.E. (r)} = \frac{100B}{\text{Log}_{10}e} \sqrt{\frac{\sum (\log Y)^2 - (\sum \log Y)^2 / N - (\log 10^b)^2 \sum T^2}{(N-2) \sum T^2}}$$

Where; T= t – t

Table 1: India’s major (top ten) commodities of export to Singapore (1992-2012)

S. No.	HS Code	Name of the Commodity	CGR (%)
1	89	Ships, boats and floating structures	74.7
2	27	Mineral fuels, mineral oils and products of their distillation, bituminous substances	63.5
3	88	Aircraft, spacecraft, and parts thereof	50.5
4	97	Works of art collectors’ pieces and antiques	41.5
5	22	Beverages, spirits and vinegar	38.4
6	79	Zinc and articles thereof	34.3
7	04	Dairy produce, birds’ eggs, natural honey, edible production of animal origin, not elsewhere specified or included	34
8	91	Clocks and watches and parts thereof	26.8
9	99	UN Special Code	26.6
10	90	Optical, photographic, cinematographic, measuring, checking precision, medical or surgical inst. and apparatus parts and accessories there of	26.4

Table 2: India’s major (top ten) commodities of export to Malaysia (1992-2012)

HS Code	Name of the Commodity	CGR (%)
89	Ships, boats and floating structures	115.4
27	Mineral fuels, mineral oils and products of their distillation, bituminous substances	76.7
79	Zinc and articles thereof	68.7
78	Lead and articles thereof	61
97	Works of art collectors’ pieces and antiques	58.2
22	Beverages, spirits and vinegar	42
18	Cocoa and cocoa preparations	36.9
21	Miscellaneous edible preparations	34.8
10	Cereals	33.7
35	Albuminoidal substances, modified starches, glues, enzymes	30.9

Table 3: India's major (top ten) commodities of export to Thailand (1992-2012)

Sr. No.	HS Code	Name of the Commodity	CGR (%)
1	16	Preparations of meat, fish and crustaceans, molluscs or other aquatic invertebrates	54.3
2	10	Cereals	52.5
3	19	Preparations of cereals, flour, starch or milk, pastry cooks products	50.3
4	22	Beverages, spirits and vinegar	49.4
5	74	Copper and articles thereof	48.8
6	02	Meat and edible meat offal	48.3
7	27	Mineral fuels, mineral oils and products of their distillation, bituminous substances	47.3
8	97	Works of art collectors' pieces and antiques	44
9	79	Zinc and articles thereof	42.6
10	89	Ships, boats and floating structures	42

In the above tables, Compound Growth Rate of India's major (top ten) commodities of export to Singapore and Malaysia has been observed for the study period 1992-2012. In case of Singapore, it is noticed in the results that maximum growth rate of export has been observed in case of Ships, boats and floating structures i.e. 74.7 per cent. In case of Mineral fuels, mineral oils and products of their distillation, bituminous substances it is noticed as 63.5 per cent. Regarding Aircraft, spacecraft, and parts thereof, growth rate of export has been observed as 50.5 per cent. There has been noticed 41.5 per cent growth rate of export in case of Works of art collectors' pieces and antiques followed by Beverages, spirits and vinegar as 38.4 per cent. Similar growth rates of export have been observed in case of Zinc and articles thereof, Dairy produce, birds' eggs, natural honey, edible production of animal origin, not elsewhere specified or included as 34 per cent. In the same way, similar growth rates of export have been observed in case of Clocks and watches and parts thereof, UN Special Code, Optical, photographic, cinematographic, measuring, checking precision, medical or surgical inst. and apparatus parts and accessories thereof i.e. almost 26 per cent. In case of Malaysia, maximum growth rate of export has been found in case of Ships, boats and floating structures i.e. 115.4 per cent. In case of Mineral fuels, mineral oils and products of their distillation, bituminous substances, growth rate of export has been observed as 76.7 per cent. It is revealed in the table that 61 per cent of growth rate of export has been observed in case of Lead and articles thereof followed by Works of art collectors' pieces and antiques as 58.2 per cent. The results show that 42 per cent of growth rate of export has been observed in case of Beverages, spirits and vinegar. It reveals from the figure that growth rate of export in Cocoa and cocoa preparations has been found as 36.9 per cent. In case of Miscellaneous edible preparations, Cereals, Albuminoidal substances, modified starches, glues, enzymes it is noticed as 34.8 per cent, 33.7 per cent and 30.9 per cent respectively. In case of Thailand, commodities such as Preparations of meat, fish and crustaceans, molluscs or other aquatic invertebrates have registered a high growth rate as 54.3 per cent followed by Cereals as 52.5 per cent and Preparations of cereals, flour, starch or milk, pastry cooks products as 50.3 per cent. Almost similar growth rates have been observed in case of Beverages, spirits and vinegar, Copper and articles thereof, Meat and edible meat offal, Mineral fuels, mineral oils and products of

their distillation, bituminous substances as 49.4 per cent, 48.8 per cent, 48.3 per cent and 47.3 per cent respectively. 44 per cent of growth rate of export has been observed in case of Works of art collectors' pieces and antiques. Again almost similar growth rate of export of 42 per cent has been observed in case of Zinc and articles thereof and Ships, boats and floating structures.

Conclusion

Effective liberalized policy should be adopted to improve the exports of India to individual ASEAN countries. It is necessary for Government to formulate policies and packages for substituting imports and import latest technology for the technological upgradation of export industries. Need for improvement in product quality, standards and packaging has been emphasized for long time. India can enhance its trade relations with ASEAN countries by adopting cooperative and transparent attitude in dealing with investment and business projects.

Policy Implications

- The strategy should also provide for appropriate marketing efforts, keeping in view marketing sources in USA countries. Indian government should import latest technology for the technological upgradation of export industries. Need for improvement in product quality, standards and packaging has been emphasized for long time.
- Government should formulate policies and packages for substituting imports. India can enhance its trade relations with ASEAN countries by adopting cooperative and transparent attitude in dealing with investment and business projects.
- Indian Government should focus on the commodities having minimum growth rates. Indian Government should add new markets for these commodities under Focus Market Scheme. More effective liberalized policy should be adopted to improve exports of India to ASEAN.
- Indian Government should make more allocations for Market Development Assistance and Market Access Initiative Schemes. Improvements in market transparency and diversification of export items should be achieved by creating conditions of market accessibility and keeping constant touch with changes in consumer preferences.

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