

# INDIA ASEAN TRADE RELATIONS AMIDST GLOBAL TURMOIL *TOWARDS A FAIR AND COMPREHENSIVE TRADE AGREEMENT*

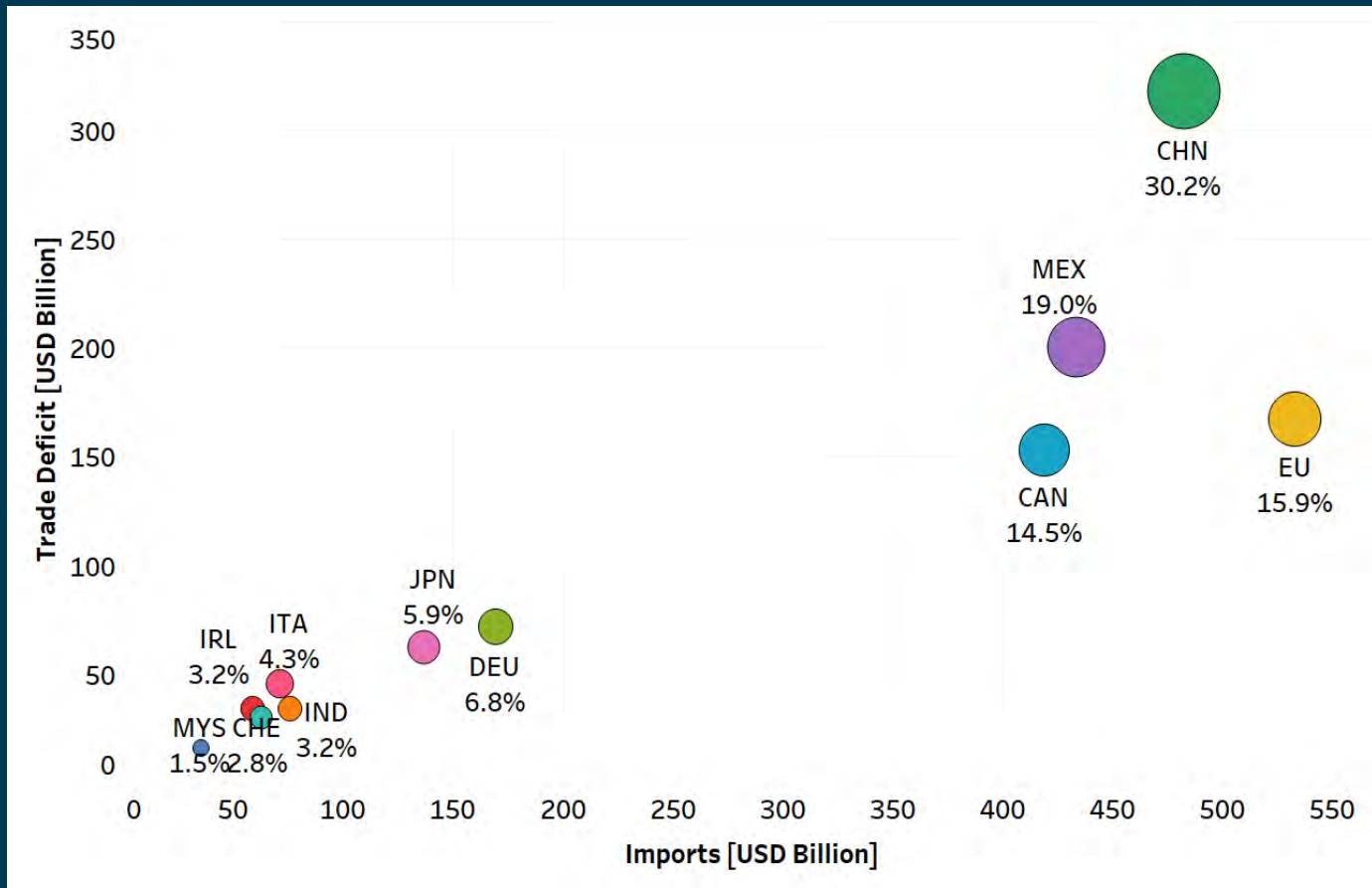
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# CONTEXT

- Ongoing geopolitical tensions with protectionist policies of the US - reciprocal tariff escalations & trade wars
  - vulnerability in global supply chains and trade
- Necessitates more economic engagement between India and ASEAN
  - Stronger ties with natural partners – India – ASEAN
- India ASEAN FTA – Goods, but several agreements have not been concluded
- Future cooperation should be need-based - revision of trade agreements and conclusion of other pending agreements
- Comprehensive agreement is more relevant now

# TRADE DEFICIT IN THE USA

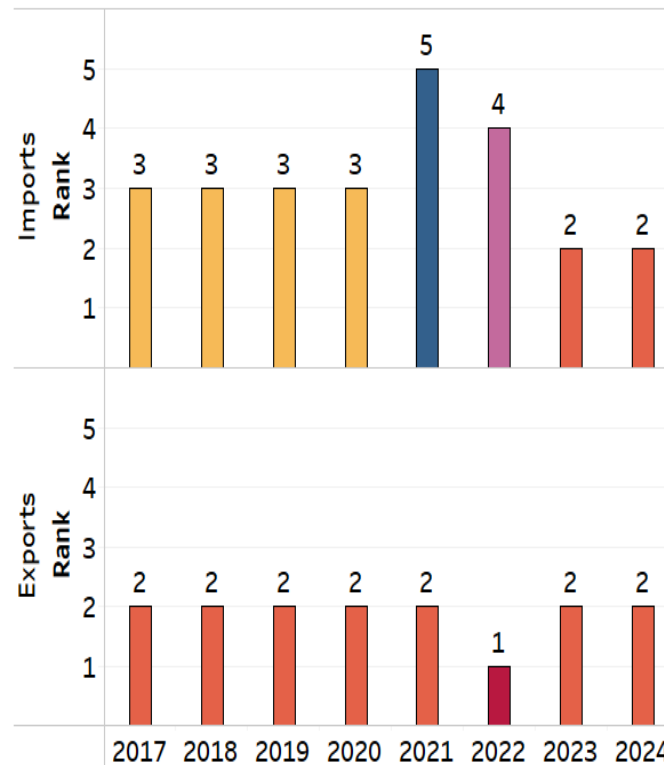


- Need for protectionism?
- The U.S. economy with an expanding global trade – expanding trade deficit – global buoyancy
- Trade Deficit increased from \$484.6 Bn (2002) to \$1.4 Tr (2024) – ~ 3 times & growing @ ~ 5% p.a.
- Rising trade deficit with several partners
- Out of the overall trade deficit
  - China – 30%, Mexico – 19%, The EU – 15.9%, Canada – 14.5%
  - Japan – 5.9%, India – 3.2%, Malaysia – 1.5%

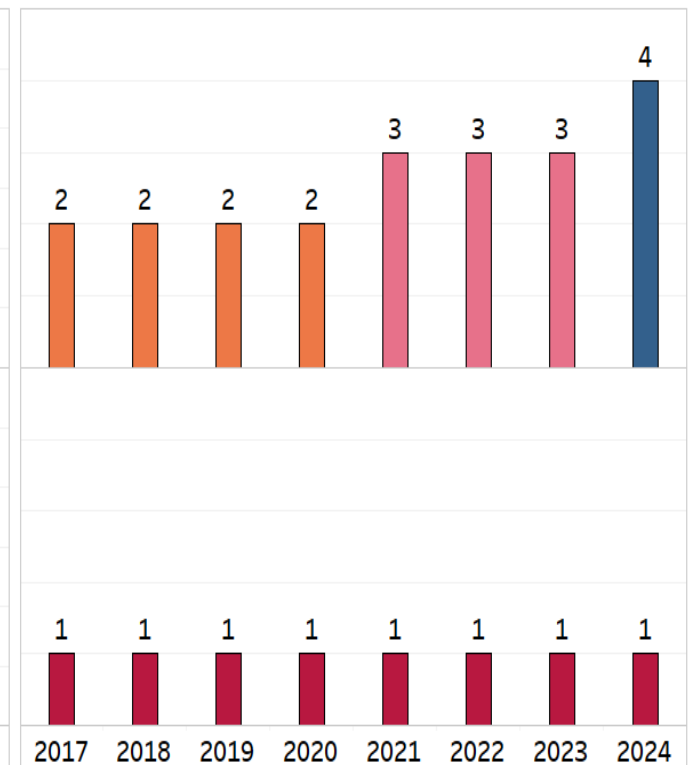
# IMPORTANCE OF THE US IN ASEAN & INDIA TRADE

- The US – an important trade partner for both ASEAN & India
- In Exports – ranks highest with India and 2<sup>nd</sup> highest with ASEAN (next to China)
- Imports – among the top 5 importers
  - ASEAN – recently – rank improved
  - India – recent years – from 2 to 4

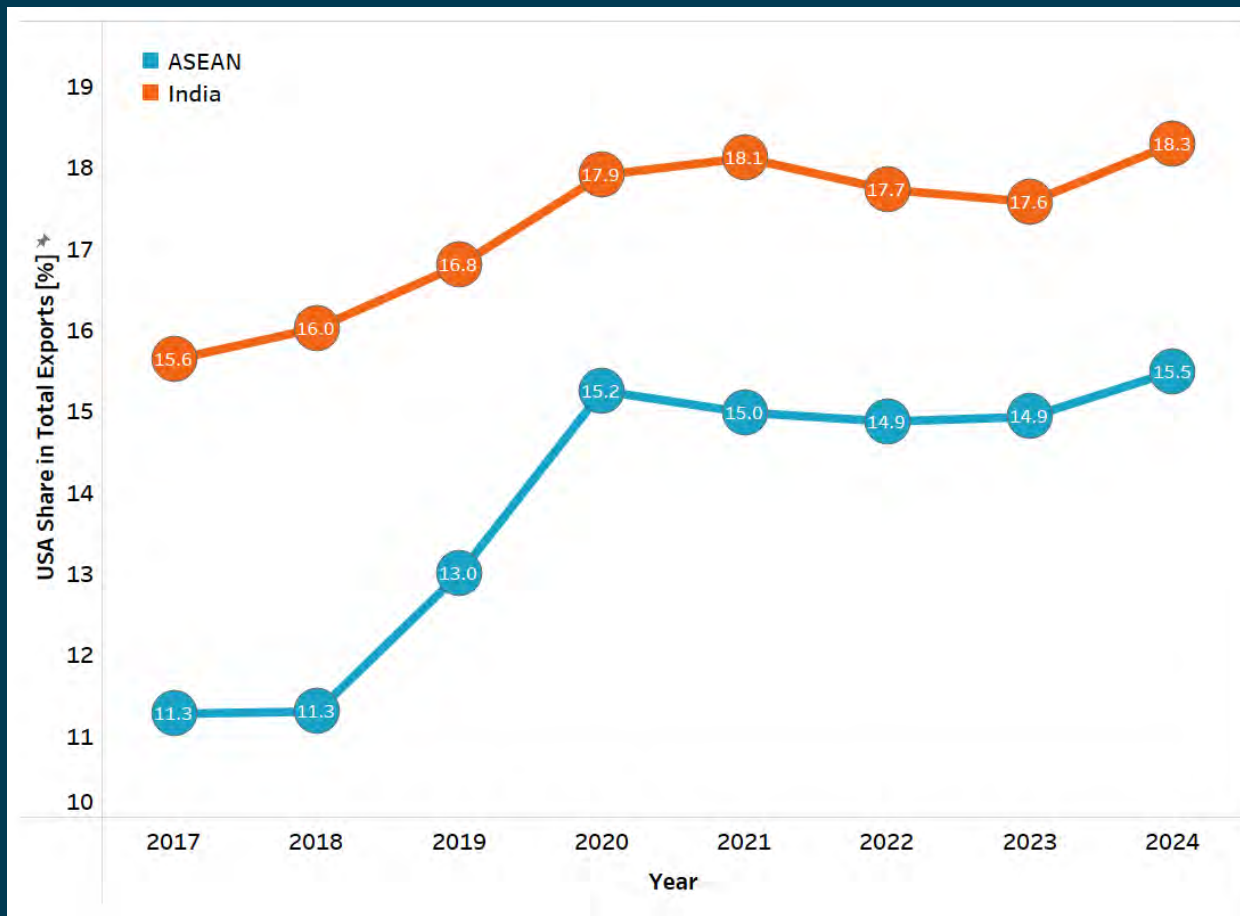
*ASEAN*



*India*

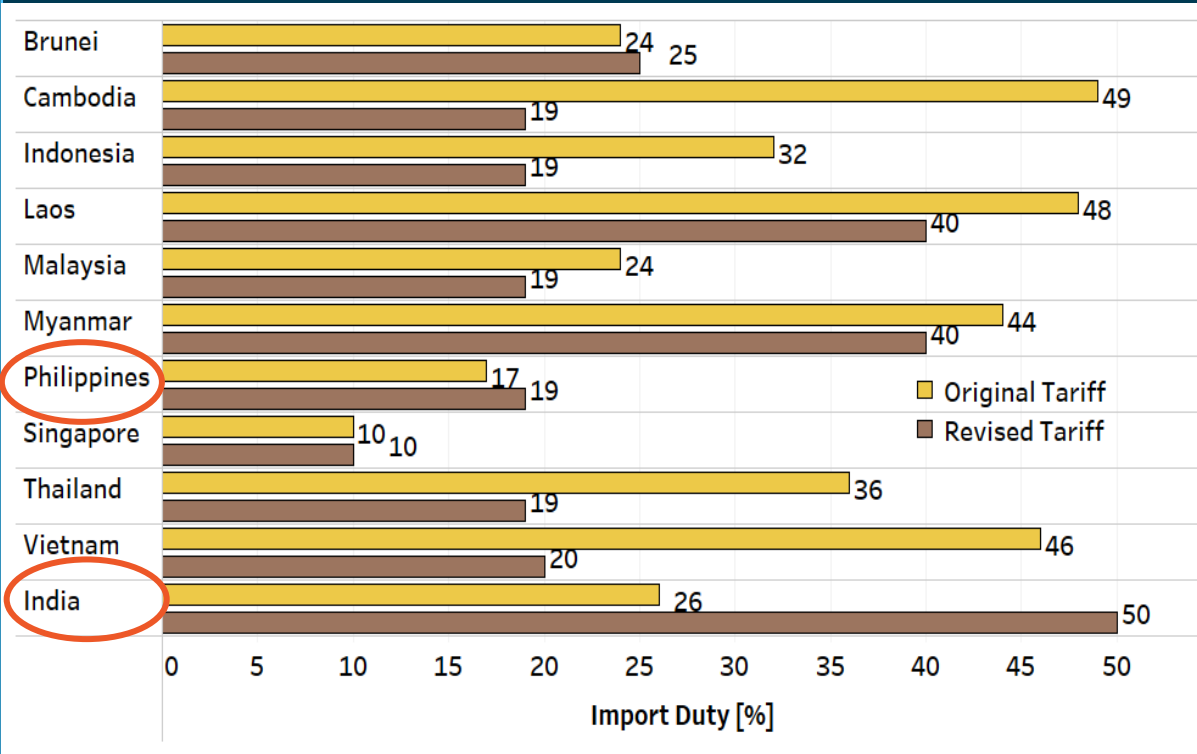


# RIISING SHARE OF THE US IN ASEAN & INDIA EXPORTS



- ASEAN exports to the US – growing at 9.3% p.a. (2017-24)
  - More than 2 times its CAGR in overall exports
- India's exports to the US – growing at 8.1% (2017-24)
  - Nearly 1.5 times its global exports growth
- Share of the USA in exports increasing:
  - ASEAN – 11.3% in 2017 to 15.5% in 2024
  - India – 15.6% in 2017 to 18.3% in 2024

# TARIFF ESCALATIONS IN INDIA AND ASEAN



- The U.S. – aggressive reciprocal tariffs – not only on India but on many ASEAN members
- April announcement – much higher tariff – subsequently reduced (except in the Philippines)
- India –
  - 10% baseline - all goods (effective April 5, 2025)
  - 25% Reciprocal tariff (from August 1, 2025)
  - 25% (Additional tariff on account of importing oil from Russia)
  - Totalling to 50% - most of the goods (except Pharma, semiconductors, energy and critical minerals)

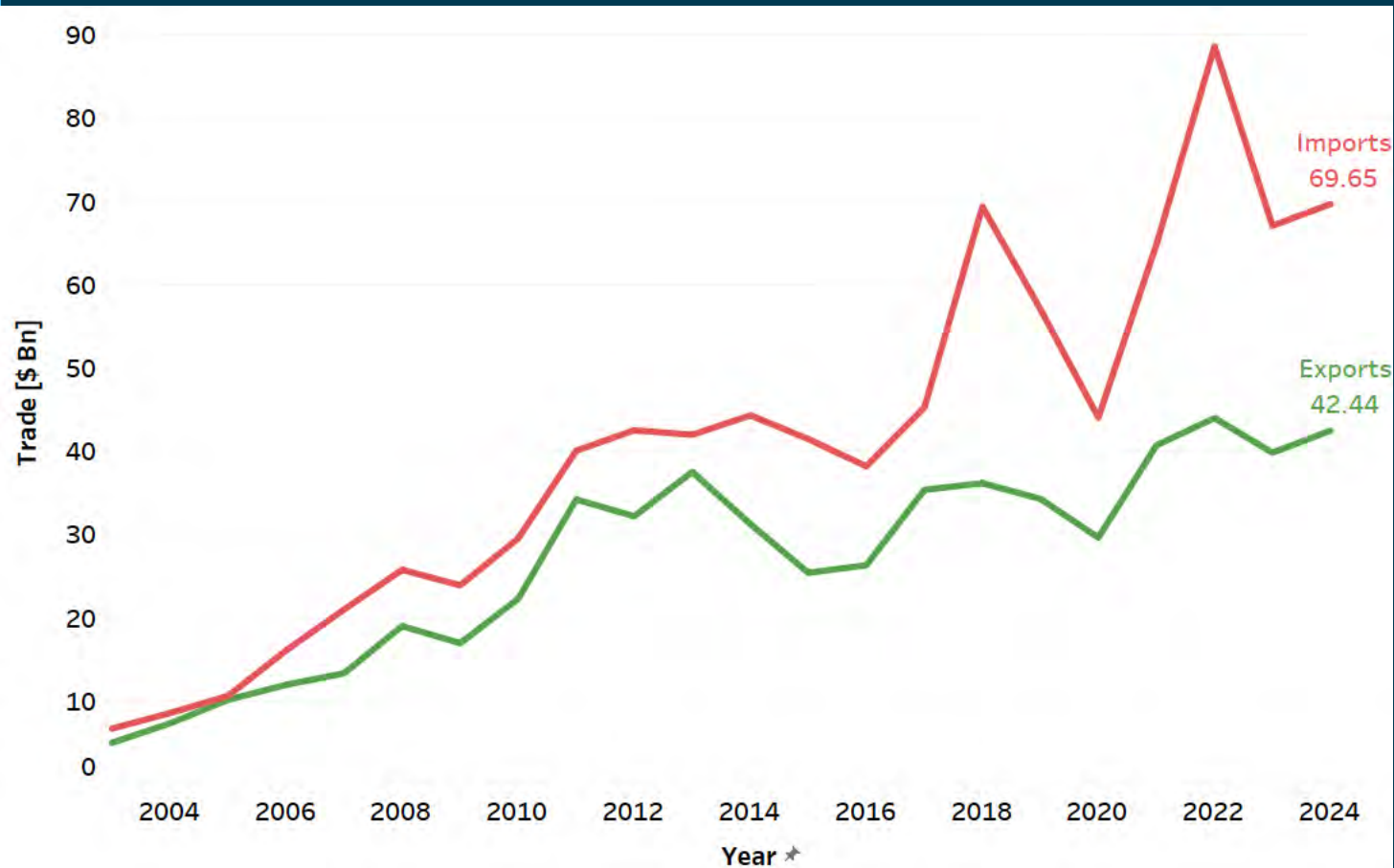


## LIKELY IMPACT OF THE US TARIFFS

- Impact on ASEAN exporters –
  - electronics and semiconductors (VNM),
  - textiles and footwear (KHM),
  - furniture (MYS), and
  - agricultural products (THA & IDN);
- India – textiles, gems & jewellery, leather, marine products, organic chemicals, automobiles & parts, iron, steel & aluminium, agri products, dairy, machinery, etc.
- Limited scope for both to get market access in the U.S.
- Global turmoil – need liberal policies from India and ASEAN – necessitates more economic engagement of emerging regions



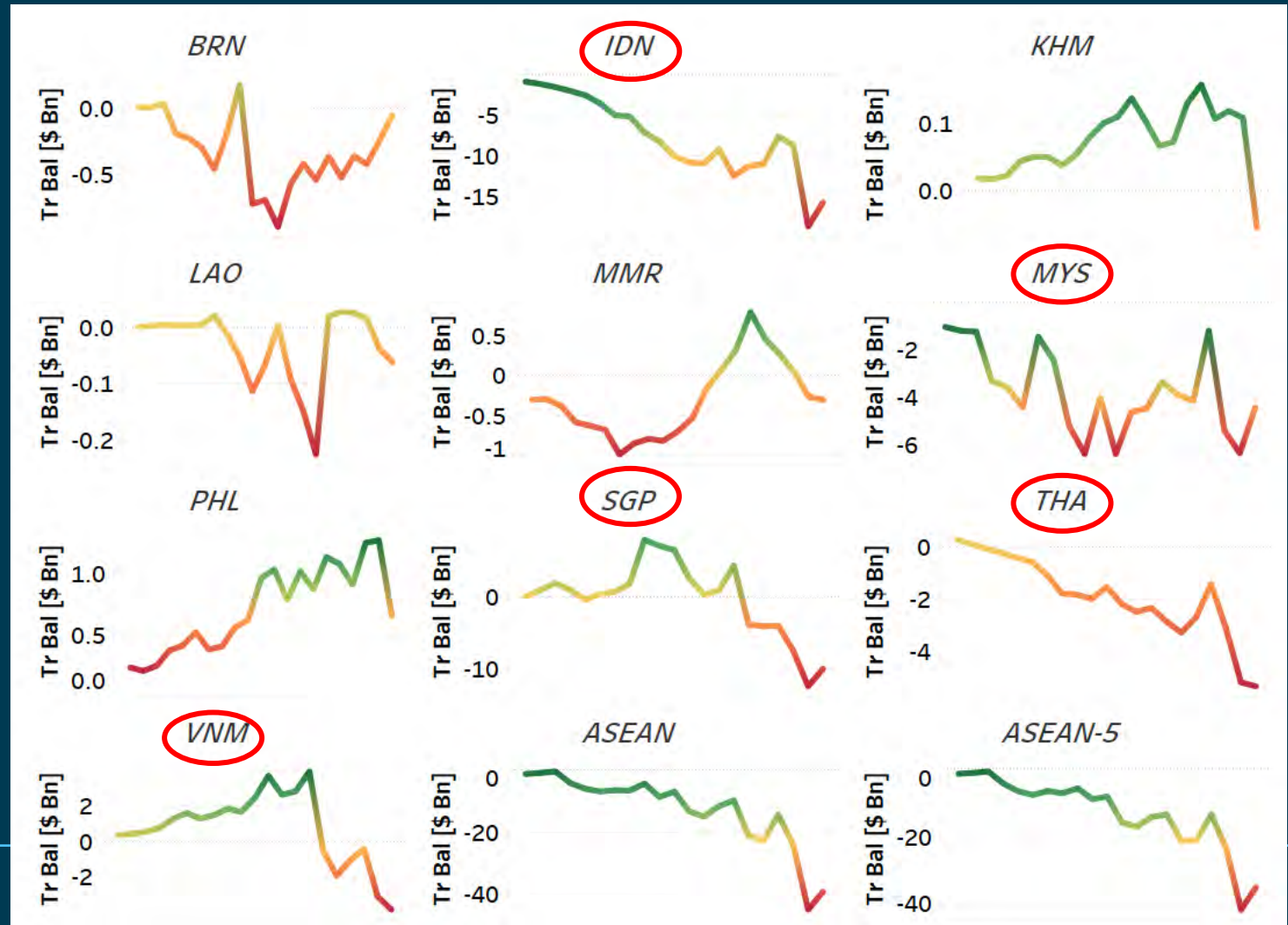
# INDIA ASEAN BILATERAL TRADE



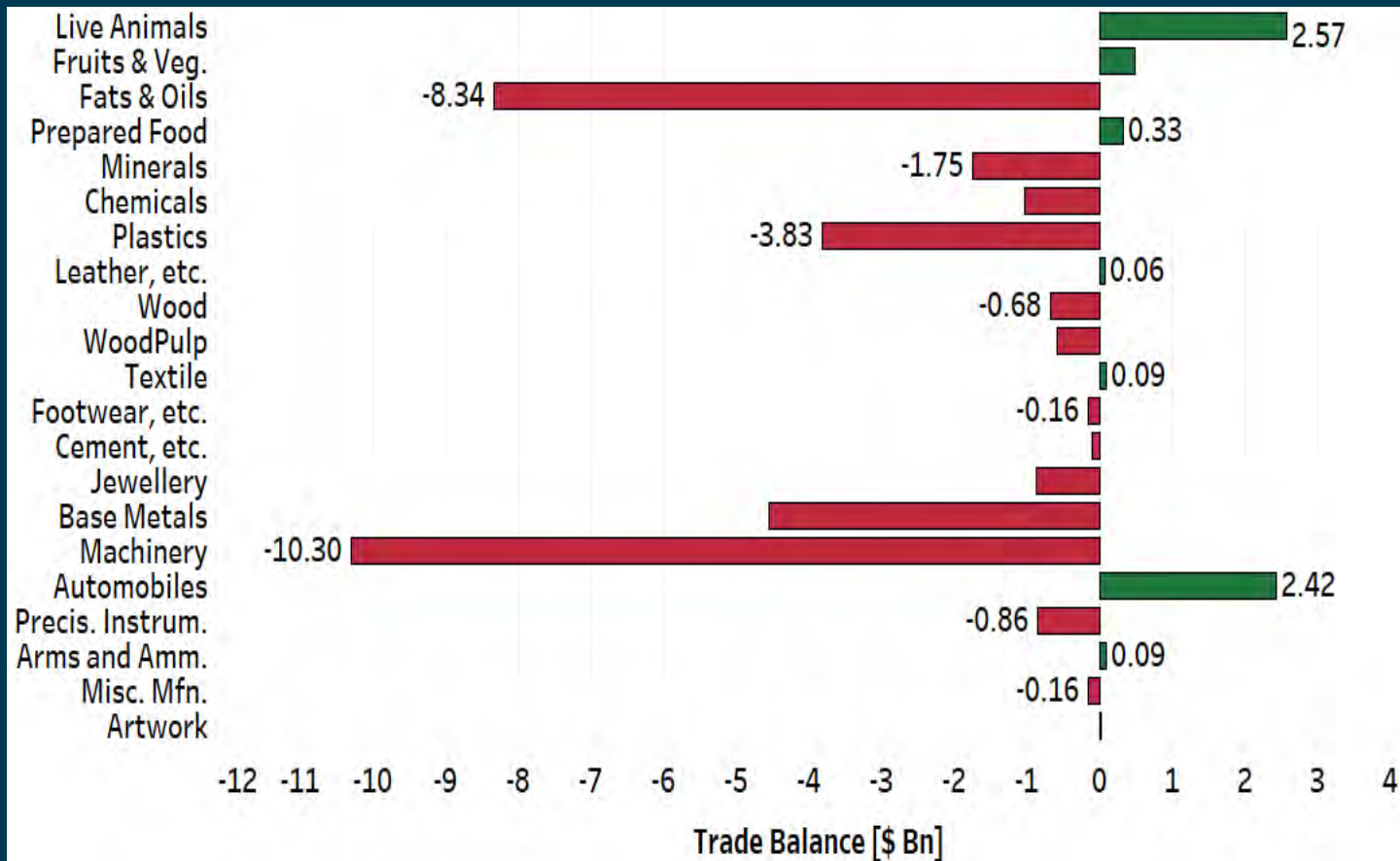
- India – ASEAN trade relations questioned over sustainability
- India-ASEAN trade expanded with a widening of deficit - 2003-24
- While imports were surging, exports plateaued during the global recession
- RIS study shows - both regions have large trade potential in diverse sectors
- India's Trade imbalances with certain countries may be reviewed through negotiations

# UNSUSTAINABLE TRADE DEFICIT

- Bilateral trade deficit of India with ASEAN countries- 2003-24
- With ASEAN widening trade deficit
- ASEAN-5- similar to other ASEAN - persistent deficit with Malaysia, Thailand and Indonesia
- Emerging trade deficit with Singapore and Vietnam
- Favourable trade with the Philippines



# MAJOR TRADE DEFICIT SECTORS



- 14 out of 21 sections have trade deficit in 2024
- Substantial trade deficit of India- oils and machinery
- Substantial deficit in hydrocarbon
- Trade imbalances in vegetable oils- price instability is an issue
- India has a large potential in sectors - auto, machinery, G&J, textile and most of the agricultural sectors excluding fats and oils
- Future discussion on additional market access to each other's markets in a more comprehensive manner

# INDIA'S TRADE WITH ASEAN

FTA Partner	Imports		Exports	
	5 Years Before	5 Years After	5 Years Before	5 Years After
THA	535.9	2,053.0	722.5	1,551.3
	(25.1%)		(13.6%)	
SGP	2,168.5	2,598.1	2,396.3	1,768.3
	(3.1%)		(-4.9%)	
MYS	5,720.5	9,777.9	2,635.8	4,577.0
	(9.3%)		(9.6%)	
ASEAN	11,645.9	42,029.7	6,377.3	32,083.0
	(23.9%)		(30.9%)	

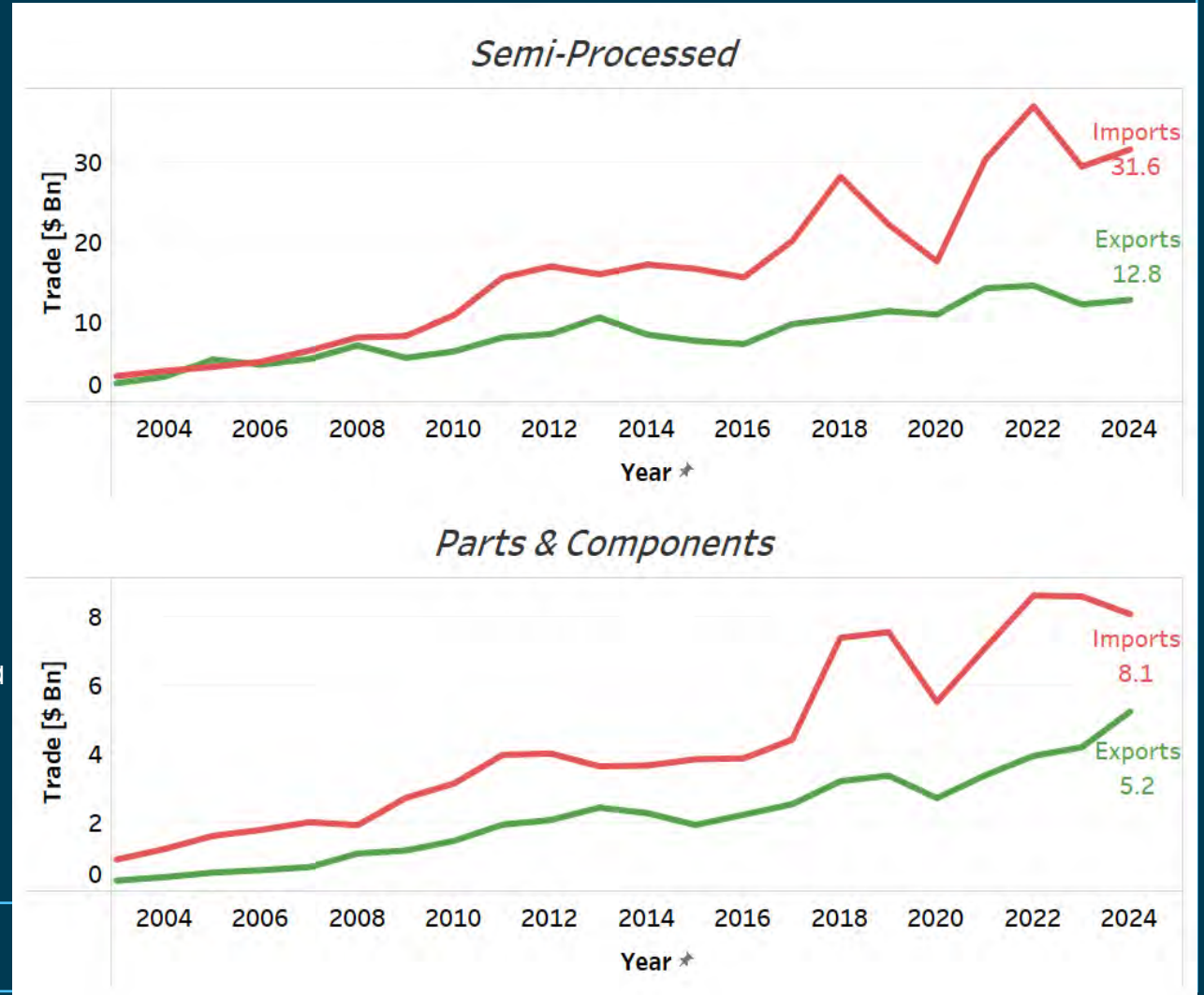
- Motive for FTA: Growth with sustainability
- Imports and exports to grow before and after the agreement
- Completed FTA with Malaysia, Singapore and ASEAN - EHS with Thailand
- ASEAN India FTA: High growth of Exports and imports
  - Growth registered in double digits
- Trade base was low - to accelerate the process

Source: Mohanty (2024)

Exports & Imports Value in \$ Million

# GROWING BILATERAL TRADE INTERMEDIATES

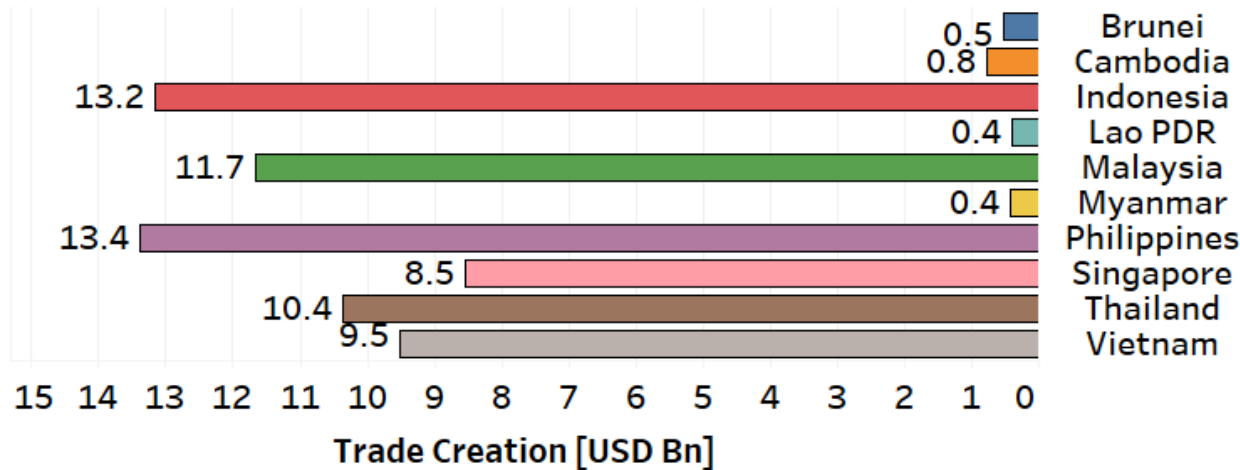
- Bilateral trade in P&C and semi-finished sector – rising
- Share of semi-processed in:
  - Exports – 36.7% in 2017 to 39.4% in 2024
  - Imports – 45.2% in 2017 to 45.9% in 2024
- Share of parts & components in:
  - Exports – 9.6% in 2017 to 16.2% in 2024
  - Imports – 9.9% in 2017 to 11.7% in 2024
- Positive development for an emerging economy like India
- Trade gap is more with semi-finished products than with P&C



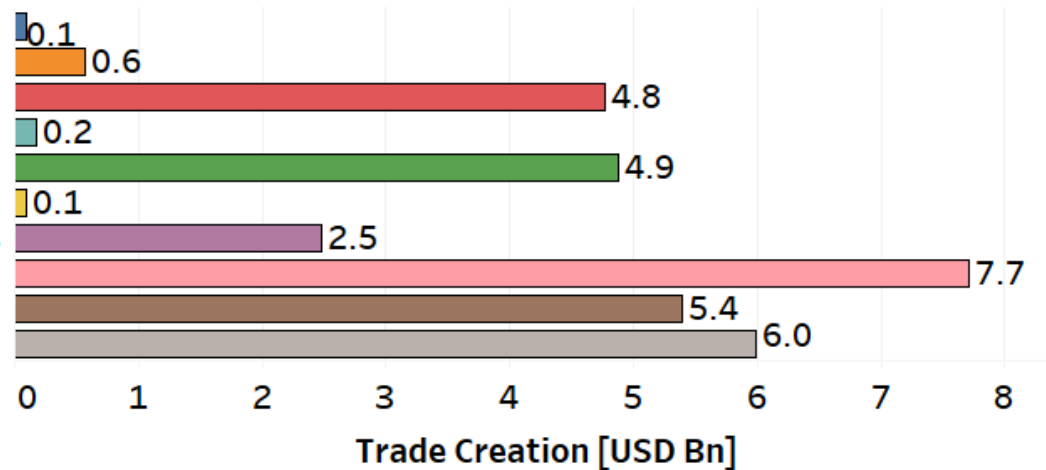
- Huge Trade Potential in India-ASEAN trade partnership – for both
- India's export potential - \$32.2 Bn - highest in Singapore, followed by Vietnam, Thailand, Malaysia and Indonesia
- ASEAN export potential - \$ 68.7 Bn – largest in the Philippines, followed by Indonesia, Malaysia, Thailand

## TRADE POTENTIAL

### ASEAN's Export Potential in India



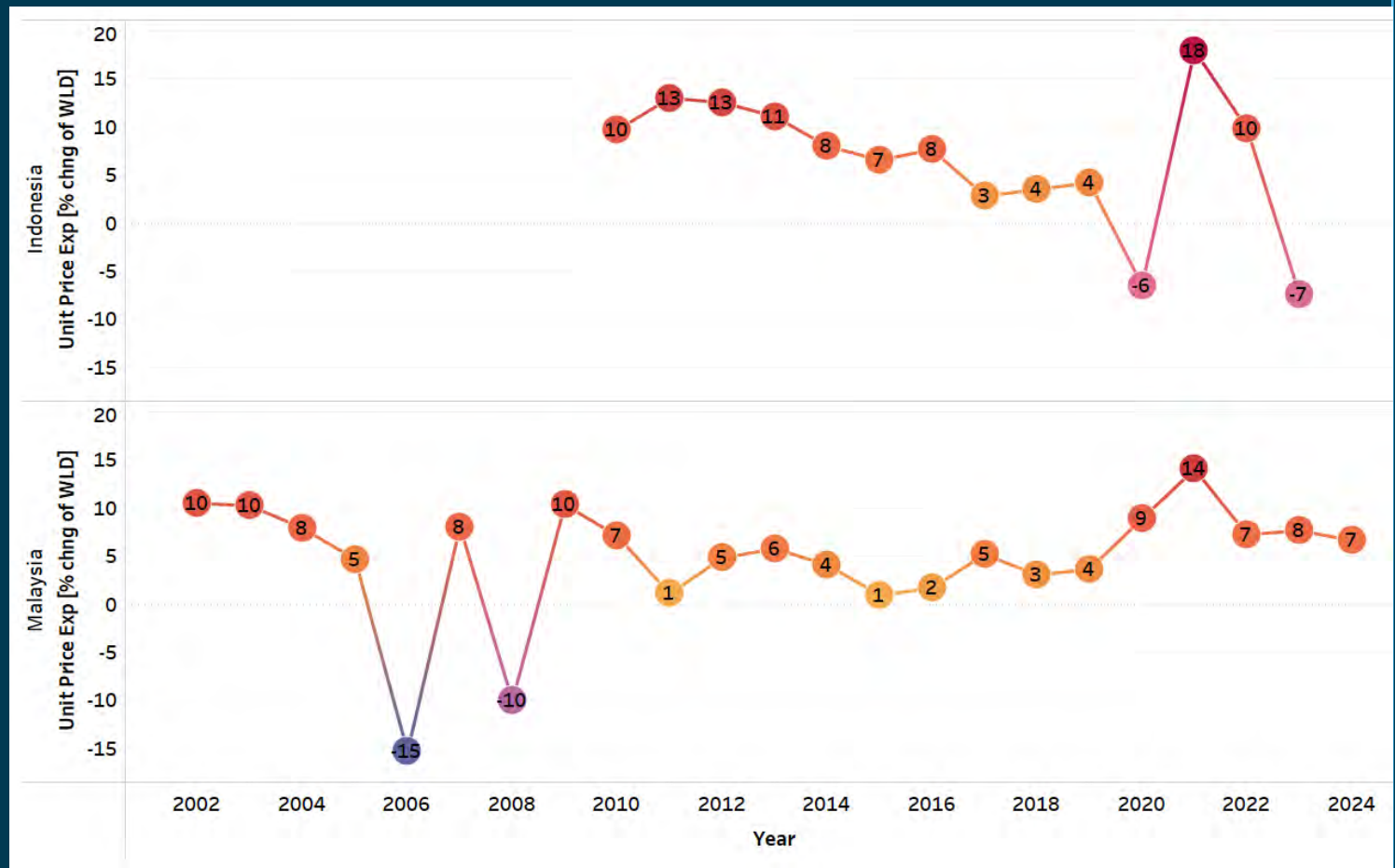
### India's Export Potential in ASEAN





# PRICE FACTOR – PALM OIL

- India - a major importer of palm oil - Indonesia and Malaysia as major global exporters
- In HS, a selected number of products constitute bulk of palm oil trade
- Global prices varied widely over the years
- Indonesia and Malaysia- bilateral prices - mostly higher for India than the world
- Issues related to quasi-rent may be renegotiated



# TRADE IN SERVICES

Sector	BRN	IDN	KHM	MMR	MYS	NZL	PHL	SGP	THA	IND
Manufacturing Services on Physical Inputs Owned by Others	0.0	0.7	0.0	13.7	3.7		5.7	0.1		0.1
Maintenance and Repair Services nie	0.0	0.5	0.0	0.3	0.7		0.1	2.2		0.0
Transport	2.7	0.8	0.8	0.3	0.8	0.8	0.4	1.7	0.5	0.6
Freight		1.3	0.2	0.1	0.4		0.4	5.2	0.5	1.7
Passenger		1.9	3.5	0.1	2.3		1.6		2.2	0.2
Other (Including postal and courier)		0.9	1.4	2.1	2.1		0.5	2.6	0.4	0.9
Travel	1.6	2.4	3.5	1.7	2.2	2.7	1.1	0.4	3.3	0.6
Travel Business		8.2	10.7		2.3	2.4	0.0		1.4	0.7
Travel Personal		2.7	4.1		3.2	4.1	1.8		5.2	1.0
Other Services	0.4	0.6	0.2	0.5	0.5		1.0	1.0	0.3	1.3
Construction	9.7	1.0	0.4	1.3	1.0		0.1	0.4	0.2	0.9
Insurance and Pension Services	0.1	0.2	0.1	0.0	0.4	0.1	0.1	1.5	0.1	0.5
Financial Services	0.0	0.2	0.0	0.0	0.2	0.4	0.1	1.7	0.1	0.3
Charges for the Use of Intellectual Property nie	0.0	0.1	0.0	0.0	0.1	0.7	0.0	0.6	0.0	0.1
Telecommunications, Computer and Information Services	0.0	0.3	0.1	0.2	0.6	0.4	1.2	0.6	0.1	3.6
Other Business Services	0.1	0.9	0.1	1.0	0.8	0.4	1.9	1.2	0.6	0.9
Personal, Cultural and Recreational Services	0.0	0.5	0.1	0.5	1.0	1.8	0.3	0.2	0.1	0.7
Government Goods and Services nie	2.5	1.9	3.2	2.8	0.2	0.9	0.0	0.1	0.4	0.2

- Services Trade important for ASEAN and India
- Global competitiveness - ASEAN better placed than India (RCA)
- Some countries - highly competitive (IDN, MYS, PHL, SGP) than others - 7 to 8 sectors
- India - competitive partially in travel (personal), transport (freight) & other services (ICT)
- Not a single sector where ASEAN countries are not competitive



## WAY FORWARD

- India and ASEAN on a high growth trajectory- production, consumption and trade
- Comprehensive trade agreement – need of the hour with global turmoil and changing geopolitics
  - Preparing for a review of the trade sector
  - Ratification of services sector agreement
  - Addressing 21st-century trade issues
  - Working together to minimise the externalities from rapid changes in tariff policies
  - Working towards deeper economic engagement and stronger value chain ties

**THANK YOU**