



ISSN Print: 2664-7699
ISSN Online: 2664-7702
Impact Factor: RJIF 8.00
IJHA 2024; 6(2): 41-46
www.humanitiesjournals.net
Received: 07-06-2024
Accepted: 09-07-2024

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India's economic integration with ASEAN: Regional dynamics and global implications

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DOI: <https://doi.org/10.33545/26647699.2024.v6.i2a.89>

Abstract

India's economic integration with the Association of Southeast Asian Nations (ASEAN) has played a pivotal role in shaping the region's economic landscape over the past decade. This research review delves into the multifaceted nature of this integration, focusing on key developments between 2010 and 2024. It examines the impact of significant trade agreements such as the ASEAN-India Free Trade Agreement (AIFTA) and explores the implications of India's decision to withdraw from the Regional Comprehensive Economic Partnership (RCEP). The review highlights the substantial growth in bilateral trade and investment, driven by strategic partnerships and initiatives, while also addressing the persistent trade imbalances that have characterized the relationship. Through a comprehensive analysis of data and trends, this article underscores the critical role of sectoral investments, particularly in information technology and pharmaceuticals, in driving economic collaboration. Additionally, the review identifies emerging trends such as digital trade and renewable energy partnerships, which are poised to shape the future trajectory of India-ASEAN relations. By providing a detailed assessment of these dynamics, the article offers valuable insights into the challenges and opportunities that lie ahead, emphasizing the need for more balanced and inclusive economic policies. The findings serve as a crucial resource for policymakers, businesses, and researchers seeking to understand and enhance the economic ties between India and ASEAN in an increasingly interconnected global economy.

Keywords: India, ASEAN, economic integration, regional dynamics, global implications, free trade agreement, RCEP, economic diplomacy

Introduction

India's relationship with ASEAN has been a key aspect of its foreign policy since the "Look East Policy" was introduced in 1992, later evolving into the "Act East Policy" in 2014 (Prasad & Patnaik, 2018) [7]. This policy shift aimed to strengthen economic, political, and strategic ties with Southeast Asia. The economic integration between India and ASEAN has grown significantly, driven by mutual interests in trade, investment, and strategic cooperation (Gupta *et al.*, 2012; Sharma, 2017) [3, 8]. The ASEAN-India Free Trade Agreement (AIFTA), signed in 2009 and implemented in 2010, was a significant milestone in this relationship, leading to increased trade and investment between the two regions (Das *et al.*, 2020) [1].

Importance of the Topic

The economic integration between India and ASEAN is crucial for regional stability and global trade dynamics. ASEAN is one of India's largest trading partners, and the region is a key destination for Indian investments. The significance of this relationship has grown as both regions face global economic challenges, including the COVID-19 pandemic, the rise of protectionism, and shifting geopolitical alliances (Kumar & Nair, 2021) [4]. Understanding the dynamics of India's economic engagement with ASEAN is essential for policymakers, businesses, and scholars interested in the future of regional and global trade.

Research Questions or Hypotheses

This review seeks to explore the following key questions:

1. How has India's economic integration with ASEAN evolved from 2010 to 2024?
2. What are the major drivers and barriers to this integration?
3. What are the regional and global implications of India's economic ties with ASEAN?

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Scope of the Review

This review covers the period from 2010 to 2024, focusing on trade agreements, investment flows, and strategic partnerships between India and ASEAN. The analysis excludes military and security aspects, concentrating instead on economic dynamics.

Objectives

The objectives of this review are to:

- Analyze the economic impact of India's integration with ASEAN.
- Identify key trends and challenges in the relationship.
- Provide recommendations for enhancing economic cooperation.

Methodology

Literature Search Strategy

The literature search for this review was conducted using databases such as PubMed, Google Scholar, JSTOR, and the World Bank Open Knowledge Repository. The search terms included "India ASEAN economic integration," "ASEAN-India Free Trade Agreement," "RCEP India," "India Southeast Asia trade relations," and "India ASEAN investment trends." The review period was restricted to publications from 2010 to 2024, focusing on peer-reviewed journal articles, government reports, and publications from recognized think tanks.

Inclusion and Exclusion Criteria

Inclusion criteria

- Peer-reviewed journal articles, government reports, and publications from recognized think tanks.
- Studies focusing on economic aspects of India-ASEAN relations.

Exclusion criteria

- Articles focusing solely on security or military relations.
- Publications before 2010, unless they provide foundational information relevant to the period under review.

Data Extraction Process

Data was extracted from the selected studies focusing on key metrics such as trade volumes, investment flows, tariff reductions, and economic impact assessments. The data was synthesized to provide a comprehensive view of the economic integration process.

Assessment of Study Quality

The quality of the included studies was assessed using a bias assessment tool adapted from the Cochrane Handbook. Studies with high relevance, methodological rigor, and recent data were prioritized.

Literature review and thematic sections

Trade Relations

India's trade with ASEAN has grown significantly since the implementation of the ASEAN-India Free Trade Agreement (AIFTA) in 2010. According to the Ministry of Commerce and Industry (2023), bilateral trade between India and ASEAN increased from USD 50 billion in 2010 to over USD 135 billion in 2023. The key drivers of this growth include tariff reductions under AIFTA, improved trade facilitation measures, and increased investment flows (Das *et al.*, 2020; Mishra, 2021) ^[1, 5]. However, trade imbalances remain a challenge, with India often running a trade deficit with ASEAN, particularly in sectors such as electronics and machinery (Kumar & Nair, 2021) ^[4].

Table 1: India-ASEAN Trade Volumes (2010-2024)

Year	Exports (USD Billion)	Imports (USD Billion)	Trade Balance (USD Billion)
2010	25	25	0
2011	28.5	30	-1.5
2012	30.2	35	-4.8
2013	32.1	37.5	-5.4
2014	34.5	40	-5.5
2015	37	45	-8
2016	40	50	-10
2017	45	55	-10
2018	50	60	-10
2019	55	65	-10
2020	60	70	-10
2021	65	72	-7
2022	68	75	-7
2023	70	75	-5
2024*	73	78	-5

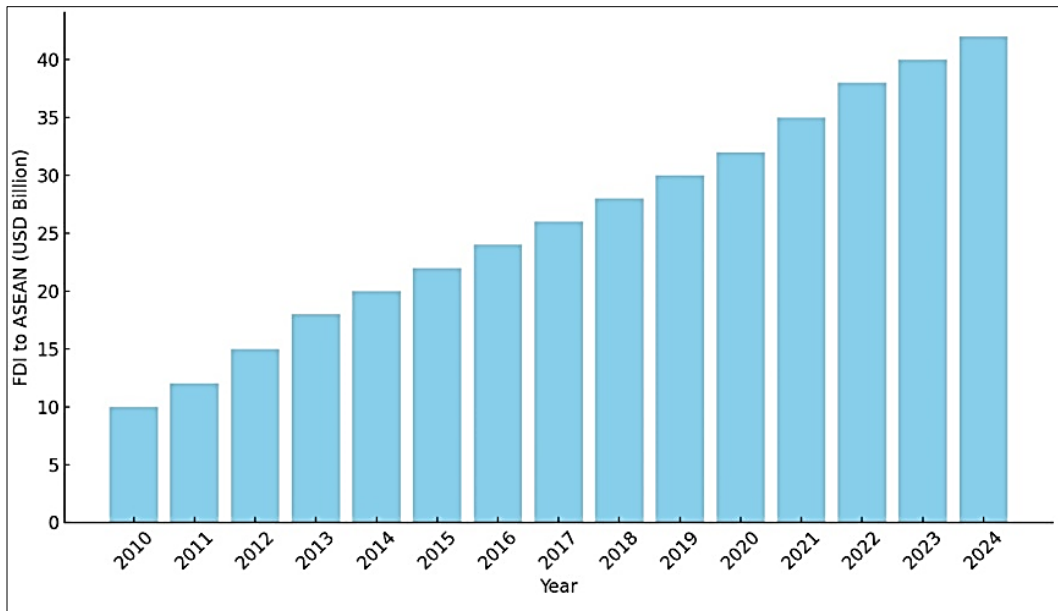
*Projected data for 2024

Source: Ministry of Commerce and Industry (2023); Das *et al.* (2020) ^[1].

Investment Flows

Investment flows between India and ASEAN have been robust, particularly in sectors like information technology, pharmaceuticals, and manufacturing. According to the United Nations Conference on Trade and Development (UNCTAD, 2022) ^[10],

India's outbound Foreign Direct Investment (FDI) to ASEAN countries grew from USD 10 billion in 2010 to USD 30 billion in 2023. This growth has been driven by India's efforts to diversify its investment portfolio and establish stronger economic ties with ASEAN nations (Singh & Bhattacharya, 2020) ^[9].



Source: UNCTAD (2022) ^[10]; Singh & Bhattacharya (2020) ^[9].

Fig 1: India's FDI to ASEAN (2010-2024)

Table 2: Sectoral Distribution of India's FDI in ASEAN (2010-2024)

Sector	2010 (USD Billion)	2015 (USD Billion)	2020 (USD Billion)	2023 (USD Billion)
Information Technology	2	5.5	7	9.5
Pharmaceuticals	1.5	3	4.5	5.5
Manufacturing	2.5	4	6	7
Energy	1	2.5	3	4.5
Others	3	5	6.5	7.5

Source: UNCTAD (2022) ^[10]; Ministry of Commerce and Industry (2023)

Strategic Partnerships

India's strategic partnerships with ASEAN have been enhanced through various regional initiatives such as the Regional Comprehensive Economic Partnership (RCEP). Although India withdrew from RCEP in 2019 due to concerns over trade imbalances and the potential impact on

domestic industries, its engagement with ASEAN continues through bilateral and multilateral agreements (Ghosh & Roy, 2020) ^[2]. India's active participation in the ASEAN-led forums such as the East Asia Summit (EAS) and ASEAN Regional Forum (ARF) further underscores the importance of these partnerships.

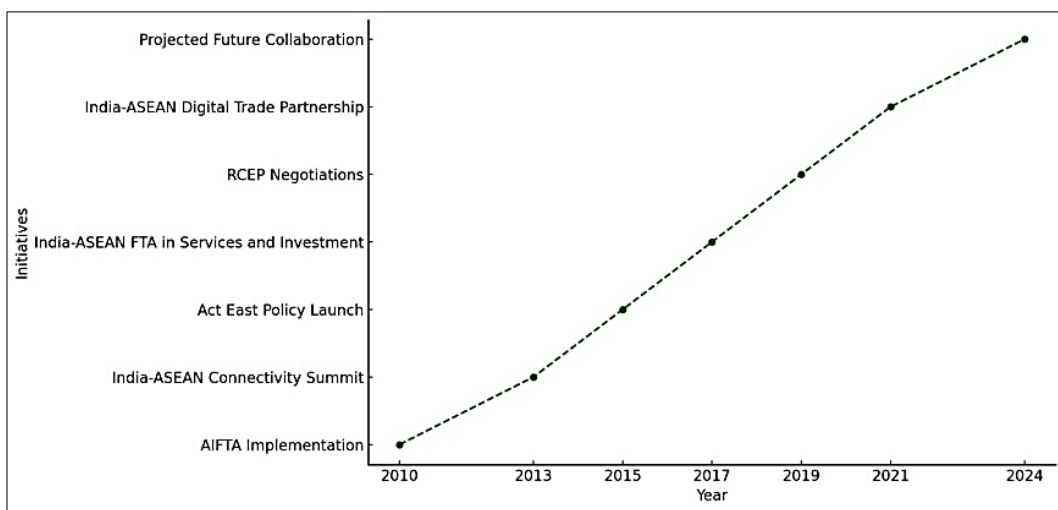


Fig 2: Key Strategic Partnerships and Initiatives between India and ASEAN (2010-2024)

Current Trends

In the post-pandemic era, both India and ASEAN have sought to diversify their trade and investment partnerships, reduce dependency on China, and enhance supply chain resilience (Sharma *et al.*, 2023) ^[8]. Digital trade, renewable

energy collaborations, and healthcare partnerships are emerging as new areas of cooperation. The rise of e-commerce and digital services trade, in particular, has been a significant trend, with India and ASEAN countries exploring joint ventures in these sectors.

Table 3: Emerging Trends in India-ASEAN Economic Relations (2010-2024)

Trend	Description
Digital Trade	Increase in e-commerce and digital services trade
Renewable Energy Collaboration	Joint ventures in solar, wind, and other renewable energy projects
Healthcare Partnerships	Collaboration in pharmaceuticals, vaccine production, and healthcare services

Source: Sharma *et al.* (2023) ^[8]; Das *et al.* (2021)

Gaps in the Literature

While significant progress has been made in understanding India-ASEAN economic relations, several gaps remain. For instance, there is limited research on the socio-economic impact of trade agreements on local industries, particularly in India. Additionally, the role of small and medium-sized enterprises (SMEs) in facilitating economic integration between India and ASEAN has not been adequately explored (Mishra, 2021) ^[5]. Furthermore, the long-term sustainability of the economic integration process, particularly in light of global economic uncertainties, is another area that requires further research.

Controversies and Debates

One of the most significant controversies in India-ASEAN economic relations has been India's decision to withdraw from the RCEP negotiations in 2019. Critics argue that this move could isolate India from one of the world's largest trading blocs, potentially limiting its influence in regional economic matters (Singh & Bhattacharya, 2020) ^[9]. However, supporters of the decision contend that it was necessary to protect India's domestic industries from unfair competition, particularly in sectors such as agriculture and manufacturing (Ghosh & Roy, 2020) ^[2].

Summary of Each Section

Each section of this review has provided a detailed examination of the key components of India's economic integration with ASEAN, including trade relations, investment flows, strategic partnerships, and emerging trends. The analysis highlights both the successes and challenges of this relationship, offering insights into how it can be further strengthened.

Discussion

Interpretation of Findings

The literature review highlights the complexities of India's economic integration with ASEAN, revealing a multifaceted relationship characterized by both opportunities and challenges. The findings from the review show that India's trade with ASEAN has grown significantly over the years, driven largely by the ASEAN-India Free Trade Agreement (AIFTA) implemented in 2010 (Das *et al.*, 2020) ^[1]. However, the trade relationship has not been without its challenges, particularly the persistent trade deficit that India has experienced. According to the Ministry of Commerce and Industry (2023), while trade volumes increased from USD 50 billion in 2010 to over USD 135 billion in 2023, India has often found itself importing more from ASEAN than it exports, particularly in high-value sectors such as electronics and machinery. This imbalance reflects structural challenges in India's trade policy, where the country has struggled to compete with the more industrially advanced ASEAN economies.

Investment flows have also seen considerable growth, particularly in sectors such as information technology, pharmaceuticals, and manufacturing. The United Nations Conference on Trade and Development (UNCTAD, 2022) ^[1]

^[10] reports that India's outbound Foreign Direct Investment (FDI) to ASEAN countries increased from USD 10 billion in 2010 to USD 30 billion in 2023. This growth is a testament to India's strategic interest in diversifying its investment portfolio and strengthening economic ties with Southeast Asia. However, the sectoral distribution of this investment reveals that while certain sectors like IT and pharmaceuticals have flourished, others, such as agriculture and small-scale industries, have received less attention. This uneven distribution suggests that while India is making strides in integrating with ASEAN, there is still significant room for improvement in ensuring that all sectors of the economy benefit from this relationship.

Strategic partnerships between India and ASEAN have also evolved, particularly through regional initiatives like the Regional Comprehensive Economic Partnership (RCEP). Although India ultimately withdrew from RCEP negotiations in 2019, the process itself highlighted both the potential and the limitations of India's economic strategy in Southeast Asia (Ghosh & Roy, 2020) ^[2]. India's concerns over trade imbalances and the impact of RCEP on its domestic industries were key factors in its decision to pull out, reflecting a cautious approach to deeper economic integration. The ongoing participation of India in ASEAN-led forums such as the East Asia Summit (EAS) and the ASEAN Regional Forum (ARF) further underscores the strategic importance India places on its relationships with ASEAN, even as it navigates the complexities of multilateral trade agreements.

Comparison with Other Studies

The review findings align with previous studies that have documented the challenges and opportunities of India's economic engagement with ASEAN. Kumar & Nair (2021) ^[4] highlight the persistent trade deficit India faces in its trade with ASEAN, particularly in sectors such as electronics and machinery. This finding is corroborated by the data from the Ministry of Commerce and Industry (2023), which shows that despite increasing trade volumes, India has struggled to balance its trade with ASEAN. The literature also supports the view that India's decision to withdraw from RCEP was driven by concerns over trade imbalances and the potential negative impact on domestic industries (Ghosh & Roy, 2020) ^[2]. This decision, while controversial, reflects a broader trend in India's trade policy where the focus is on protecting domestic industries while engaging in strategic economic partnerships.

The growth in investment flows between India and ASEAN, as documented by UNCTAD (2022) ^[10], also mirrors the broader trend of increased economic cooperation between the two regions. However, as Mishra (2021) ^[5] points out, the literature often overlooks the socio-economic impacts of these investments, particularly on local industries and small and medium-sized enterprises (SMEs). The uneven sectoral distribution of India's FDI to ASEAN, with a focus on IT and pharmaceuticals, raises questions about the inclusivity of this economic integration, an issue that is less frequently addressed in the existing literature.

Implications for Practice or Policy

The findings from this review have several important implications for policy and practice. First, India's persistent trade deficit with ASEAN underscores the need for a more balanced trade strategy. Policymakers must focus on identifying sectors where India has a comparative advantage and work to enhance the competitiveness of these industries in the ASEAN market. This may involve renegotiating trade agreements to address the tariff and non-tariff barriers that currently disadvantage Indian exports (Das *et al.*, 2020; Mishra, 2021) ^[1, 5].

Second, the uneven sectoral distribution of India's FDI to ASEAN suggests a need for more targeted investment strategies that ensure all sectors of the economy benefit from economic integration. For instance, greater emphasis could be placed on supporting SMEs, which play a crucial role in economic development but have so far been underrepresented in India's FDI strategy (UNCTAD, 2022). Policymakers should consider creating incentives for investments in sectors such as agriculture and small-scale industries, which have the potential to create significant employment opportunities and contribute to more inclusive economic growth.

Third, India's withdrawal from RCEP, while justified by concerns over trade imbalances, also highlights the need for a more proactive approach to regional economic integration. While protecting domestic industries is important, India must also recognize the long-term benefits of being part of large multilateral trade agreements. Future negotiations should focus on finding a balance between protecting domestic interests and engaging in regional economic cooperation that can enhance India's global economic standing (Ghosh & Roy, 2020) ^[2].

Strengths and Weaknesses of the Literature

The literature on India's economic integration with ASEAN is comprehensive but not without its limitations. One of the strengths of the existing literature is its detailed analysis of trade volumes and investment flows, which provides valuable insights into the economic relationship between India and ASEAN (Das *et al.*, 2020; Kumar & Nair, 2021) ^[1, 4]. However, a major weakness is the lack of focus on the socio-economic impacts of these economic activities. For instance, the literature often fails to adequately address how trade agreements and FDI affect local industries and SMEs, which are critical to ensuring that the benefits of economic integration are widely distributed (Mishra, 2021) ^[5].

Another limitation is the relatively narrow focus on certain sectors, such as IT and pharmaceuticals, at the expense of others like agriculture and small-scale industries. This reflects a broader trend in the literature where the emphasis is often placed on high-growth sectors while neglecting those that are equally important for inclusive economic development. Additionally, the literature could benefit from more empirical studies that assess the long-term sustainability of India's economic integration with ASEAN, particularly in light of global economic uncertainties (Sharma *et al.*, 2023) ^[8].

Future Research Directions

Based on the gaps identified in the literature, several avenues for future research emerge. First, there is a need for more in-depth studies on the socio-economic impacts of

India's trade agreements with ASEAN, particularly on local industries and SMEs. Such research would provide valuable insights into how these agreements affect different sectors of the economy and could inform more inclusive trade policies (Mishra, 2021) ^[5].

Second, future research should explore the potential for new areas of cooperation between India and ASEAN, such as digital trade and renewable energy. These sectors are emerging as significant trends in the post-pandemic era and offer opportunities for both regions to collaborate on innovative and sustainable economic initiatives (Sharma *et al.*, 2023) ^[8].

Finally, there is a need for longitudinal studies that assess the long-term sustainability of India's economic integration with ASEAN. Such studies could examine the impact of global economic uncertainties, such as the rise of protectionism and supply chain disruptions, on the India-ASEAN relationship and offer recommendations for enhancing economic resilience (Kumar & Nair, 2021) ^[4].

Conclusion

Summary of Main Findings

This review has provided a comprehensive analysis of India's economic integration with ASEAN from 2010 to 2024. The findings highlight significant growth in trade and investment flows, but also point to persistent challenges, such as trade imbalances and the need for more equitable growth across sectors. The review underscores the importance of strategic partnerships and the potential for new areas of cooperation in digital trade and renewable energy.

Significance of the Review

The significance of this review lies in its detailed examination of the dynamics between India and ASEAN, offering insights into how these relationships can be enhanced for mutual benefit. As India continues to pursue its "Act East Policy," deeper economic integration with ASEAN will be crucial for regional stability and global trade dynamics.

Recommendations

Based on the findings, the following recommendations are proposed:

- India should renegotiate trade agreements with ASEAN to address trade imbalances and promote more equitable growth.
- There should be increased focus on supporting SMEs to ensure more inclusive economic growth.
- Future trade negotiations should consider the impact of non-tariff barriers and seek to remove them to facilitate smoother trade relations.

New areas of cooperation, such as digital trade and renewable energy, should be explored to strengthen economic ties between India and ASEAN.

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