

India-ASEAN Trade through Reveled Comparative Advantage

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Abstract

Most of the countries of the world are mutually dependent to each other directly or indirectly for healthy economy growth which shows the importance of foreign trade though Reveled Comparative Advantage. Foreign trade plays an important role for regional and international level in specialization as well as abundance of commodities which promotes welfare in two ways. It extends the market of a country's output beyond national frontiers and may ensure better prices through trades. Thus, foreign trade is a significant driving force for the engine of economic growth. The main aim of current paper titled "India-ASEAN Trade through Reveled Comparative Advantage" is to analyse the growth rate and importance of foreign trade through Reveled Comparative Advantage. Reveled Comparative Advantage method has been applied to analysis the data.

Keywords: Economic Growth, Foreign trade, Reveled Comparative Advantage, Self-sufficient.

1. INTRODUCTION

In the modern world, there is mutual interdependence of the various national economies. Now-a-days, it is hard to find the example of a closed economy. All economies of the world have become open. But the degree of openness varies from one country to another. Thus, in the modern world no country is completely self-sufficient.

Self-sufficiency, in the sense used here, means the proportion of the goods and services consumed to their total output produced with in a country. But the degree of self-sufficiency varies from one country to another. Equally important are the roles of the regional and international specialization. Trade is essentially an international transformation of commodities, inputs and technology which promotes welfare in two ways. It extends the market of a country's output beyond national frontiers and may ensure better prices through exports.

Through imports, it makes available commodities, inputs and technology which are either not available or are available only at higher prices, thus taking consumers to a higher level of satisfaction. The foremost principle of foreign trade, viz., "The Law of Comparative Costs", signifies that what a country exports and imports is determined not by its character in isolation but only in relation to those of its trading partners. According to Samuelson "Foreign Trade offers a Consumption possibility frontier that can give us more of all goods than can own domestic production possibility frontier". The extension of foreign trade, according to Ricardo "will very powerfully contribute to increase the mass of commodities, and therefore, the sum of enjoyments". In modern terminology, "Trade is a p positive sum game".

Under developed countries are concerned with their international trade position, because for all of them, international trade position, because for all of them, international trade-how, skills, capita, machinery and implements which are essential for their economic development.

India is one of the fastest growing economies in the world, today emerging as an important driver of world growth. With rapidly growing large middle class market, large pool of cheap human resources and acquired competencies in some industries and services make India an attractive partner for trade and investment by many countries. The three mega agreements that are currently being negotiated namely the

Trans Pacific Partnership, Trans-Atlantic Trade and Investment Partnership and the Regional Comprehensive Economic Partnership (RCEP) add a completely new dimension to the global trading system. India is a party to the RCEP negotiations. The mega agreements are bound to challenge India's industry in many ways, for instance, by eroding existing preferences for Indian products in established traditional markets such as the US and EU and establishing a more stringent and demanding framework of rules.

Indian industry needs to gear up to meet these challenges for which the Government will have to create an enabling environment. India's future bilateral/regional trade engagements will be with regions and countries that are not only promising markets but also major suppliers of critical inputs and have complementarities with the Indian economy. The focus of India's future trade relationship with its traditional markets in the developed world would be on exporting products with a higher value addition, supplying high quality inputs for the manufacturing sector in these markets and optimizing applied customs duties on inputs for India's manufacturing sector.

The US is one of India's top trading partners and now that the US is back on a growth path, future bilateral trade prospects are bright. Employment-generating sectors such as textiles, agriculture, leather and gems & jewellery will continue to receive major attention for promoting exports to the US market. The EU is a significant market for India's information technology services but remains underutilized because of the data security related constraints posed by EU regulations.

1(i) ASEAN

ASEAN is a regional intergovernmental organization which was signed on the 8th August 1967 at Bangkok, Thailand by the foreign ministers of five original member countries namely Indonesia, Malaysia, Philippines, Singapore and Thailand. The aims and purpose of ASEAN is to cooperate in the economic, social, cultural, technical, educational and other fields, and in the promotion of regional peace and stability.

Economic dimension is added to the ASEAN to consolidate the market, efficient resource allocation within the region, regionalization of production networks and reap economies of scale. ASEAN Free Trade Area (AFTA) is the essence of ASEAN economic integration. AFTA was launched in 1992 to promote the region's competitive advantage as a single production unit. It is a cooperative arrangement among the member countries. Non-tariff barrier will also have to be eliminated under the CEPT scheme. The initial decision by ASEAN leaders in 1992 was to complete AFTA within 15 years from 1993- 2008. But ASEAN agreed to accelerate the implementation and set 2003 as the completion date. In response to the 1997/98 financial crisis, ASEAN leaders agreed to bring the completion date forward to 1st January 2002 for the six original members of ASEAN. New members were given a larger time frame of 10 years to bring down most of their tariffs to 0-5 percent.

More recently ASEAN also changed the end goal from 0-5 percent to Zero tariffs by 2010 for six original members and by 2018 (2015 for most products) by the newer members. As of 1 January 2005, tariffs on almost 99 percent of the products in the Inclusion List of the ASEAN-6 (Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore, and Thailand) have been reduced to no more than 5 percent. More than 60 percent of these products have zero tariffs. The average tariff for ASEAN-6 has been brought down from more than 12 percent when AFTA started to 2 percent.

2. REVIEW OF LITERATURE

Literature Review is the comprehensive summary of previous studies related to a topic. With the help of literature Review, I found the existing work, which has been already carried out and identified the gap available. For this, I reviewed more than 20 research papers which have been collected from various sources such as journals, articles and online publications. Some of very good research papers are before you;

- ❖ Das, S.B. (2018)¹ in his study he tried to suggest ways and means to improve India's trade with ASEAN, including improving ease of doing business in India, faster registration of businesses,

bureaucratic red to entice foreign investors Large possible attempts to cut tape are included. ASEAN-India occupies an important place in the study of economic relations due to global trade turmoil, service sector prospects and people-to-people contact.

- ❖ Trung, N. X., Hung, N. D., & Hien, N. T. (2018) analyzed Vietnam's bilateral trade and techniques of stochastic frontier estimation for gravity models in their study to estimate their benefits of trade efficiency before and after free trade agreements (FTAs) with China and India. Results based on the time period between 2000 and 2015 showed that AIFTA had a positive effect on Vietnam's bilateral trade flows but had negative effects on Vietnam's exports but not imports after ASEAN-China entered into force. The Free Trade Agreement (ACFTA) and the FTA have reduced trade costs over time, and these effects on imports by Vietnam are much greater than exports made by Vietnam. Therefore, it was observed from the above literature that India's Look East Policy was well calculative and an appropriate step to develop deep and long lasting relations with South East Asia, where China already had It has a strong footprint.
- ❖ Sarin, V. (2017) in this study “India's export competitiveness in the light of Look East Policy” he found that Indian exports are facing challenges as far as competition is concerned, India still lags behind the Asian tigers. A similar study on export competitiveness of India's agricultural products from 2001–15 by Kaur and Sarin (2017), makes it clear that there is a lack of diversity in agricultural exports in ASEAN of India and little change for India's agricultural exports has been found as far as comparative advantage and competition are concerned.
- ❖ Renjini, V. R., & Kar, A. (2016) attempted to review the current scenario, structure, trade intensity price index and competitiveness advantage of agricultural trade between India and ASEAN for the period 1995–2014. The results showed that, 30–40 percent of imports and more than 10 percent of exports were directed to ASEAN compared to the world. Vietnam and Indonesia were found to be major export destinations and source of agricultural commodities respectively. ASEAN remained the most preferred trading partner in all of India's preferred years with a trade intensity index value of more than two. India had maintained higher trade intensity with Indonesia, Malaysia, Thailand, Vietnam and Myanmar than Brunei, Cambodia and Lao. India continued to compete in marine products, spices, rice and oil meal from China, Australia and the United States, the major agricultural exporters of ASEAN considered in the study. But China has become a strong rival for India in the ASEAN market in the fields of cotton, fruits, vegetables and coffee, calling attention to the need to expand the competitiveness of agricultural supplies.
- ❖ Nath Jha, Shankar & Salim, Mohd (2015) in this study they had painted the picture of regional cooperation for the development of trade between India with ASEAN. This was an empirical study, and exploratory research techniques were used in this paper. The study was based on secondary data collected from various journals, articles and websites. Statistical tools such as mean, percentage change, correlation, etc. were used for data analysis. The study showed that India had a dominant position in trade with ASEAN and was boosted smoothly. The study suggested that India should be more concerned with trade growth with ASEAN countries.
- ❖ EXIM Bank of India (2015) report highlighting the recent trends of India's trade. With the help of tables and graphs, it presented India's growth in various areas of trade, the top ten countries in India's exports and imports. This study showed us that Singapore was one of the top 10 exporting countries in India, and Indonesia was one of the top 10 importing countries in India. Thus ASEAN countries played an important role in India's trade.
- ❖ Verma Anil (2015), this paper demonstrated the pattern of India's trade with ASEAN countries during the period 2010-11 to 2014-15. The nature of growing trade between India and ASEAN was found and it was suggested by the author that India should try. Enhance your relations with ASEAN countries. The study suggested that a detailed survey should be conducted by the government, among stakeholders, aimed at assessing the positive or negative impact of the ASEAN-India FTA.
- ❖ The Hindu Business Line (2014) reports showed that India's trade with ASEAN would reach 280 \$ billion in 10 years, at which time it would account for 15% of India's total exports. The report also indicated major exports and imported goods between India and ASEAN.
- ❖ McClannan, et.al. (2014), expressed an analysis of ASEAN's Free Trade Agreements with various countries of the world and then individually analyzed the impact of these FTAs on small and

medium enterprises of ASEAN member states. The study gave different recommendations for each ASEAN countries by which they could take advantage of these agreements.

- ❖ Bhattacharya and Mandal (2014) studied that AIFTA would show higher impact on intermediate goods (both unfavorable and favorable) than final goods. Other attractive findings include that the major part of the industries are not affected by the tariffs at all and the agreement was of no importance to them. In fact, some products were falling in this group of goods. However, higher fares are levied with the passage of time, so imports have given a mistaken indication for the elasticity of tariffs indicating that tariffs determine their imports and there is no question of adding these products or to the sensitive list.
- ❖ Choudhary, Sarika (2013) in this study highlighted the trend of ASEAN-India trade for the period 0 to 2009. The purpose of this paper was to analyze the growth and direction of Indo-ASEAN trade and find out the reasons for India's changing direction. Trade with ASEAN. In order to calculate the development trends, the test of significance was implied with the regression coefficient, the findings of the study showed that ASEAN's importance had increased since 1980, it was worth noting that the ASEAN In comparison to exports, India's exports in 2009 were 70 times higher than that of exports. The results of this study showed that India's trade with ASEAN was changing over time; The growth of CLMV (Cambodia, Laos, Myanmar, and Vietnam) also confirmed that there was great business potential throughout ASEAN and there was great scope for future India-ASEAN trade. Therefore, it was observed from the above literature that India's Look East Policy was well calculative and an appropriate step to develop deep and long lasting relations with South East Asia, where China already had It has a strong footprint. Many perceived LEP as a low economic benefit of India's geopolitical advantage. Some found that initially LEP is not giving much economic results but patience will definitely bring desired results. Initial studies on the economic front on AIFTA were apprehensive about economic gains in goods, but are positive on desired outcomes in services with India's exports to ASEAN. On the agricultural front, India is struggling with its counterparts in ASEAN, which is a daunting challenge for policy makers as India is still a predominantly agricultural economy. In recent studies, it has been found that the effect of trade creation is more than that of trade diversion. There is some literature available regarding measuring business capacity and business competitiveness and current studies will try to bridge the gap on this important aspect of AIFTA.
- ❖ Mohiddeen, O.M., Perumal,M.& Mohanraj, J. (2011) In this study they had revealed a theoretical analysis of the impact of free trade agreements with countries other than ASEAN countries on the Indian economy. The study suggested that the FTA could commit the parties to preparing a timetable for ongoing trade and investment reform, which should be clear and realistic to advance the reform process in each economy.
- ❖ Veeramani and Saini (2010), recently performed a quantitative assessment of the impact of ASEAN -India FTA for selected plantation items (coffee, tea and pepper) in India. The author used a partial equilibrium modeling approach (SMART and Gravity Model) to simulate an increase in potential imports of plantation commodities under AIFTA's proposed tariff reduction program. Overall, the results of this study showed that AIFTA would significantly increase the import of plantation items into India. The increase in imports was mostly driven by trade diversion rather than trade creation. The author also estimated the gravity model for each commodity using bilateral trade data for a large number of countries. The result means that a 10% reduction in tariffs would increase imports, in terms of percentage point, by about 5.3% for coffee, 2.5% for tea and 2.9% for pepper. The simulation results based on the gravity model were consistent with the results obtained from the smart model. The study noted that the AIFTA has improved welfare for consumers of plantation goods, as they can buy cheaper goods from countries with lower production costs, such as Vietnam, but increasing new imports adversely affect the livelihoods of farmers engaged in production May have effect of these commodities.
- ❖ Khanna Sushil (2007) had attempted to ascertain the policies of India and China for their border areas, the study submitted that China had made its borders areas and infrastructure development, foreign direct investment and special economic zones (SEZs) Has given more importance by its policies. , China was successful in developing areas of its borders. China also attempted to forge agreements with ASEAN countries, and was made successful with the formation of the China-

ASEAN FTA in 2000. India also followed this movement of China and also tried to increase its trade relations with ASEAN countries and India achieved very little progress.

- ❖ Prafulla Ketkar (2007) in his article “Northeast as India’s Corridor to ASEAN: Problems and Prospects” he has analyzed problems of Northeast India’s region in cooperation with ASEAN countries. The major problems like illegal migration, smuggling of arms and drugs and insurgency in Northeast India’s region near to Myanmar and the role of China in India-Myanmar relations have been aptly probed.
- ❖ Suparna Karnker(2006) analyses the economic scenario in the Asia-pacific region. She takes a macro overview of the potential of an agreement on trade in services between India and the members of ASEAN in the context of the ongoing attempts at multilateral liberalization and the proliferation of bilateral regional comprehensive new age free trade agreements.
- ❖ Commodore Rajeev Sawhnty (2006) in his article "Dimensions of India’s ‘Look East’ Policy discusses is India's maritime threats and the ASEAN countries’ security related cooperation. It also briefly discusses India's ‘Look East’ policy and its implications.
- ❖ K. Raja Reddy (2005) in his edited book India and ASEAN- Foreign Policy Dimensions for 21st Century focuses mainly on India’s ‘Look East’ policy. This book is divided into three sections. The first section highlights India’s ‘Look East’ policy in details. The papers explore the causes which led to the launching of this policy. Some papers review the success of the policy as well as the challenges attached with it. The second section of the book gives detailed attention to strategic issues for India-ASEAN cooperation. Sub-regional cooperation as well as Indo Myanmar relationship has also been addressed to. Third section is devoted to India’s relationship with Australia. In this section India’s cultural relations as well as commercial ties with Australia have been reviewed. India–Taiwan coordination too has been discussed in this section of the book.
- ❖ Mukul G. Asher and Rahul Sen, (2005) in “India-East Asia Integration: A Win-Win for Asia” analyze India’s merchandise trade with East Asia and highlight the rapid growth and diversification among trading partners. They focus on future cooperation in trade, commercial services, investment flows and the implications of demographic complement abilities between India and East Asia.
- ❖ Sen Rahul, Mukul G. Asher & Rajan S. Ramkishan (2004) this descriptive study on ASEAN-India relation presented a brief history of India's relations with ASEAN. The study examined the future prospects of ASEAN-India relations. The paper was divided into 7 sections; In particular Section 3 focused on trade trade, Section 4 deals with service trade, while Section 5 discusses tourism flows between India and ASEAN, especially Section 6 deals with investment flows. While done, Section 7 offered a short discussion on manpower flow. Find out about the future prospects of ASEAN's economic relations with India. The study suggested that in order to make this relationship more sustainable, the media and elites on both sides should make every effort to address the current information and perception gaps and mind sets that contribute to peace for economic cooperation between India and ASEAN. And creates an obstacle in scope.
- ❖ Bharti Chhibber, (2004) in Regional Security and Regional Cooperation: Comparative Study of SAARC and ASEAN have done splendid work on the issues in regional cooperation and their interrelationships both in theory and practice, through a comparative study of ASEAN and SAARC. Taking a comprehensive view of security, it analyses how ASEAN and SAARC have contributed to regional security in Southeast Asia and South Asia. Intra-regional relationships among the member countries have been examined within the broader parameters of the changing international scenario. Lloyd and Maclaren (2004) surveyed the theoretical and empirical aspects of regional integration and showed how member and nonmember countries gain and losses occur due to trade liberalization in goods by forging free trade area or a customs union.
- ❖ Mitra P. P. (2003), analyzed the direction of India's trade after the 1990s. The paper was divided into three sections, Volume 1 described the pattern of India's trade flows, Volume 2 predicted the opposite trend ratio and Volume 3 brought out the general conclusion of the paper.
- ❖ M.L. Sondhi and K.G. Tyagi (2001) in their edited work Asia-Pacific Security, Globalisation and Development explore various dimensions of globalization and their relationship to various economic, social, cultural and political aspects of development process. All contributors in this book are linked together by a common endeavour to explore a dynamic balance between global economic forces and national security and various challenges in the age of globalization. Two chapters deal

particularly with the India's relations with ASEANPanagaria (2000) based on systematic economic analysis argued strongly in favour of multilateral trade liberalization than regional agreements as PTAs can divert trade and lower welfare for the participating nations. The paper suggested measures to minimize adverse effects of PTAs which include placing moratorium on the expansion of PTAs (except those in advanced stage of negotiation), modify the GATT Article XXIV to bind its tariffs to the pre FTA level, changes in Article XXIV relating to antidumping and safeguard measures and finally there be no rule of origin on a product in a member country with the lowest tariff in the Union on that product.

3. OBJECTIVES OF STUDY

This study is based on following objectives:

1. To analyse the growth rate and trend of India's export..
2. To identify the potential of trade of commodities between India and ASEAN with RCA analysis.

4. RESEARCH METHODOLOGY

Research methodology is a way, to systematically solve the research problems. The present study is descriptive and analytical in nature. For this study, secondary data have been collected from various ASEAN-documents including Reports, Charters/Declarations, Joint Press Releases, Foreign Affairs Records, Annual WTO Reports, Statements by Indian Foreign Leaders and relevant websites etc.

4(i) Tools & techniques

Revealed Comparative Advantage (RCA) Index is used for analyzing the data in this study. It can be defined as the ratio of two shares where the numerator is the share of a country's total exports of the commodity of interest in its total exports. The denominator is share of world exports of the same commodity in total world exports.

Revealed Comparative Advantage is based on the Ricardian comparative advantage concept and used in International economy for calculating the relative advantage or disadvantage of a certain country in a certain class of goods or services as evidenced by trade flows. It is developed by Balassa (1965) and expressed as follows:

$$RCA_{ij} = X_{ij} / X_{wj} \cdot X_i / X_w$$

It can be modified as follows:

$$RCA_{ij} = X_{ij} / X_i \cdot X_w / X_{wj}$$

Where, RCA_{ij} = Revealed Comparative Advantage of i Country in j Commodity,

X_{ij} = i Country's export of Commodity j, X_i = Total exports of Country i, X_{wj} = World Exports of Commodity j, X_w = Total World Exports

5. ANALYSIS

Table: 1 Share of ASEAN in India's total exports

Years	India's total exports US\$ (in million)	India's exports to ASEAN US\$ (in million)	Share of ASEAN in India's total exports(in %)
2004	75904	5800	07.60
2005	100352	10410	10.37
2006	121200	12610	10.40
2007	145898	16410	07.13
2008	181860	19140	10.52
2009	176765	18110	10.24
2010	220408	25630	11.62
2011	301483	36740	12.18
2012	289565	33000	11.39
2013	336611	33130	09.84
2014	312600	31810	10.17
2015	317545	25200	07.93
2016	264,381	31070	11.75
2017	274600	34200	12.45
2018	303520	38000	12.51

Source: UNCOMTRADE database, United Nations Statistical Division

The table-1 infers that Share of ASEAN in India's total exports has been showing a fluctuating trend from 2004 to 2014. After that it is showing an increasing trend from 2015 to 2018. However the ratio of India's export to ASEAN with India's total trade has increased from 7.06% in 2004 to 12.51% in 2018. India's exports to world since 2004 to 2011 has shown increasing trend respectively in all years where as there is little up and down in trade to the world since 2012 to 2018.

Table: 2 Share Of ASEAN in India's Total Imports: 2004-2018

Years	India's total Imports US\$ (in Millions)	India's Imports from ASEAN US\$(in Million)	Share of ASEAN in India's total Imports (in %)
2004	98981	7400	07.48
2005	140862	10880	07.72
2006	178212	18110	10.16
2007	218645	22670	10.36
2008	315712	26200	08.30
2009	266402	25800	09.68
2010	350029.	30610	08.74
2011	462403	42160	09.12
2012	448976	42870	09.55
2013	466046	41280	08.86
2014	459369	44710	09.73
2015	390745	39840	10.20
2016	356705	40630	11.39
2017	444052	47130	10.61
2018	617946	59000	09.55

Source: UNCOMTRADE database, United Nations Statistical Division

The table-2 infers that the share of ASEAN in India's total imports has a showing an increasing trend during 2004 to 2007 but after that it showing an increasing trend with little fluctuation from 2008 to 2018. India's total imports since 2004 to 2018 has shown growing trend with little up and down. This is because, India is importing numerous commodities for fulfilling its need from all over the world.

Table-3 India-ASEAN merchandise trade

Year	India's export to ASEAN (in US\$ Billions)	India's imports from ASEAN (in US\$ Billions)	Total Trade (in US\$ Billions)
2004	05.80	07.40	13.20
2005	10.41	10.88	21.29
2006	12.61	18.11	30.72
2007	16.41	22.67	39.08
2008	19.14	26.20	45.34
2009	18.11	25.80	43.91
2010	25.63	30.61	56.24
2011	36.74	42.16	78.90
2012	33.00	42.87	75.87
2013	33.13	41.28	74.41
2014	31.81	44.71	76.52
2015	25.20	39.84	65.04
2016	31.07	40.63	71.69
2017	34.20	47.13	81.33
2018	38.00	59.00	97.00

Source: UNCOMTRADE database, United Nations Statistical Division

The India's export to ASEAN countries has increased from \$5.8 billion in 2004 to \$38 billion in 2018, which shows the increasing trend with a little fluctuation. But the India's imports from ASEAN countries increased from \$7.40 billion in 2004 to \$59.00 billion in 2018, which grow at a faster rate as compared to the growth rate of India's exports to ASEAN countries.

5.1 Importance of foreign trade through Revealed Comparative Advantage (RCA)

In order to calculate the RCA index, some important commodities have been taken which are as under;

Table: 4
Comparative advantage of Capital Goods of India and ASEAN

(In Percentage)

Country	India	Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam	Cambodia
2004	0.15	0.04	1.00	1.80	1.77	0.81	0.12	0.01
2006	0.26	0.51	1.80	2.31	1.62	1.26	0.24	0.03
2008	0.31	0.45	1.80	2.35	1.78	1.27	0.29	0.12
2010	0.32	0.47	1.10	2.27	1.43	1.42	0.38	0.07
2012	0.35	0.42	1.55	2.45	1.59	1.38	0.47	0.07
2014	0.34	0.42	1.64	2.17	0.41	0.40	0.02	1.45
2016	0.36	0.40	1.51	2.14	1.41	1.35	0.63	0.16
2018	0.40	0.41	1.55	2.11	1.30	1.43	0.89	0.06

Source: World Integrated Trade Solution

For Capital Goods: Singapore, Malaysia, Philippines and Thailand have been exporting more Capital goods and showing high RCA while India, Cambodia, Indonesia and Vietnam have low RCA countries in the product group.

Table: 5
Comparative advantage of Consumer Goods of India and ASEAN
(In Percentage)

Country	India	Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam	Cambodia
2004	1.17	1.35	0.86	0.01	0.98	1.31	0.21	0.01
2006	1.23	1.13	0.65	0.46	0.88	0.95	1.71	3.01
2008	1.29	1.13	0.68	0.46	0.96	0.95	1.69	3.12
2010	1.29	1.07	0.81	0.43	0.99	0.94	1.69	3.10
2012	1.25	1.07	0.96	0.48	1.21	1.02	1.66	3.12
2014	1.20	0.97	0.87	0.49	0.93	0.95	1.74	2.79
2016	1.32	1.04	0.99	0.51	1.15	0.94	1.55	2.99
2018	1.51	1.15	1.05	0.58	1.18	0.97	1.00	3.00

Source: World Integrated Trade Solution

For consumer goods, most of ASEAN countries including India have comparative advantage with high RCA value of consumer goods. The RCA for Animal product during the period of 2004 to 2018 provide the long term trend for each product.

Table 6
Comparative advantage of Animal products of India and ASEAN
(In Percentage)

Country	India	Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam	Cambodia
2004	1.83	1.50	0.57	0.13	0.21	3.60	2.56	0.00
2006	1.17	1.29	0.26	0.43	0.15	1.07	3.39	0.28
2008	1.19	1.13	0.28	0.47	0.15	1.10	3.68	0.31
2010	1.04	1.10	0.29	0.46	0.13	1.04	3.48	0.16
2012	1.02	1.06	0.31	0.51	0.13	0.96	3.31	0.18
2014	0.97	1.08	0.26	0.48	0.13	0.93	2.88	0.23
2016	0.93	0.87	0.26	0.52	0.14	0.89	2.61	0.22
2018	1.25	0.90	0.20	0.49	0.06	0.68	0.87	0.08

(Source: World Integrated Trade Solution)

The countries which have high RCA for animal product are including India, Indonesia, Thailand and Vietnam while Cambodia, Malaysia, Philippines and Singapore have low RCA. This means there is a scope to trade agricultural Commodities between India and low RCA countries of ASEAN such as Cambodia, Malaysia, Philippines and Singapore.

Table: 7
Comparative advantage of Chemicals of India and ASEAN
(In Percentage)

Country	India	Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam	Cambodia
2004	0.72	0.20	0.26	0.00	0.69	0.20	0.00	0.00
2006	1.14	0.44	0.38	0.08	0.28	0.37	0.12	0.01
2008	1.22	0.42	0.37	0.09	0.42	0.42	0.13	0.01
2010	1.22	0.44	0.35	0.09	0.59	0.43	0.14	0.02
2012	1.23	0.36	0.37	0.14	0.31	0.41	0.19	0.00
2014	1.21	0.33	0.32	0.15	0.45	0.41	0.14	0.01
2016	1.21	0.45	0.36	0.19	0.67	0.53	0.2	0.01
2018	1.56	0.39	0.38	0.14	0.82	0.57	0.17	0.01

Source: World Integrated Trade Solution

Currently, India is exporting different chemical products and increasing the export share in its export basket. India got a high RCA in Chemicals whereas all the other ASEAN countries have either weak or low RCA. This shows that India can improve trade in Chemical products with the ASEAN countries. For food items, Thailand, India, Philippines and Indonesia have RCA while low for Cambodia, Malaysia and Singapore. It means that Thailand, Philippines, Indonesia, and India can improve their trade by exporting to Cambodia, Malaysia and Singapore.

6. FINDINGS

The main findings of the study are as follows:

1. India's merchandise exports and imports both have increasing trend over the period of 2004 to 2018. The India's imports from ASEAN increased from \$7.40 billion in 2004 to \$59.00 billion in 2018.
2. The India's export to ASEAN improved from \$5.8 billion in 2004 to \$38 billion in 2018. It shows that India's exports to ASEAN countries have increased efficiently.
3. The growth rate of imports is higher than exports and because of this, India is facing the unfavorable balance of trade with ASEAN countries.
4. The study finds that India's total trade improved marginally it was \$13.25 billion in 2004 and \$97 billion in 2018.

5. The commodities which have high Revealed comparative Advantage are Metals, Consumer goods, Minerals, Stone & Glass, Animal Product, Textiles & Clothing, Chemical, Food items.
6. The commodities which have low Revealed comparative Advantage are Fuels, Capital goods, Transport equipments, Plastic and Rubber, Machinery & Electronics, Wood items.

7. SUGGESTIONS

There are some recommendations are as follows:

- i. India should engage with ASEAN for giving better market access to Indian goods with high RCA so that Indian exports increased favorably.
- ii. In order to improve balance of trade, India should replace the import commodities with their domestic products i.e. increased investment in capital goods industries.
- iii. Well planned domestic reform in Infrastructural, Institutional and Policy environment to give efficiency and competency to Indian exporters.
- iv. It is need to enhance the facilitation to exporters to diversify the composition of export basket with enhanced knowledge of ASEAN markets regarding demand for goods across borders.
- v. A friendly relationship between the government and investors is essential for increasing FDI approvals in the country and also for expanding Indian overseas investment. This suggestion is meant for the Government of India as well as the Government of ASEAN countries.

8. CONCLUSION

From the analysis of the data it is concluded that there is enormous potential of trade between India and ASEAN. India should increase the export of those items in which ASEAN is dependent upon the developed countries of the world. Similarly, ASEAN should also increase the export of those items in which India is dependent upon the developed countries. The overall analysis finds that although both India and ASEAN nations compete with each other in the sale of their exportable; but still there are many areas where complementarities could be false for maximizing commercial benefits. Gradually, many new sectors like high tech trade are being explored while information technology and infrastructure development are already emerging as major areas for cooperation. In fact, trade relations between India and ASEAN have always been governed by political and geo strategic interest.

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