

AN ANALYSIS ON INDIA-ASEAN TRADE: TOWARDS REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP (RCEP)

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ABSTRACT

Indo- ASEAN jointly constitutes over 1.2 Billion consumers Base. ASEAN is India's 4th largest Trading Partner with total Trade reached \$71.7 Billion in 2016-17. The year 2017 commemorates 25 years of India-ASEAN Strategic Dialogue Partnership and is expected to be the largest Regional Comprehensive Economic Partnership (RCEP). This paper is an attempt to study and analyse Indo-ASEAN Trade patterns for the past half a decade (2012 to 2017) which have seen most happening period of regional economic partnership especially among Indo- ASEAN and china-ASEAN. The present study intends to analyse the tussle between India and member nations of ASEAN as despite High export potential and strong bilateral free trade agreement, India is continuously facing trade deficit with ASEAN which has reached \$9.56 Billion in 2016-17 from just \$0.5 Billion in 2005-06. The present paper may also put forth reasons and suggestions for Trade Deficit in order to strengthen the policy framework of Indo-ASEAN relation.

Trade remains the sore point between India-ASEAN relations, as the already existing AIFTA (ASEAN INDIA Free Trade Agreements) has received serious criticism on its overall impact and Market access issue. Thus, more importantly this study is an attempt to understand the theoretical concept of RCEP and forecast possible impacts of Regional Comprehensive Economic Partnership (RCEP) on India-ASEAN Bilateral Trade. The current paper discuss RCEP as an important contributor to India's Act East Policy which needs to be studied critically. The sources of Data are the government reports from ASEAN nations, Ministry of Commerce and Industry Statistics, GOI and few tables compiled by the authors and Research Articles, reports and data from the expert groups such as policy makers. The research methodology adopted in this paper primarily a descriptive study and both empirical and qualitative analysis used.

Key words: India-ASEAN Bilateral Trade, Free Trade Agreement, Trade Deficit, Regional Comprehensive Economic Partnership (RCEP), Export & Import.

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1. INTRODUCTION

Trade Relations are the most important pillars for bilateral cooperation among nations be it bilateral or groupings, regional blocs. India and Association of South East Nations (ASEAN) have seen strong bilateral relationship since 90's which got more flourished with formulation of 'Look East Policy' in 1991 under which India had become sectoral partner with ASEAN in 1992 and full Dialogue partner in 1996. Since then, India & ASEAN signed several agreements for bilateral economic cooperation like- India-ASEAN Framework Agreement on Comprehensive Economic Partnership (2003), India-ASEAN Free Trade Agreement (2010), ASEAN-India Agreements on Trade in Service and Investments (2015), etc., and may be more idea can breed looking at the dynamic trade agreements and partnerships.

After huge success of India's Look East Policy in building strong economic relations with many ASEAN members, this policy has now matured into 'Act East policy' in 2014 which focuses not only on economic interest but also geopolitical and security interests for more increased cooperation. Both, India and ASEAN are part of negotiations of the most awaited and one of the largest trade Bloc 'Regional Comprehensive Economic Partnership (RCEP)' which if formulated successfully can give impetus to India-ASEAN Economic relations.

However, the alarming Trade Deficit between India and ASEAN is the major topic of concern which needs serious analysis. In spite of having Free Trade Agreement in goods with ASEAN, the imports are much more than exports consistently for the last many years. India-ASEAN Free Trade Agreement in Goods came into effect in 2010, and it was found that initially the exports when rose up from \$18 Billion in 2009-10 to \$33.1 Billion in 2013-14 but it fell down to \$25 Billion in 2015-16. No Doubt, India-ASEAN Trade have been grown rapidly with ASEAN; today it is the 4th Largest Trading Partner of India with total Trade of \$71 Billion (2016-17), but exports contribution is still resulting in the deficit of \$9.56 Billion in Trade Balance. This raise questions on impact of ASEAN-India Free Trade Agreement and many studies shows that the impact has been only marginal.

As per parliamentary standing committee report*, India is facing huge trade deficit with ASEAN mainly because of three ASEAN members- Indonesia, Malaysia and Thailand (Highest with Indonesia).

RCEP consists of 16 members comprising 10 nations of ASEAN along with China, Japan, Australia, New Zealand, South Korea and India. Initiated by China, ASEAN is among the most important and influential member of RCEP. India not being the part of Trans-Pacific Partnership (TPP), has now opportunity to be a part of Asia lead RCEP which if successfully formulated comprising of 40% of total world's trade. RCEP do not put emphasis only on Trade but also Services, Investments and deeper economic integration. Negotiations are open on RCEP but it's not simple for India to smooth sail in the start on RCEP as it involves nations with huge differences in economic development. India has existing FTA only with ASEAN, Japan and South Korea among other RCEP members. Hence, it needs to be very careful while maximising benefits out of this mega regional trade agreement.

It has been seen that, despite of high trade potential, India's export to ASEAN is on a declining mode. This paper will put forward the reasons and suggestions to deal with the Trade deficit problem as the study reviews various research papers, government reports and expert articles and analysed with appropriate research techniques.

**Parliamentary Standing Committee Report - 137th report on Trade with ASEAN (Association of South East Nations), department related parliamentary standing committee, Government of India. Source: www.rajjyasabha.nic.in*

2. REVIEW OF LITERATURE

Asher, Rajan and Sen (2005) have analysed the proposed India ASEAN FTA (Free Trade Area) and suggested that significant potential exists for trade between both the regions. However, study was not based on any empirical grounds. **Karmakar (2005)** studied the India - ASEAN cooperation in services and suggested that in medium term both ends will gain in bilateral engagement in services.

Kawai and Wignaraja (2007) examine the economic impact of ASEAN+6 (China, Korea, New Zealand, Australia, India and Japan) both separately as well as in group using CGE (Computable General Equilibrium) Model and finds that ASEAN + 6 level integration will result in maximum gains. However, India is required to make some structural reforms in the policies.

Burange and Chaddha (2008) evaluated India's RCA in three major categories of goods- Ricardo, HO and PC. He found that India enjoys revealed advantage in Ricardo and HO goods. **Bhattacharyya, Mandal (2010)** using gravity model found that India's imports rise significantly after FTA and its impact on India's balance of Trade is expected to be negative.

Chandran (2010) identifies complementary and competing sector for trade between India and ASEAN by using Trade Intensity and RCA Index for the period of 1990 to 2007. **Ahmed (2011)** investigates the sectoral impact of India-ASEAN Free Trade Agreement as a result of liberalization of tariffs using GTAP and SMART model and finds that both India and ASEAN have gained in terms of welfare but in terms of Trade India has suffered. FTA has adversely affect Balance of Trade because of significant surge in imports of processed food items, agricultural products, etc. Study analysed the result doing pre-post FTA analysis of Trade.

Sikdar, Nag (2011) analyses impact of India-ASEAN Free Trade Agreement using applied equilibrium modelling. Study reveals that Post-FTA, India's exports to ASEAN has increased substantially but India faces welfare loss due to negative Balance of Trade. Also, in the long run, with full liberalization India's trade efficiency will increase but negative trade condition will worsen if no work is done on export oriented sectors.

Cote and Jena (2015) assess India-ASEAN Free Trade Agreement benefits/loss using Finger-Kreinin Index (FKI) and the Relative Export Competitive Pressure Index (REMPI) and suggests that India has only benefitted nominally because of low utilization rates. Due to Diverse membership in RCEP (involving both developed and developing nations), author suggests different tariff lines and indicates China as a major threat to India's market. Also, Non-tariff Barriers and Services Trade needs much space in the negotiation to make RCEP a beneficial agreement for India.

Equbal (2016) using RCA index on 17 major commodity group for last 25 years for 9 ASEAN nations conclude that India have better prospects in trade with ASEAN nations after FTA. **Jain (2017)** studied the implications of RCEP on Trade using Destination Based

Revealed Comparative advantage Index and suggested that India tends to lose heavily in goods trade while in services India can gain if negotiated well in RCEP.

Sarath (2018) analyses India's position in RCEP using SMART simulation for ASEAN + members and suggested negative impact of FTA on India's Trade. Author suggested that India should focus on services trade negotiations in RCEP as it holds competitive advantage in services sector. **Chandran (2018)** examines FTA impact on Trade through various econometric tools like Augmented Gravity Model-2, Pooled OLS Method, etc. with panel data framework. Author found that bilateral Trade has increased but in the short run ASEAN has gained more because of initial tariffs are higher in India. For India to gain more from FTA with ASEAN, it has to work more on services and investments also.

Various Literatures exists examining the impact of FTA on Trade and economy but less attention is being given on growing Trade Deficit. Also, no work is being done earlier on impact of RCEP with reference to India-ASEAN Trade. Current study will fill the gap by examining the trade patterns for the last 5 years for goods in trade through highlighting high trade potential items. Paper identifies comparative advantage and high potential items for major ASEAN member nations through destination specific RCA which is not used much earlier.

Study is mainly divided into 6 parts. Section 1 is introduction, Section 2 explains brief review of past literature and objectives of study, section 3 is research methodology and data sources, Section 4 explains the current status of India-ASEAN Trade, Section 5 explains the theoretical concept of RCEP the and 6 deals with the theoretical as well as empirical analysis.

3. OBJECTIVES OF THE STUDY

- To analyse Trade performance of India-ASEAN for past half decade (2012-2017)
- To measure the Trade Imbalances among Indo- ASEAN by identify reasons behind.
- To Identify High potential commodities and services to boost Trade among India- ASEAN.
- To suggest and recommend strategies to strengthen bilateral trade between India- ASEAN.
- To critically examine the concept of RCEP and its prospective impact on India- ASEAN trade relation.
- To suggest strengthening policy framework for India-ASEAN Trade agreement in order to boost RCEP negotiations.

4. METHODOLOGY AND DATA SOURCES

Study uses Revealed Comparative Advantage (RCA) and Destination Specific- Revealed Comparative Advantage (DS-RCA) Index to find the export competitiveness of major commodities/services exported by India and imported by ASEAN nations. 8 ASEAN nations namely Indonesia, Malaysia, Philippines, Lao, Thailand, Brunei, Singapore and Vietnam are selected for analysis on the basis of their contribution in Trade (also Deficit). Study uses goods categorization at HS-2 disaggregated level and BMP6 services Trade. Paper follow similar methodology followed by Jain (2017) using RCA Index as proposed by Bela Balassa (1965) and slightly modified version of RCA i.e. Destination based revealed comparative advantage which consider export destination as market not the whole world. It has been observed that various Indian products which are highly exported by India and enjoying competitive advantage are not getting significant position in ASEAN's imports. Therefore, Destination Based RCA will give much clear picture of competitive items with respect to particular destinations of ASEAN member nations.

RCA for country 'i' under commodity category j, RCA_{ij} is given by:

$$RCA_{ij} = \frac{X_{ij} / X_{wj}}{X_i / X_w} \quad (1)$$

Where,

X_{ij}- is Country i's exports in category j

X_{wj}-is World exports in category j

X_i is -Country i's total exports

X_w- is Total exports of the world

DS-RCA will use export destination as market not the whole world. It is calculated as-

$$DS - RCA_{ijk} = \frac{X_{ijk} / X_{wjk}}{X_{ik} / X_{wk}} \quad (2)$$

Where,

X_{ijk} is Country i's exports in category j to country k

X_{wjk} is World exports in category j to country k

X_{ik} is Country i's total exports to country k

X_{wk} is Total exports of the world to country k

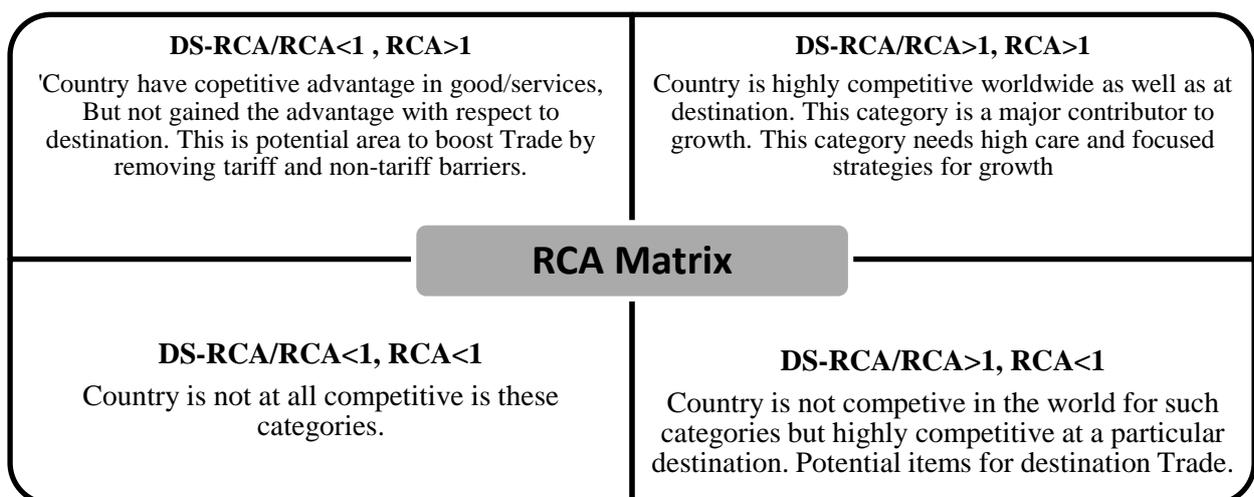


Figure 1 RCA Analysis Matrix

Major goods/Services exported by India (By Value) and imported by ASEAN nations are identified in Table 1 and 2. After obtaining separating RCA and DS-RCA, the ratio of DS-RCA/RCA is calculated and analysed on below developed matrix separately for selected ASEAN nations.

Table 1 Goods for RCA Analysis

03- Fish & Other Aquatic Invertebrates	30- Pharmaceutical products
10- Cereals	61- Articles of apparel and clothing
27- Mineral fuels	76- Aluminium and articles
71- Natural Pearls and Precious Stones	85- Electrical Machinery & Equipment's
29- Organic chemicals	84- Nuclear Reactors & Boilers
72- Iron and steel	89- Ships, Boats & Floating Structures
39- Plastics and articles thereof	90- Optical, photographic and medical
74- Copper & articles thereof	12- Oil seeds
87- Vehicles other than railway	52- Cotton

Table 2 Services for RCA Analysis

E0500- Construction	E0300- Transport
E0700- Financial Services	E0900- Telecom & IT
D0400- Travel	E0600- Insurance and Pension

Data is collected from Ministry of Commerce (Government of India), International Trade Statistics and Trade Map, ASEAN Trade Statistics, Reserve Bank of India, government reports, chambers reports and experts articles in both print and online media.

5. TRENDS IN INDIA-ASEAN TRADE

5.1. Merchandise Trade

India ASEAN Trade has grown substantially in the last decade. However, statistics shows that after implementation of FTA in 2010 imports have risen more aggressively than exports. According to a recent study conducted by PhD Chamber of Commerce on Analysis of Trade Pattern between India and ASEAN, it has highlighted that the total Trade grew only from \$52.6 Billion to \$64.6 Billion in 2016 in which exports increased from \$22.96 Billion to 26.38 billion whereas imports has increased by much large numbers from \$29.64 Billion to \$ 38.22 Billion. If we look at the trade patterns for the last 5 years (Table 3), more or less we are standing with the same trade deficit today what we are facing 5 years ago, In fact the Total Trade has slipped from \$42866.36 Million in 2012-13 to \$40617.31 Million in 2016-17.

Table 4 shows that India is facing Trade Deficit mainly because of 5 ASEAN nations namely- Indonesia, Malaysia, Brunei, Thailand and Lao PDR with the largest share of Indonesia. India is incurring deficit problem with same nations with which it was having 5 years before which indicates that not much attention is being given in the last few years to control or improve the imbalances. The biggest deficit is with Indonesia and the main reason behind this is the least tariff reduction by Indonesia under Free Trade agreement and avoidance in signing the Services Trade pact.

Table 3 India-ASEAN Merchandise Trade (U.S. \$ Billion)

Year	India's exports to ASEAN	India's Imports from ASEAN	Total Trade	Trade Balance
2012-13	33.00	42.87	75.87	-9.87
2013-14	33.13	41.28	74.41	-8.15
2014-15	31.81	44.71	76.52	-12.90
2015-16	25.20	39.84	65.04	-14.64
2016-17	31.07	40.63	71.70	-9.56

Source: Import Export Data Bank, Government of India, Department of Commerce

Table 4 India's Merchandise Trade with ASEAN countries (U.S. \$ Billion)

Country	2012-13			2016-17		
	Export	Import	TD	Export	Import	TD
Brunei	40.02	814.80	-774.78	42.88	627.85	-584.97
Cambodia	112.28	11.90	100.38	105.06	36.10	68.96
Indonesia	5,331.30	14,879.49	-9548.19	3,488.12	13,427.99	-9939.87
Lao	28.91	138.64	-109.73	25.72	207.38	-181.66
Malaysia	4,444.07	9,951.06	-5506.99	5,224.86	8,933.59	-3688.73
Myanmar	544.66	1,412.69	-868.03	1,107.89	1,067.25	40.64
Philippines	1,187.19	504.00	683.19	1,482.52	494.62	987.9
Singapore	13,619.24	7,486.38	6132.86	9,564.58	7,086.57	2478.01
Thailand	3,733.17	5,352.61	-1619.44	3,133.44	5,415.40	-2281.96
Vietnam	3,967.37	2,314.78	1652.59	6786.54	3,320.56	3466
Total ASEAN	33,008.21	42,866.36	-9858.15	30,961.62	40,617.31	-9655.69

Source: Import Export Data Bank, Government of India, Department of Commerce

Table 5 and 6 describes the various commodities in Trade. ASEAN major imports from the world comprises of Electrical Machinery, Machinery and Mechanical appliances, Mineral Fuels, Vehicles and Automotive, Plastics, iron and steel, Optical and medical imports Pearls and Precious stones, etc. whereas the exports from India is not significant in these categories. In 2016, Major commodities exported from India comprises of Mineral Fuels (3.15%), Machinery and Nuclear Reactors and Boilers (1.2%), Vehicles (2.19%), Organic chemicals (6.02%), Natural Pearls and stones (4%), Iron and Steel (2.3%), etc. It is founded that India has insignificant position in ASEAN's total import with the share of only 1.57% in overall imports of \$752.35 Billion in the year 2016. ASEAN is one of the largest importers in the world with total imports nearly 1.2 Trillion in 2016-17, but imports from India is comparatively very less even after existing Free trade agreement. Major sources of imports for ASEAN remains China (25%), South Korea (13.13%), Taiwan (12.78%), Japan (9%), USA (7.19%), etc. whereas India's contribution is only 0.35% which indicates the weak presence of India in ASEAN market.

Table 6 shows the major commodities imported by India from ASEAN. India is 14th largest importer in the world with total imports around \$360 Billion merchandise trade, in which around \$7.7 Billion is imported from ASEAN in the year which indicates the strong presence of ASEAN products in Indian markets. The major items imported by India from ASEAN comprises of Organic Chemicals, Animals and vegetable oils, Mineral Fuels, Electrical Machinery & Equipment's, Machinery, mechanical appliances, nuclear reactors, boilers, Plastics and articles thereof, etc.

Table 5 India's Major export items to ASEAN (Values in US \$ Millions)

HS Code	Description		2012-13	2013-14	2014-15	2015-16	2016-17
02	Meat and Edible Meat	Export to ASEAN	1,699.15	2,626.13	3,129.09	2,649.14	2,761.2
03	Fish & Other Aquatic Invertebrates	Export to ASEAN	688.76	1,216.81	1,296.43	1,088.95	1,667.26
10	Cereals	Export to ASEAN	1,552.62	1,058.56	769.95	161.33	136.41
27	Mineral fuels, oils and its distillation products	Export to ASEAN	10,249.46	9,829.79	7,566.84	3,863.48	6130.14
71	Natural Pearls and Precious stones	Export to ASEAN	1,411.32	1,427.91	1,231.50	1,091.99	1,216.11
29	Organic chemicals	Export to ASEAN	1,847.17	1,726.64	1,582.50	1,233.92	1,298.78
72	Iron and steel	Export to ASEAN	1,082.48	1,236.43	778.37	423.92	1,471.68
84	Nuclear Reactors, Machinery and equipment	Export to ASEAN	1,493.10	1,561.72	1,712.71	1,590.93	1,772.58
89	Ships, Boats & Floating Structures	Export to ASEAN	2,018.93	1,695.25	1,899.87	977.42	2,670.16

Source: Import Export Data Bank, Government of India, Department of Commerce

Table 6 India's major import items from ASEAN (Values in US \$ Millions)

HS Code	Description		2012-13	2013-14	2014-15	2015-16	2016-17
15	Animal & Vegetable Oils	Import from ASEAN	8,313.71	6,778.08	6,599.75	5,980.23	6196.08
27	Mineral Fuels and Oils	Import from ASEAN	10,013.53	10,419.49	11,833.16	8,033.42	8,466.72
29	Organic Chemicals	Import from ASEAN	2,226.52	2,683.19	2,692.87	2,074.60	2,026.66
39	Plastic and articles thereof	Import from ASEAN	1,322.91	1,517.04	1,892.29	1,758.55	1,697.14
84	Nuclear Reactors & Machinery	Import from ASEAN	3,531.63	3,333.39	3,652.54	3,741.05	3,404.68
85	Electrical Machinery & Equipment's	Import from ASEAN	4,607.97	4,211.97	4,468.19	4,141.63	4,563.59
40	Rubber and Articles thereof	Import from ASEAN	1,028.93	1,130.83	1,098.67	995.10	973.54
44	Wood & Articles of Wood Thereof	Import from ASEAN	1,566.17	1,516.99	1,242.94	972.72	768.63

Source: Import Export Data Bank, Government of India, Department of Commerce

5.2. Services Trade

Both India and ASEAN are net exporter in services. In ASEAN, Services account for around half of the GDP of the region for the last decade, and reached 53.1 percent in 2016. India-ASEAN signed Trade in Services Agreement in September 2014, as an important and strategic initiative to boost services trade between both the partners. All ASEAN nations except, Indonesia and Cambodia, has given consent to remove barriers on services trade and

also extended relaxation on Mode 4 supply of services for easy movement of professionals for providing temporary services in member countries. As India known for Services Exports especially Information Technology and Business Services, Trade in Services can be an important contributor to correct trade deficit problem with ASEAN nations. Fig.2. shows that ASEAN has imported heavily Transport, Travel and Business Services which can be some focused services for exports from India.

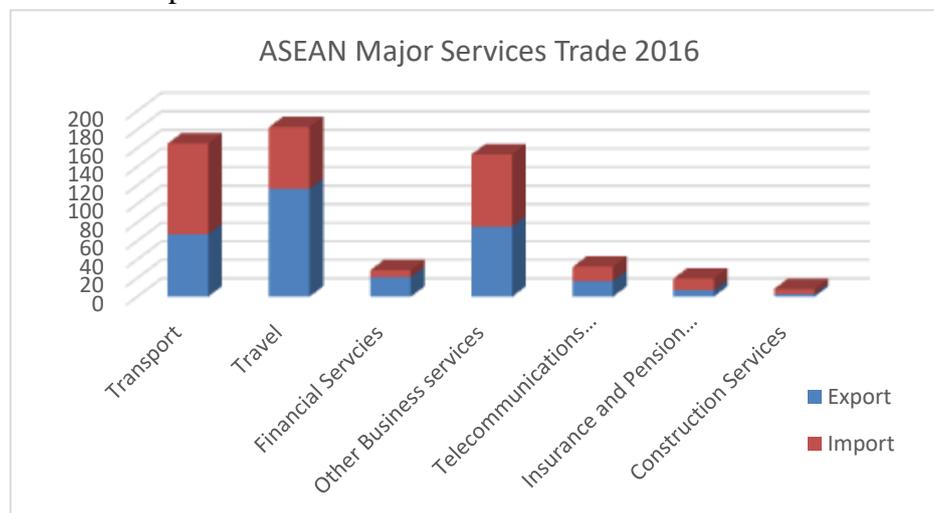


Figure 2 ASEAN Trade in Services (US\$ Billions) for Selected Categories (2016)

Source: Compiled by Authors

5.3. Reasons identified for increased Trade Imbalances

- Less imports by ASEAN of Indian competitive products- It has been observed that product categories in which India holds competitive advantage like Natural Pearls and stones, Vehicles, Pharmaceutical products, Iron and Steel, Cotton, etc. have not any significant place in ASEAN imports. Although, ASEAN does much imports of such items from other countries like imports Pearls and precious stones of about \$31.45 Billion from major countries like Switzerland, Japan, Hong Kong, Indonesia, etc. while exports from India is only stood at \$1216 million in the year 2017. Same is with Iron and Steel, Cotton, Pharmaceuticals Products, etc. It is impacting negatively the exports from India which can otherwise result in more exports and imported Trade balance.
- Tariff and Non-Tariff Barrier's- Tariff and NTB's imposed by ASEAN nations is a major constraint for Indian exports as it restricts competitive Indian products in entering their markets. Especially in markets like Indonesia, where tariffs still exist under Free Trade Agreement on 50% of items which is highest among other ASEAN nations, resulting in highest Trade deficit with Indonesia. Various non-tariffs barriers like sanitary and phytosanitary measures, product standards, etc. Indian Pharmaceuticals and textiles items are facing high non-tariff barriers in ASEAN market. Market access issue needs to be seriously addressed by Indian government.
- High imports of essential commodities- India's import of essential items from ASEAN like Petroleum & edible oils is the one of the major reason for high Trade Deficit. India is heavily importing vegetable and petroleum oils from ASEAN. This has raised a big question on the productivity of Free Trade Agreement because imports of essential items can continue without FTA also.
- More Liberalization in Tariffs by India- Our products are facing high tariff barriers in Indonesian markets while on the other side there are no restrictions on imports of cheap food and oil products from ASEAN. Major concerns regarding the import of cheap and poor-

quality food products from ASEAN nations have heard from time to time. Less prices leads to more imports and gain in market but proper quality norms are required to reduce the import of such cheap products. Indian Government must address the issue of cheap imports to solve the increased trade deficit with ASEAN.

- Undiversified Market- As seen from the above table, India-ASEAN Trade is mostly concentrated only among few ASEAN countries like Indonesia, Malaysia, Philippines & Singapore and less trade with other nations. To correct Balance of Trade problem, India must diversify its trade basket as well as market for trade expansion.

6. ANALYSIS

Indonesia is one of the largest importers among ASEAN nations. Table 6 shows the RCA analysis matrix for Indonesia. Statistics reveals that position of India in Indonesia's total imports is very less. Among all other ASEAN member nations, India is facing largest trade deficit with Indonesia. India is mainly exporting Iron and steel, Cotton, organic chemicals, Oil seeds, mineral fuels, ships and floating structures, etc. to Indonesia and heavily importing animal & vegetable fats and oils, Mineral Fuels, Chemical and rubber products, Pulp and Paper, etc. DS-RCA analysis shows that India enjoys maximum comparative advantage in exporting Aluminium and articles (76), Vehicles (87), Nuclear reactors and boilers (84), therefore, India should work more on exporting these commodities to Indonesia. Also, there are some commodities in which India is highly competitive but not much trade is happening with respect to destination. These commodities like apparel and clothing (61), Cereals (10), Cotton (52), Natural Pearls and Precious stones (71) and Pharmaceutical products (30) need to be given attention for better market access and tariff removal as these are the potential areas of synergy to correct negative balance of Trade problem.

Table 7 RCA Analysis Matrix for Indonesia (HS Code)

	DS-RCA/RCA < 1	DS-RCA/RCA > 1
RCA > 1	61, 10, 03, 27, 71, 30	76, 72, 12, 29, 89
RCA < 1	--	85, 84, 87

Malaysia is second after Indonesia resulting in highest trade deficit for India. India is mainly exporting Mineral fuels (27), Articles of Aluminium (76), Copper (74), Fish & Other Aquatic Invertebrates (03), Ships and floating structures (89), etc. Table 8, DS-RCA analysis suggests that India should focus on more exporting the categories of Oil seeds (12), Organic chemicals (29), etc. It is found that India is highly competitive in product categories like Articles of apparel and clothing (61), Cereals (10), Fish & Other Aquatic Invertebrates (03), Natural Pearls and Precious stones (71), Pharmaceutical products (30), etc. Malaysia is already importing these products from other countries like China, Japan, Singapore, Thailand, etc., and in spite of high competitive advantage exports of these products are very less from India. India must look for reasons for less trade of these items and work to promote trade.

Table 8 RCA Analysis Matrix for Malaysia (HS Codes)

	DS-RCA/RCA < 1	DS-RCA/RCA > 1
RCA > 1	61, 10, 52, 03, 27, 71, 30	76, 74, 72, 12, 29, 89
RCA < 1	85, 87	84

In case of Philippines, the total trade is comparatively less when compared from other South East nations but it is an important market for Indian goods. India have favourable balance of Trade with Philippines and DS-RCA analysis shows that there exist immense potential for Indian products in Philippines market which is not yet explored. Commodities like articles of aluminium (76) and copper, Cereals (10), Fish and other invertebrates (10), organic chemicals (29), etc. can enjoy competitive advantage in Philippines market and therefore needs to be expanded in trade.

Table 9 RCA Analysis Matrix for Philippines (HS Code)

	DS-RCA/RCA < 1	DS-RCA/RCA > 1
RCA > 1	76, 61, 10, 74, 52, 03, 72, 27, 89, 71	12, 29, 30
RCA < 1	--	85, 84, 87

Thailand is a major importing country of South East Asia and is mainly imports electrical machinery, metals, minerals and fuels from China, Japan, Malaysia, Singapore, etc. India having negative balance of Trade with Thailand because of high imports of oil seeds, mineral fuels, organic and inorganic chemicals, dying extracts, plastic and rubber articles, etc. DS-RC Aanalysis suggest that India have competitive advantage in items like articles of apparel and clothing accessories (71), aluminium articles (76), mineral fuels (27), articles of copper (74), cereals (10), etc. which needs to be promoted. Also, products like fish (03), oil seeds (12), pharmaceuticals (30), nuclear reactors (84), vehicles (87), etc. should be more focused for increased trade as these products enjoy high competitive advantage in terms of destination also.

Table 10 RCA Analysis Matrix for Thailand (HS Code)

	DS-RCA/RCA < 1	DS-RCA/RCA > 1
RCA > 1	76, 61, 10, 52, 74, 72, 27, 71	03, 12, 29, 30
RCA < 1	85	84, 87

India’s trade with Brunei is not significant with very less exports. India hardly exports much to Brunei and therefore we are in trade deficit with it. DS_RC Analysis suggest that India should work on expansion of exports of items like Fish (03), cereals (10), apparels articles and accessories (71), articles of aluminium (76), vehicles (74), oil seeds (12), optical and medical equipment’s (90), etc.

Table 11 RCA Analysis Matrix for Brunei (HS Code)

	DS-RCA/RCA < 1	DS-RCA/RCA > 1
RCA > 1	30, 27, 71, 29, 72, 89, 74, 52	03, 10, 61, 76
RCA < 1	85, 84, 39	90, 12, 87

India’s has strong trade position with Singapore and it is the country among Association of South East Nations with which India have highest Trade with exports \$9,564.58 million in the year 2016-17. RCA analysis suggest that to further boost trade with Singapore India should focus on more exports of items like cereals (10), articles of aluminium (76), oil seeds

(12), fish (03), pharmaceutical products (30), iron and steel (70), etc. as the exports of these items are still not significant and if exported they can be highly competitive in Singapore's market.

Table 12 RCA Analysis Matrix for Singapore (HS Code)

	DS-RCA/RCA < 1	DS-RCA/RCA > 1
RCA > 1	03, 30, 61, 71, 29, 72, 89, 52	10, 27, 76, 74, 12
RCA < 1	85, 84, 39, 90, 87	

Lao PDR is among those 5 countries of ASEAN with which India consistently have negative Balance of Trade because of extremely low exports i.e. \$25.72 Million in the year 2016-17. Very few items are exported by India to Lao and therefore exports should be encouraged through increased exports of these highly competitive items for Lao market like Pharmaceutical products (30), oil seeds (12), electrical machinery and equipment (87), optical and medical equipment's (90), Nuclear reactors and boilers (84), Plastics articles (39), etc.

Table 13 RCA Analysis Matrix for LAO (HS Code)

	DS-RCA/RCA < 1	DS-RCA/RCA > 1
RCA > 1	76, 29, 72, 52	30, 85, 12
RCA < 1	39	84, 39, 90

India's trade with Vietnam is highest in contributing to positive balance of Trade which shows that Vietnam is a strong market for Indian products. Indian exports to Vietnam is almost double than its imports with positive trade balance of \$3466 Million. India is mainly exporting Meat and Fishes to Vietnam. RCA analysis shows that India will be highly competitive in exporting products like cereals (10), minerals (27), aluminium articles (76), Pearls and precious stones (71) to Vietnam and needs to be given attention.

Table 14 RCA Analysis Matrix for Vietnam (HS Code)

	DS-RCA/RCA < 1	DS-RCA/RCA > 1
RCA > 1	10, 27, 76, 71, 29, 52	03, 30, 72, 12
RCA < 1	85, 84, 90, 87	39

RCA for major services Table.2 shows India's strong position in services. Higher RCA in services indicates that Services can be an important contributor to improve overall Negative Balance of Trade problem with ASEAN. India is comparatively competitive in almost all the services excluding Financial services in which Singapore is found to be highly competitive. However, due to lack of data available on services trade, destination specific RCA has not been calculated which would have more clearly shown the competitiveness of services separately for each ASEAN members but still, we can say that India must focus on every ASEAN country for exporting IT services in which it is highly competitive. As, Indonesia and Cambodia has is not a part of India-ASEAN services Trade Agreement because of fear of competition from IT services, India must negotiate service pact with Indonesia to secure better position in Trade. Other services like Construction, Pension & Insurance, Travel and Transport should be directed towards to countries of ASEAN with comparatively low RCA.

Table 15 RCA for Service Categories (BPM6 Category)

Country	Financial	Construction	Insurance & Pension	Telecom & IT	Transport	Travel
India	0.93	1.89	1.38	7.96	1.24	1.68
Indonesia	0.32	1.45	0.23	1.02	2.16	5.03
Philippines	0.37	0.33	0.28	4.43	0.92	1.7
Vietnam	0.00	0.00	0.00	0.00	3.07	6.90
Thailand	0.31	1.02	0.11	0.21	1.25	7.79
Singapore	3.74	0.93	4.44	1.09	4.72	1.27
Malaysia	0.45	4.50	1.03	1.78	1.66	5.17

Source: Compiled by Authors

7. REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP: CONCEPTUAL BACKGROUND AND ISSUES INVOLVED

Regional Comprehensive Economic Partnership (RCEP) is a comprehensive trade agreement between ASEAN + 6 major economies (India, China, Japan, New Zealand, Australia and South Korea) initiated by China in the year 2011. The basic idea is to create the largest free trade bloc covering 45% total world's population and 40% of total world's trade. RCEP is based on single tier system approach where all the member countries will get same reduction on tariff lines. The major interest is to deepen the integration of Asian economies those who are already have existing or in-line FTA's and to gain the advantage of global value chains.

Despite Initiated by China, ASEAN has emerged as a major leader and a driver of substance in negotiations. As pointed by Wang (2013), the motivation behind ASEAN to propose RCEP is to gain a centrality position and avoid multiple ASEAN +1 FTA's with India, China and Japan. Therefore, ASEAN is looking for successful negotiation at the earliest and consistently pushing India for approval on the agreement but India is in not in favour of single tier system for tariff eliminations. As RCEP is not only about India and ASEAN, it involves diverse economies with different level of economic development; various issues are coming in the way of successful negotiation of the agreement. India is not agreeing up for Single Tier Tariff lines for all members as proposed in RCEP. As, ASEAN have already existing FTA with China, Australia, New Zealand and India with fairly good trade relations with China, India is already facing high trade Deficit with China and ASEAN. Single lines tariff will result in Indian market flooding from cheap imports from China, ASEAN countries, Australia and New Zealand and will further increase the Trade deficit.

Another reason for not going with single line tariffs is the experience of India with FTA's. India finds that the impact of India-ASEAN Free Trade Agreement was not significant in improving trade. In fact, the imports have been seen rising after implementation of FTA from ASEAN nations. Also, other major important reason is India cannot ignore its agriculture sector. Tariff Liberalization rate demanded by the member countries in RCEP is highly vulnerable to India's agriculture sector. One side, India is fighting for permanent solution on subsidies on agricultural by developing countries via Non-agricultural market access (NAMA) at WTO and other side removing tariffs on more than 90% of goods among RCEP members can never be expected as positive.

Therefore, India has put forward a 3-tier approach for Tariff reduction depending on countries with whom India have FTA. Tier 1- India has offered for tariff reduction on 80% products to ASEAN countries with 65% on RCEP finalization and remaining 15% over the period of 10 years. 2 tier- Tariff reductions for South Korea and Japan for 65% on goods and

3 tiers for countries with India do not have FTA like New Zealand, China and Australia with tariff reduction of 65%, 42.5%, and 80% respectively. However, this offer is not accepted by RCEP member.

It's not like that India will not gain anything from Single tier approach. Reductions in tariff lines will definitely benefit exports of Pharmaceutical products, Textiles, Agricultural products, etc., in which India has competitive advantage to ASEAN which is otherwise restricted through Non-Tariff Barriers but overall impact will be much more negative. Cheap imports of plantation crops, processed food products, Dairy products, etc. from Indonesia and other ASEAN markets will further affect negatively trade balance between India and ASEAN.

China, ASEAN and other RCEP members seem not to compromise on Tariff lines and on the other hand, they are also reluctant on India's proposal of Liberalization of Services across all modes including Mode 4 keeping in line with RCEP principles. Therefore, in both ways, India is in trouble. It cannot give market access to China to be a part of such larger trade Bloc and neither can it avoid service liberalization agenda with which only it can gain some advantage in RCEP.

8. CONCLUSION AND RECOMMENDATIONS

Association of South East Nations (ASEAN) is an important Trade partner of India, but growing Trade Deficit cannot be ignored as it needs immediate attention for further analysis. It is often said that not to look for deficits in terms of goods trade alone but count Services and Investments in addition, still the fact remains that physical trade remains the most important consideration for economic relations between any two countries. Study suggests that low market access, high non-tariff barriers, cheap imports from ASEAN, Heavy imports of essential commodities and less exports of comparative advantage products of India are some major reasons behind the growing Trade Deficit. To deal this gap with positive trade policies and actions, actions must be taken by the government through making required changes in the policies like putting barriers on cheap imports from ASEAN, encouraging exports in commodity categories in which DS-RCA analysis has indicated comparative advantage separately for each ASEAN member nation, work for improved market access of Indian goods through removal of non-tariff barriers through progressive and constant consultation with ASEAN members. Indian products face heavy competition in ASEAN market from Chinese products. Therefore, India requires more liberal and appropriate trade policy with ASEAN nations so that India will gain more from competitive products like Pharmaceuticals, Textiles, Agricultural Products, etc.

Looking at RCEP, it remains a very cautious decision for India. ASEAN is playing a strong leadership role in RCEP negotiations. The overall gains are important for India to come into agreement with RCEP which is not looking positive. Trade Deficit will further broaden if India agrees to RCEP on single tier tariff lines. Therefore, India must keep on negotiating best in its interest and overall positive gains from RCEP as a bigger geopolitical initiative and if not given consent on different tariff lines and Liberalization in Services, it is not beneficial for India to continue with RCEP. If RCEP nations agree for flexibility in the said sectors/areas, RCEP can be beneficial for India up to some extent. RCEP can be an important contributor to India's Act East Policy at the same time serious issues concern with trade relations cannot be ignored. And it is better to critically examine how, why and when just for the sake of being a part of this mega agreement or building strong economic ties with ASEAN. Therefore, India needs to be very cautious so that India will not lose heavily once the trade in goods will be liberalized. It must negotiate for 3 tier system or work on some

other better alternative in consultation with other RCEP members as well as with local policy making and trade bodies. In terms of services, it can be a compensating factor from loss of merchandize trade of India and therefore India must stick to the proposal of liberalisation of Services Trade. And without agreement on services liberalization, RCEP will be of not better side for India. If these bottlenecks can be solved, RCEP may not liable to India rather it can odd more path for excellence in Indian trade. India heaving highly demanding trade policies which can be met only addressing the seriousness of RCEP. The New FTP (Foreign Trade Policy) of India being an inspiration of a service hub of the world, India has all channels to capture the services market, RCEP of ASEAN and India can be specially looked in order to fulfil the dream of common market which can set best trade balance for India as well as ASEAN and also the maturity of member nations among India- ASEAN can be recorded. This paper has tried testing the conceptual clarification which is also limitation of the same study. The authors like to indicate that there is ample of opportunity to do further research in the same line and authors also wish to extend the same research with more empirical secondary as well primary data based research in the future.

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