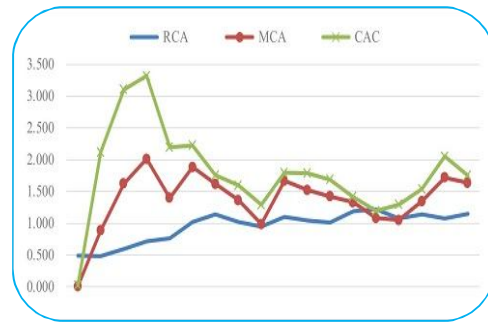




INDIA-ASEAN TRADE RELATIONS: TRENDS, CHALLENGES, AND OPPORTUNITIES IN THE 21ST CENTURY**Krishna Gosai¹ and Dr. M. R Singariya²**¹Research Scholar, SD Govt College, Beawar.² Professor, SD Govt College, Beawar.**ABSTRACT**

India's engagement with Southeast Asia has transformed dramatically since the end of the Cold War. From a hesitant trading partner in the early 1990s to a strategic player in the Indo-Pacific, India's relationship with the Association of Southeast Asian Nations (ASEAN) embodies both economic ambition and geopolitical calculation. The "Look East Policy," unveiled in 1991, marked India's intent to strengthen trade and strategic relations with the dynamic economies of Southeast Asia. Two decades later, the policy matured into the more proactive "Act East Policy," signaling an intensified commitment to economic integration, infrastructural connectivity, and political-security cooperation with ASEAN.

**KEYWORDS:** Association of Southeast Asian Nations (ASEAN) , Look East Policy.**1.INTRODUCTION**

ASEAN, comprising ten rapidly growing economies—Indonesia, Malaysia, Singapore, Thailand, Vietnam, the Philippines, Myanmar, Cambodia, Laos, and Brunei—forms one of India's most vital trade blocs. The ASEAN region collectively ranks among India's top trading partners. Total trade between India and ASEAN has grown from around USD 12 billion in 2003 to over USD 122 billion in 2023-24. The ASEAN-India Free Trade Area (AIFTA), implemented in 2010, laid the groundwork for this expansion by reducing tariffs and liberalizing trade in goods. Later agreements on services and investment followed, deepening economic ties.

Yet, despite impressive growth figures, the partnership is characterized by a persistent and growing trade imbalance. ASEAN's exports to India consistently outpace India's exports to ASEAN, with the trade deficit widening to nearly USD 40 billion by 2024. This imbalance has sparked calls within India to review the FTA, citing tariff asymmetries, non-tariff barriers (NTBs), and rules-of-origin misuse as key issues undermining equitable trade.

Against this backdrop, this research paper examines India-ASEAN trade relations in the 21st century, with a focus on trends, challenges, and opportunities. It explores historical context, current trade dynamics, structural challenges, institutional frameworks, and policy options to rebalance and deepen the relationship. Ultimately, the paper argues that despite obstacles, India and ASEAN share significant potential for mutual economic gain, provided both sides pursue reforms and cooperation strategically.

2. HISTORICAL BACKGROUND

2.1 The Evolution of India's ASEAN Policy

India's trade engagement with Southeast Asia was minimal during the Cold War, shaped by ideological alignments, limited connectivity, and protectionist policies. Recognizing Southeast Asia's rapid economic rise and strategic location, Prime Minister P.V. Narasimha Rao's government launched the "Look East Policy" in 1991. The aim was multifold: diversify trade away from traditional partners, tap into Asia-Pacific growth, and strengthen diplomatic and security ties.

The policy found early success through institutional linkages. India became a sectoral dialogue partner of ASEAN in 1992, a full dialogue partner in 1995, and a member of the ASEAN Regional Forum (ARF) in 1996. The relationship continued to deepen in the 2000s, culminating in the signing of the ASEAN-India Framework Agreement on Comprehensive Economic Cooperation in 2003.

2.2 ASEAN-India Free Trade Area (AIFTA)

The ASEAN-India Free Trade Agreement (AIFTA) in goods came into force in January 2010, aiming to eliminate tariffs on over 80% of tariff lines by 2016 for most members. Later, services and investment agreements were signed in 2014 and entered into force in 2015.

AIFTA marked a significant step in institutionalizing India-ASEAN economic relations. By lowering trade barriers, it created opportunities for Indian exports in sectors like pharmaceuticals, engineering goods, textiles, and agricultural products. For ASEAN, it provided access to a large and growing Indian market for electronics, machinery, chemicals, and palm oil.

2.3 From "Look East" to "Act East"

In 2014, India rebranded its policy as the "Act East Policy" under Prime Minister Narendra Modi. This shift emphasized action-oriented cooperation, especially in trade, connectivity, and security. India's Act East Policy envisioned:

- Enhancing trade volumes and diversity.
- Improving physical, institutional, and people-to-people connectivity.
- Strengthening strategic and defense cooperation.
- Promoting integration with wider Indo-Pacific supply chains.

3. CURRENT TRADE TRENDS (2000–2024)

3.1 Trade Volume and Growth

India-ASEAN trade grew from around USD 12 billion in 2003 to approximately USD 122 billion by 2023-24. This growth reflected not only tariff liberalization under AIFTA but also ASEAN's rise as a global production hub.

India's exports to ASEAN include:

- Petroleum products
- Pharmaceuticals
- Engineering goods
- Automobiles and components
- Agricultural products (e.g., meat, rice, spices)

Meanwhile, ASEAN's exports to India include:

- Electronic goods and components
- Machinery and equipment
- Palm oil and edible oils
- Chemicals and plastics
- Natural rubber and timber

3.2 Persistent Trade Imbalance

Despite robust overall trade growth, the trade balance remains skewed against India. In 2023-24:

- India's exports to ASEAN: ~USD 41.2 billion
- India's imports from ASEAN: ~USD 79.7 billion

Key reasons for the deficit include:

- High dependence on electronic and machinery imports.
- Substantial edible oil and natural resource imports.
- Limited value-added or technology-intensive exports from India.
- Tariff asymmetries and non-tariff barriers.

3.3 Sectoral Analysis

Electronics and Machinery: ASEAN is a major electronics production hub. India imports large volumes of consumer electronics, components, and capital goods from ASEAN, fueling the deficit.

Agriculture: India imports palm oil (especially from Indonesia and Malaysia), while its agricultural exports face NTBs in ASEAN markets.

Services: India enjoys a modest surplus in services trade with ASEAN, especially in IT and professional services, but this segment remains underexploited relative to goods trade.

Investment Flows: ASEAN is among the top sources of FDI into India, with Singapore being the largest single source of FDI into India overall, thanks to the India-Singapore CECA and favorable investment climate. Conversely, Indian investment in ASEAN focuses on sectors like oil & gas, manufacturing, and banking.

4. TRADE IMBALANCES AND CHALLENGES

4.1 Tariff Asymmetries

Under AIFTA, India agreed to reduce tariffs on ~74% of its tariff lines for ASEAN, while ASEAN members reciprocated on only ~56% of tariff lines. Sensitive lists and exemptions preserved protection for several ASEAN sectors while exposing Indian markets more broadly.

This asymmetry is particularly evident in sectors such as agriculture and processed foods, where Indian exporters face higher effective duties or regulatory costs in ASEAN.

4.2 Non-Tariff Barriers (NTBs)

ASEAN countries impose various NTBs that limit Indian exports, such as:

- Stringent sanitary and phytosanitary (SPS) requirements.
- Complex certification and licensing rules.
- Packaging and labeling standards not harmonized with Indian norms.

For example, India's agricultural exports face time-consuming inspections and documentation hurdles in several ASEAN markets.

4.3 Rules of Origin (RoO) Misuse

Weak enforcement of Rules of Origin under AIFTA has allowed third-country products, particularly from China, to enter India via ASEAN members at preferential tariff rates. This "trade deflection" undermines India's domestic industries.

4.4 Connectivity and Infrastructure Deficits

While AIFTA reduced tariff barriers, poor physical connectivity remains a critical constraint. Key projects have faced delays, such as:

- India-Myanmar-Thailand (IMT) Trilateral Highway.
- Kaladan Multimodal Transit Transport Project.

These bottlenecks increase transportation costs, limit supply chain integration, and hinder regional value chains.

4.5 Geopolitical and Strategic Factors

India's withdrawal from the Regional Comprehensive Economic Partnership (RCEP) negotiations in 2019 highlighted concerns over further opening its markets without adequate safeguards. While ASEAN members remain part of RCEP (alongside China, Japan, South Korea, Australia, and New Zealand), India's absence reduces its leverage in setting regional trade rules.

5. INSTITUTIONAL AND STRATEGIC ENGAGEMENT

5.1 ASEAN-India Institutional Framework

India's relationship with ASEAN is underpinned by a robust institutional architecture designed to facilitate not only trade but also strategic dialogue, security cooperation, and socio-cultural ties. The key institutional pillars include:

- **ASEAN-India Summit:** Annual summit-level meetings provide a high-level political framework to review cooperation and set future agendas. India has been a full dialogue partner of ASEAN since 1995, and the first ASEAN-India Summit was held in 2002.
- **Comprehensive Strategic Partnership (CSP):** In 2022, at the 19th ASEAN-India Summit, leaders upgraded the partnership to a CSP. This reflects shared commitment to broad-based, rules-based engagement across economic, political, and security domains.
- **ASEAN-India Free Trade Area (AIFTA):** The bedrock of economic engagement, including goods, services, and investment agreements.
- **Plan of Action (POA):** ASEAN and India periodically adopt five-year POAs to operationalize goals across trade, connectivity, education, tourism, and security. The 2021–2025 POA outlines specific targets for boosting bilateral trade, connectivity projects, and cultural exchanges.
- **ASEAN-India Business Council (AIBC):** A platform for private-sector engagement and feedback to policymakers, aimed at reducing barriers and promoting cross-border investments.

5.2 Connectivity Initiatives

Connectivity is at the heart of India's Act East Policy, as it seeks to physically and digitally integrate with ASEAN markets. Key initiatives include:

- **India-Myanmar-Thailand (IMT) Trilateral Highway:** A 1,400-km project linking Moreh in India to Mae Sot in Thailand via Myanmar. Once completed, it will cut transport time and costs, boost cross-border trade, and enable Indian goods to penetrate deeper into ASEAN markets.
- **Kaladan Multimodal Transit Transport Project:** Aims to connect India's eastern seaport of Kolkata with Sittwe Port in Myanmar and further inland by river and road to Mizoram in Northeast India. It is designed to bypass the Siliguri Corridor (Chicken's Neck) and improve India's access to ASEAN.
- **Mekong-Ganga Cooperation (MGC):** A sub-regional initiative involving India and five ASEAN countries (Cambodia, Laos, Myanmar, Thailand, and Vietnam), emphasizing culture, education, tourism, and connectivity.

These infrastructure projects face delays due to funding constraints, security concerns (especially in Myanmar), and administrative bottlenecks. Nevertheless, they are vital to reducing logistical costs and integrating Indian firms into regional value chains.

5.3 Digital and Financial Connectivity

Beyond physical infrastructure, India and ASEAN are strengthening digital and financial links:

- **Unified Payments Interface (UPI):** India's UPI system is being linked with Singapore's PayNow, enabling seamless cross-border digital payments for individuals and businesses. Similar integrations are under discussion with other ASEAN economies.

- **Project Nexus:** A broader initiative involving India, Singapore, Malaysia, and others to standardize real-time cross-border payments across participating nations.
- **Fintech and Start-up Collaborations:** ASEAN's vibrant digital economy provides opportunities for Indian fintech, SaaS, and IT firms to partner or invest.

Digital connectivity reduces transaction costs, boosts remittances, and supports small exporters in accessing ASEAN markets.

5.4 Strategic and Security Dimensions

India's partnership with ASEAN is not merely economic but also strategic. It includes:

- **Defence Dialogue and Exercises:** India participates in ASEAN Defence Ministers Meeting Plus (ADMM+), conducting regular military exercises and dialogues.
- **Indo-Pacific Cooperation:** India and ASEAN endorse the ASEAN Outlook on the Indo-Pacific (AOIP) and India's Indo-Pacific Oceans Initiative (IPOI), both promoting a free, open, and rules-based Indo-Pacific.
- **Maritime Security:** Cooperation in maritime domain awareness, joint patrols, and anti-piracy operations reflects shared interests in safeguarding sea lanes vital for trade.

These dimensions bolster trade by ensuring stability in key shipping routes like the Strait of Malacca.

6. OPPORTUNITIES FOR INDIA IN ASEAN MARKETS

Despite the challenges, ASEAN remains a critical opportunity for India's trade and investment strategy. Major opportunities include:

6.1 Diversifying Exports

India can reduce its trade deficit by diversifying and upgrading its export basket:

- **Pharmaceuticals:** Indian generics are price-competitive and can address healthcare needs in ASEAN.
- **Automobiles and Components:** ASEAN's automotive hubs (Thailand, Indonesia) offer both export markets and potential for component sourcing and manufacturing partnerships.
- **Textiles and Apparel:** India can supply yarn and fabric to ASEAN garment exporters while accessing ASEAN markets for finished garments.
- **Agricultural Products:** Spices, rice, tea, and processed foods have strong demand but need streamlined certification and marketing strategies.

6.2 Leveraging Services Trade

India's IT and professional services can see stronger growth in ASEAN. Key strategies include:

- Opening offices and delivery centers in ASEAN financial hubs like Singapore and Kuala Lumpur.
- Partnering in ASEAN governments' digital transformation initiatives.
- Offering fintech solutions in markets with large unbanked populations.

India also has an advantage in education services. ASEAN students already study in Indian universities, but there is room to expand scholarships and partnerships.

6.3 Participation in Regional Value Chains

ASEAN is deeply integrated into global value chains (GVCs), especially in electronics, automobiles, and machinery. India can:

- Supply intermediate goods to ASEAN manufacturers.
- Attract ASEAN firms to set up factories in India under Make in India and Production Linked Incentive (PLI) schemes.
- Co-invest in R&D and innovation hubs.

For example, Vietnam's rise as an electronics assembly hub offers opportunities for Indian component manufacturers.

6.4 Green and Resilient Trade

ASEAN is pushing for sustainability and climate-resilient trade. India can position itself as a green trade partner by:

- Exporting clean energy technology (solar panels, batteries).
- Participating in ASEAN's green finance markets.
- Promoting organic and sustainable agricultural exports.

7. POLICY LEVERS FOR INDIA

7.1 FTA Review and Renegotiation

Given the large trade imbalance, India has pushed for an FTA review with ASEAN. Areas of focus include:

- Greater tariff parity.
- Reducing ASEAN's sensitive lists on Indian exports.
- Addressing non-tariff barriers.
- Strengthening rules of origin provisions to prevent circumvention via third countries.

A successful review could make the trade relationship more balanced and sustainable.

7.2 Enhancing Infrastructure

India must prioritize completing the IMT Highway, Kaladan project, and other Northeast connectivity projects. Better connectivity:

- Lowers transport costs.
- Increases competitiveness of Indian goods in ASEAN.
- Strengthens India's Northeast as a gateway to Southeast Asia.

Regional initiatives like BIMSTEC and BBIN can also be leveraged to improve linkages with ASEAN.

7.3 Industrial Policy and Production Linked Incentives

India's PLI schemes can help local industries compete with ASEAN imports by:

- Scaling up production.
- Lowering unit costs.
- Improving quality and technological sophistication.

Key sectors include electronics, auto components, pharmaceuticals, and textiles.

7.4 Trade Facilitation and Standards Harmonization

India should work with ASEAN to harmonize standards, simplify customs procedures, and reduce documentation burdens. This requires:

- Mutual recognition agreements.
- Capacity building for exporters.
- Closer engagement of standards bodies.

Such reforms will particularly benefit SMEs seeking to enter ASEAN markets.

7.5 Engaging ASEAN at Multilateral Platforms

India's decision to stay out of RCEP was driven by concerns over domestic industry exposure to Chinese imports. However, India must continue engaging ASEAN at multilateral levels:

- Observer participation in RCEP discussions.
- Exploring CPTPP membership in the long term.
- Active engagement in WTO negotiations on services and e-commerce.

Such multilateral ties ensure India remains part of evolving regional trade rules and standards.

8. CASE STUDIES

8.1 India-Indonesia Trade Partnership

Indonesia is India's largest ASEAN trading partner, with bilateral trade exceeding USD 29 billion in 2023. Key features:

- India imports palm oil, coal, minerals.
- Exports refined petroleum products, automobiles, textiles.
- Investment in renewable energy and infrastructure sectors.
- Both nations committed to balancing trade by boosting Indian exports, especially agricultural and manufactured goods.

8.2 India-Singapore CECA

Signed in 2005, the Comprehensive Economic Cooperation Agreement (CECA) has led to:

- Singapore becoming India's largest FDI source.
- Liberalized services trade, especially in IT and finance.
- Facilitation of fintech collaborations and digital payment integration (UPI-PayNow).

This model showcases how a well-designed trade agreement can benefit both sides beyond goods trade.

8.3 Northeastern Agrofood Exports

India's Northeast offers organic agricultural produce with strong demand in ASEAN. Recent expos in Bangkok have promoted:

- Organic tea and spices.
- Processed fruits and nuts.
- Handicrafts and textiles.

Such niche exports can reduce India's trade deficit while promoting local development.

9. STRUCTURAL CHALLENGES IN INDIA-ASEAN TRADE RELATIONS

Despite decades of cooperation and institutional linkages, India and ASEAN continue to grapple with structural challenges that limit the full potential of their trade relationship. Addressing these barriers is essential to achieve balanced, sustainable, and inclusive growth.

9.1 Trade Deficit Dynamics

The most pressing challenge is India's widening trade deficit with ASEAN. While trade volumes have increased substantially, the balance has remained skewed against India:

- In FY 2023-24, India's exports to ASEAN were ~USD 41.2 billion, while imports stood at ~USD 79.7 billion.
- This results in a trade deficit of nearly USD 38.5 billion.

The deficit is largely driven by:

- **Commodity dependence:** Palm oil from Indonesia and Malaysia forms a substantial part of imports. Similarly, mineral fuels and coal are major import items from Indonesia.
- **Electronics and machinery imports:** ASEAN's role as a global manufacturing hub means India imports large volumes of machinery, electronics, and components, where domestic production remains uncompetitive.

The growing deficit raises concerns about sustainability and domestic industry competitiveness. It also fuels political opposition to further trade liberalization without adequate safeguards.

9.2 Tariff and Sensitive Lists Imbalances

Under AIFTA, India liberalized around 74% of tariff lines, while ASEAN reduced tariffs on ~56% of Indian products. Sensitive lists maintained by ASEAN countries often include:

- Processed foods
- Certain agricultural items
- Pharmaceuticals

This asymmetry limits India's access to key ASEAN markets, especially for sectors where India has comparative advantages.

Furthermore, ASEAN has diversified economies, each with its own sensitivities and negotiating positions. This fragmentation complicates tariff reduction efforts and necessitates complex bilateral dialogues even within the broader ASEAN framework.

9.3 Non-Tariff Barriers (NTBs)

While tariffs have fallen under AIFTA, NTBs remain a formidable obstacle for Indian exporters:

- **Sanitary and Phytosanitary Measures (SPS):** ASEAN countries often have stringent and non-transparent SPS standards that block agricultural exports from India.
- **Licensing and Certification:** Time-consuming, expensive, and often opaque procedures deter small and medium Indian exporters.
- **Customs Procedures:** Complex documentation requirements and lack of harmonization increase transaction costs.

For example, Indian exporters of meat, dairy, and fruits often face rejection or delays due to SPS issues not aligned with international standards.

9.4 Rules of Origin Misuse

A major Indian complaint is the misuse of Rules of Origin (RoO) provisions. The AIFTA's relatively lenient RoO rules have enabled:

- Transshipment of Chinese goods via ASEAN members at reduced tariffs.
- Circumvention of India's efforts to protect domestic manufacturers from Chinese competition.

This practice, known as "trade deflection," undermines the spirit of preferential trade and hurts India's domestic industries, particularly in electronics and machinery.

India has therefore pushed for stricter RoO rules and more effective verification mechanisms as part of the ongoing FTA review.

9.5 Infrastructure and Connectivity Gaps

Tariff reductions alone cannot drive trade growth if physical connectivity remains weak. Key challenges include:

- **Incomplete Projects:** The IMT Highway and Kaladan Multimodal Transit Project are years behind schedule due to funding issues, political instability in Myanmar, and bureaucratic hurdles.
- **Poor Last-Mile Connectivity:** India's Northeast region, envisioned as the gateway to ASEAN, suffers from underdeveloped road, rail, and logistics infrastructure.
- **Maritime Connectivity Gaps:** Despite proximity, there are limited direct shipping routes between Indian ports and many ASEAN destinations, increasing transit times and costs.

These constraints prevent Indian exporters from competing effectively with regional players who enjoy better integrated value chains.

9.6 Institutional and Bureaucratic Barriers

Even with high-level political commitment, trade facilitation remains a bottleneck:

- Multiple regulatory agencies with overlapping jurisdictions.
- Slow adoption of digital customs procedures.
- Limited capacity of small exporters to navigate complex documentation and compliance requirements.

These challenges disproportionately hurt small and medium enterprises (SMEs), which have the most potential to diversify India's export basket.

9.7 Geopolitical Dynamics

The regional geopolitical environment adds complexity:

- **RCEP Withdrawal:** India's 2019 withdrawal from the Regional Comprehensive Economic Partnership (RCEP) limited its integration into Asia-Pacific trade rules. While ASEAN members remain in RCEP alongside China, Japan, Korea, Australia, and New Zealand, India fears being marginalized in regional value chains.
- **China's Dominance:** China's deep trade and investment links with ASEAN present competitive pressures for India. Chinese firms benefit from established supply chains, large-scale manufacturing, and aggressive investment in ASEAN infrastructure under the Belt and Road Initiative (BRI).
- **Political Instability:** Myanmar's internal conflicts threaten cross-border connectivity projects essential to India's Act East goals.

These factors highlight the need for India to balance geopolitical caution with economic pragmatism.

10. RECOMMENDATIONS FOR INDIA

Given these challenges, India needs a multi-pronged strategy to transform its trade relationship with ASEAN into a more balanced, sustainable, and mutually beneficial partnership.

10.1 Conclude the Ongoing FTA Review

The ASEAN-India FTA is under review, with India pressing for:

- Greater tariff parity.
- Reduction in ASEAN's sensitive lists on Indian exports.
- Addressing non-tariff barriers via transparent, harmonized standards.
- Strengthening Rules of Origin to prevent third-country circumvention.

A successful review will correct existing asymmetries and build confidence among Indian exporters.

10.2 Invest in Connectivity

Completing stalled infrastructure projects must be a top priority:

- **IMT Highway:** Accelerate construction and improve maintenance.
- **Kaladan Project:** Resolve security and governance challenges in Myanmar through diplomacy and targeted development aid.
- **Port Development:** Modernize and expand eastern Indian ports for seamless ASEAN shipping connections.

Improved connectivity will lower transaction costs, shorten delivery times, and integrate India's Northeast into ASEAN's production networks.

10.3 Strengthen Industrial Competitiveness

India must address its import dependence by boosting domestic manufacturing under the "Make in India" and Production Linked Incentive (PLI) schemes:

- Electronics and machinery production to substitute imports.
- Auto components and assembly to participate in ASEAN's automotive value chains.
- Pharmaceuticals and agro-processing for export growth.

Investments in R&D, skills development, and supply chain logistics will be critical.

10.4 Targeted Trade Facilitation

Reforms to make trade easier, cheaper, and faster should include:

- Single Window Clearance for exporters.
- Paperless trade and end-to-end digital customs.
- Mutual recognition of standards and certifications with ASEAN partners.
- Capacity-building support for SMEs on export procedures and documentation.

These steps will particularly benefit small exporters seeking ASEAN markets.

10.5 Deepen Services Trade

Services remain India's comparative advantage, with ASEAN offering significant opportunities:

- Expand IT, software, and professional services presence in ASEAN financial hubs.
- Partner in ASEAN governments' digital transformation agendas.
- Promote Indian education and healthcare services.

Services trade can help offset the deficit in goods trade and deepen integration.

10.6 Leverage Digital and Financial Connectivity

India should scale up successful pilots like UPI-PayNow integration to other ASEAN members:

- Facilitate low-cost remittances and cross-border payments.
- Support Indian MSMEs in accessing ASEAN customers through e-commerce.
- Build fintech partnerships with ASEAN banks and regulators.

Digital financial connectivity will democratize trade participation.

10.7 Green and Sustainable Trade

ASEAN's shift toward green growth and sustainability aligns with India's capabilities:

- Export renewable energy technology, such as solar panels and batteries.
- Partner on green financing initiatives.
- Promote organic and sustainable agricultural exports.

India can position itself as ASEAN's green trade partner of choice.

10.8 Strategic and Multilateral Engagement

While India remains outside RCEP, it should not disengage:

- Pursue observer participation in RCEP discussions to track evolving trade rules.
- Consider future accession if domestic industry competitiveness improves.
- Explore CPTPP membership for long-term integration.
- Strengthen roles in other regional initiatives like BIMSTEC, IORA, and the Indo-Pacific Economic Framework (IPEF).

Such engagement ensures India has a voice in regional economic governance.

10.9 Private Sector Partnerships

Government efforts must be matched by active private-sector participation:

- Encourage Indian firms to invest in ASEAN production facilities.
- Build joint ventures with ASEAN companies for regional market access.
- Support industry bodies like the ASEAN-India Business Council in resolving trade disputes and sharing market intelligence.

Business-to-business ties will anchor trade relationships beyond government-level deals.

11. THE ROAD AHEAD: A POLICY ROADMAP FOR INDIA-ASEAN TRADE RELATIONS

India-ASEAN trade ties have come a long way since the early 1990s, moving from negligible volumes to over USD 122 billion annually. Yet, the journey ahead requires a recalibration to ensure mutual benefit, sustainability, and resilience in the face of global uncertainties. This section offers a comprehensive policy roadmap for India to deepen and balance its economic engagement with ASEAN.

11.1 Prioritize FTA Review and Institutional Reform

The ASEAN-India Free Trade Area (AIFTA) review is the single most important lever to address the structural imbalance in trade. India should pursue:

- **Tariff Parity:** Negotiating greater tariff concessions on ASEAN sensitive lists, especially in processed foods, agriculture, pharmaceuticals, and textiles.
- **NTB Reduction:** Establishing clear, transparent, and harmonized standards, with dispute-resolution mechanisms for SPS and TBT issues.

- **Rules of Origin (RoO):** Tightening RoO provisions and implementing effective verification to prevent third-country circumvention.
- **Monitoring and Compliance:** Setting up a joint monitoring body to ensure commitments are met. The FTA review should be positioned not as a rollback but as an upgrade for a more modern, balanced, and fair partnership.

11.2 Accelerate Connectivity Infrastructure

Connectivity is the foundation of meaningful trade integration. India must:

- **Fast-track IMT Highway:** Engage with Myanmar diplomatically to ensure security and stability along the route. Allocate dedicated funds for construction and maintenance.
- **Complete Kaladan Project:** Resolve funding, security, and governance challenges to operationalize this crucial link.
- **Develop Northeastern Hubs:** Transform cities like Guwahati and Imphal into trade and logistics hubs with warehousing, cold storage, and customs facilities.
- **Enhance Port Connectivity:** Improve direct shipping routes between eastern Indian ports and ASEAN destinations, reducing transit time and costs.

These projects will reduce trade costs, improve competitiveness, and integrate Indian producers into ASEAN value chains.

11.3 Strengthen Industrial Policy

Trade deficits cannot be solved purely at the negotiating table—they require competitive domestic production. Policy priorities include:

- **PLI Schemes:** Expand and fine-tune Production Linked Incentive programs to support sectors where India runs large trade deficits with ASEAN, such as electronics and machinery.
- **Cluster Development:** Build industrial clusters linked to ASEAN demand—for example, auto components, textiles, food processing.
- **Technology Upgradation:** Incentivize R&D and adoption of Industry 4.0 practices to make Indian manufacturing globally competitive.

The goal should be import substitution without protectionism—producing high-quality, price-competitive goods that can both serve India's market and be exported to ASEAN.

11.4 Boost Services Trade

India's comparative advantage in services remains underutilized in ASEAN markets. Strategies to unlock this include:

- **Professional Services Agreements:** Negotiate mutual recognition of qualifications and easier visa regimes for Indian professionals in ASEAN countries.
- **IT and Digital Services:** Partner with ASEAN governments and firms in their digital transformation efforts. Establish Indian IT hubs in ASEAN financial centers.
- **Education Services:** Increase scholarships, set up branch campuses, and offer specialized programs tailored to ASEAN students.
- **Tourism Collaboration:** Promote cross-border tourism with simplified visa processes, joint marketing campaigns, and improved connectivity.

By expanding services exports, India can help offset the goods trade deficit.

11.5 Deepen Digital and Financial Connectivity

ASEAN's rapidly growing digital economy aligns with India's own fintech and payments capabilities. Policy moves should include:

- **UPI Integration:** Expand UPI connectivity beyond Singapore to Malaysia, Thailand, Indonesia, and Vietnam.
- **E-commerce Platforms:** Facilitate Indian SMEs' participation in ASEAN e-commerce markets through training, credit support, and logistics integration.

- **Cross-Border Payments Frameworks:** Collaborate on real-time, low-cost remittance corridors, helping migrants and businesses.
- **Data Governance Cooperation:** Engage ASEAN in developing interoperable, privacy-respecting data regulations to support cross-border digital trade.

Digital integration will democratize trade, enabling even small Indian firms to reach ASEAN customers directly.

11.6 Promote Green and Sustainable Trade

Climate change and sustainability are central to ASEAN's long-term development goals. India should position itself as a green trade partner by:

- **Clean Energy Exports:** Supplying affordable solar panels, batteries, and grid solutions to ASEAN markets.
- **Green Finance:** Collaborating on sustainable finance products, such as green bonds and ESG-linked loans.
- **Sustainable Agriculture:** Exporting organic and low-carbon food products that meet ASEAN's growing demand for environmentally friendly goods.
- **Joint R&D:** Partnering with ASEAN firms and research institutions to develop climate-resilient technologies.

Sustainability offers India a way to differentiate its products and align with ASEAN's policy priorities.

11.7 Support SMEs and Inclusive Trade

A more balanced trade relationship requires broad-based participation. India should:

- **Capacity Building:** Train SMEs on export procedures, documentation, and ASEAN market requirements.
- **Export Credit and Insurance:** Expand financing options for small exporters, reducing risk and improving cash flow.
- **Market Intelligence:** Provide timely, accessible data on ASEAN demand trends and regulatory changes.
- **Business Councils:** Strengthen the ASEAN-India Business Council as a platform for SMEs to connect with ASEAN buyers and partners.

Inclusive trade ensures benefits are widely shared and politically sustainable.

11.8 Enhance Strategic and Security Cooperation

Economic integration and security are interlinked. India should:

- **Maritime Security Collaboration:** Continue joint exercises, patrols, and capacity building to secure key trade routes.
- **Indo-Pacific Frameworks:** Engage ASEAN in operationalizing the Indo-Pacific Oceans Initiative (IPOI) and ASEAN Outlook on the Indo-Pacific (AOIP).
- **Counter-Terrorism and Cybersecurity:** Share intelligence and best practices to build trust and ensure stable business environments.

Such cooperation ensures the stability of sea lanes, critical for India-ASEAN trade.

11.9 Multilateral and Regional Engagement

While India opted out of RCEP, disengagement is not an option. Strategic priorities include:

- **Observer Engagement:** Continue attending RCEP meetings as an observer to track evolving rules and identify opportunities for eventual accession.
- **CPTPP Exploration:** Study feasibility of joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership in the long run.
- **WTO Leadership:** Collaborate with ASEAN to shape multilateral trade rules on issues like e-commerce, services, and agriculture.

- **BIMSTEC and IORA:** Use these regional forums to strengthen connectivity and trade complementarities with ASEAN.

Staying engaged ensures India remains part of Asia-Pacific trade rulemaking.

12. CONCLUSION

India-ASEAN trade relations are at a critical inflection point. After decades of growth, the relationship now faces persistent trade imbalances, tariff and non-tariff barriers, connectivity gaps, and geopolitical uncertainties. Yet the opportunities remain immense:

- ASEAN is one of the fastest-growing regions in the world, with a combined GDP exceeding USD 3.6 trillion and a population of over 670 million.
- India's growing manufacturing capabilities, digital economy, and services sector can complement ASEAN's production networks.
- Shared goals in sustainable development, infrastructure connectivity, and regional stability offer a foundation for deep, strategic integration.

To unlock this potential, both India and ASEAN must demonstrate political will and practical commitment. For India, this means:

- Upgrading the FTA for balanced, modern trade.
- Investing in physical and digital connectivity.
- Enhancing domestic manufacturing competitiveness.
- Expanding services trade and fintech integration.
- Positioning itself as a green trade partner.
- Ensuring inclusive participation of SMEs.
- Maintaining strategic engagement in regional security and multilateral rulemaking.

The Act East Policy, backed by these practical steps, can deliver not only economic growth but also geopolitical stability in the Indo-Pacific region. By recognizing ASEAN not just as a market but as a long-term strategic partner, India can ensure that the next decades of India-ASEAN trade relations are more balanced, resilient, and mutually beneficial.

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