

LONG LASTING ECONOMIC RELATIONSHIP BETWEEN ASEAN AND INDIA

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ABSTRACT

The ASEAN–India Free Trade Area emerged from a mutual interest of both parties to expand their economic ties in the Asia-Pacific region. India's Look East policy was reciprocated by similar interests of many ASEAN countries to expand their interactions westward. After India became a sectoral dialogue partner of ASEAN in 1992, India saw its trade with ASEAN increase relative to its trade with the rest of the world. Between 1993 and 2003, ASEAN-India bilateral trade grew at an annual rate of 11.2%, from US\$ 2.9 billion in 1993 to US\$ 12.1 billion in 2003. Much of India's trade with ASEAN is directed towards Singapore, Malaysia, and Thailand, with whom India holds strong economic relations.

In 2008, the total volume of ASEAN-India trade was US\$ 47.5 billion. ASEAN's export to India was US\$ 30.1 billion – a growth of 21.1 per cent in comparison with that of 2007. ASEAN's imports from India were US\$ 17.4 billion – a growth of 40.2 per cent in comparison to that of 2006. As for foreign direct investment (FDI), the inflow from India to ASEAN Member States was US\$476.8 million in 2008, accounting for 0.8 per cent of total FDI in the region. Total Indian FDI into ASEAN from 2000 to 2008 was US\$ 1.3 billion. Acknowledging this trend and recognizing the economic potential of closer linkages, both sides recognized the opportunities for deepening trade and investment ties, and agreed to negotiate a framework agreement to pave the way for the establishment of an ASEAN–India Free Trade Area (FTA).

KEYWORDS: Free Trade Area, ASEAN, FDI.

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