

*Roll No.....*

*Time allowed : 3 hours*

*Maximum marks : 100*

*Total number of question : 6*

*Total number of printed pages : 8*

*NOTE : Answer ALL Questions.*

**1. Case study :**

**With India's 'Look East' Strategy, ASEAN Must 'Look West'**

ASEAN-India relations have come a long way since their turbulent Cold War phase. India has shared a close relationship with ASEAN countries since the time of its independence. It started expanding its influence in the Southeast Asian region during the 1950s by supporting the Indonesian struggle for independence and involving itself in the Indo-China crisis in the 1960s. It also signed friendship treaties with Indonesia, Burma (now Myanmar) and the Philippines and consolidated its bilateral and diplomatic relations with them. However, with the signing of an "India-Soviet Peace and Friendship Cooperation Treaty", relations between India and ASEAN took a downturn. The ASEAN members' perception of the Soviet Union was far from benign and the signing of the treaty made them suspicious of India's intentions. Further, under the influence of the Soviet Union, India recognized the People's Republic of Kampuchea regime that was propped up in Vietnam in July 1980 and through the decade, built strong political and military relations with Vietnam. This was contrary to the ASEAN view which condemned the Kampuchean regime and resulted in the worsening of relations between India and ASEAN. Through the 1980s, relations between India and ASEAN were uncertain and plagued by various political and diplomatic differences which resulted in a compromise of economic relations between them.

For the past two decades, India has pursued its engagement with East Asia under its 'Look East' Policy. ASEAN constitutes the foundation and core of this policy. The centrality of ASEAN in India's 'Look East' Policy was first articulated by the then Prime Minister of India in Singapore in 1994. Subsequently it was reiterated by all the succeeding Indian Prime Ministers.

The first phase of India's 'Look East' policy was ASEAN-centered and focused primarily on trade and investment linkages. The new phase of this policy is characterised by an expanded definition of 'East', extending from Australia to East Asia, with ASEAN at its core. The new phase also marks a shift from trade to wider economic and security issues including joint efforts to protect the sea lanes and coordinate counter-terrorism activities.

#### **India and ASEAN Bilateral Relations :**

There is a differentiated structure in India's bilateral relations within ASEAN. One can identify three layers of these relations. To begin with relations with Singapore would constitute a first category, as it is the most intense partner of India from the perspective of bilateral economic as well as security cooperation. Singapore has the highest trade, investment and security cooperation with India among all the ASEAN members and has often taken initiatives and leads in facilitating India's integration with the regional grouping. Relations with countries comprising new ASEAN (for their late membership) i.e. Cambodia, Laos, Myanmar and Vietnam (CLMV) are being paid special attention, and would constitute another category of relationship. Among the CLMV countries, Myanmar shares a common territorial border with India and the other countries, besides being on the periphery of China. In the third category, India's multifaceted cooperation with Thailand, Malaysia, Indonesia and Philippines is growing in a natural way. In the long run, the prospects of India-Indonesia cooperation becoming more intense look promising as Indonesia is emerging as a significant player in regional affairs.

Over the past decade, trade and investment relations between India and ASEAN have continued to improve. Total bilateral trade increased more than threefold from US\$21 billion in 2005-06 to US\$65 billion in 2015-16. India's exports to ASEAN increased from U.S. \$ 10.41 billion in 2005-06 to U.S. \$ 25.20 billion in 2015-16 and imports over the same period quadrupled from U.S. \$ 10.81 billion in 2005-06 to U.S. \$ 39.84 billion. This reflects a compound annual growth rate (CAGR) of about 9.2 per cent in exports to the ASEAN region and close to 14 per cent per annum growth in imports during 2005-06 to 2015-16. Concomitantly, India's trade

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deficit with the ASEAN surged from US\$0.5 billion in 2005-06 to US\$14.6 billion. In terms of market share, the share of imports in India's total imports from ASEAN went up from 7.3% in 2005-06 to 10.5% in 2015-16. Over the same period, the share of exports to ASEAN in India's total exports fell from 10.1% to 9.6%.

In commodities, petroleum oils and meat products accounted for a share of about 15 and 10.5 percent of India's total exports to ASEAN respectively. Other top export items to ASEAN were: transport equipment (8.5%), chemicals (6.7%), mechanical appliances (6.4%), nonferrous metals (5.2%), iron & steel (2.9%) and pharmaceuticals (2.8%) to total trade.

In contrast, India's imports from ASEAN are concentrated and dominated by petroleum oils, palm oil, coal briquettes, chemicals, electrical and electronic equipment and mechanical appliances. These five items accounted for more than 50% share in India's total imports from the ASEAN.

India also maintains relations with some ASEAN members outside of the ASEAN framework. Myanmar, for instance, has become an Observer in the South Asian Association for Regional Cooperation (SAARC). Thailand joined hands with India in 1997 to establish BIMSTEC (Bay of Bengal Initiative for Sectoral Technical and Economic Cooperation). All other members of SAARC, with the exception of Pakistan and Maldives, are members of BIMSTEC since 2003.

### **Why ASEAN to India ?**

India's active participation in the ASEAN Connectivity will benefit not only ASEAN but also India, as it would demonstrate India's commitment to further integrate itself with Southeast Asia and other parts of East Asia. ASEAN is a fast expanding trade bloc in Asia with a growing economic clout. With a combined population of more than 620 million, ASEAN's aggregate economic size surpasses US\$2.5 trillion. Unlike the BRICS, whose fortunes were based largely on individual economic competitiveness, ASEAN's strength is buttressed on its "competitive interconnectedness". ASEAN lies at the heart of many important global industrial production chains in manufacturing and services trade. These allow countries to specialize in different parts of the production process,

tapping the competitive advantages of each location. The bulk of intra-Asia trade comprises parts, components, raw materials and machinery needed in export-oriented production and consumer goods are also increasingly traded within Asia. Some of the opportunities for India because of the notable aspects of ASEAN's economic development during the course of its evolution are :

- (a) *ASEAN is the third largest economy*: If treated as a single entity, the ASEAN with a combined GDP of more than \$2.5 trillion would rank as the third largest economy in Asia and seventh largest in the world (after the US, China, Japan, Germany, the UK and France) based on 2014 figures in current US \$ terms.
- (b) *ASEAN is a growing hub of consumer demand*: Income growth has remained strong since 2000, with average annual real gains of more than 5 percent. Some member nations have grown at a torrid pace: Vietnam, for example, took just 11 years (from 1995 to 2006) to double its per capita GDP from \$1,300 to \$2,600. Besides, an expanding middle class in ASEAN, estimated to be around 150 million or one-quarter of the ASEAN population, has been fuelling consumer spending and retail sales in the organised channels.
- (c) *ASEAN is well positioned in global trade flows*: ASEAN is the fourth-largest exporting region in the world, trailing only the European Union, North America, and China/Hong Kong. ASEAN exports to the world in 2014 stood at US\$1.3 trillion, with intra-ASEAN exports making up 26 per cent of those exports. Vietnam specializes in textiles and apparel, while Singapore and Malaysia are leading exporters of electronics.
- (d) *The ASEAN Economic Community (AEC)* : AEC was officially launched on 31st December 2015 to create a single market to enable an easier movement of goods, services, investment, capital and people across the region. This will result in a common market of more than 600 million people, dwarfing the EU's 500 million and NAFTA's over 400 million.
- (e) *The removal of tariffs*: This removal throughout the AEC presents a significant advantage

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for Indian companies in two ways. First, companies that manufacture in the region will be able to take advantage of the free flow of goods through the AEC when exporting finished goods. Second, Indian companies that rely on ASEAN nations for intermediate goods in their supply chain will benefit from reduced costs not only in goods, but also in simplifying the 'paperwork' necessary to move goods through the region.

**ASEAN Responsibility to India:**

ASEAN has to bear some of the responsibility for the slow pace of engagement. As a response to India's 'Look East' strategy, ASEAN has to adopt 'Look West' strategy to India. There is an accepted divergence in the interests and approaches of ASEAN members towards India's integration with the region. The less developed members have been hesitant in ratifying the FTA in goods in order to protect their local interests. ASEAN has also not been ready yet to complete the FTA process as the agreement on trade in services and investments continues to face hurdles. Some of the ASEAN countries also initially resisted India's membership of East Asian Community (EAC) and many of their bilateral agreements with India in defense and economic sectors have not been implemented as expected. The economic downturns in some of the ASEAN countries and uncertainties arising out of the global economic slump have forced almost everyone to go slow on new ventures. India is also awaiting ASEAN responses to a number of its project proposals submitted for endorsement and implementation under the joint India-ASEAN Cooperation Fund.

On account of the language barrier and other factors, Indian services providing companies have traditionally engaged in business transactions mainly with Western companies, but recently, taking advantage of swelling demand, they are doing more business with Japan, China, and other East Asian countries. It is possible for India's firms to join in the ASEAN production networks by using computer and information services to develop deeper ties with this region. The ASEAN-India Investment and Services Agreement came into force on 1st July 2015. ASEAN is not yet adequately integrated on the services front and also remains relatively closed to Foreign Service providers. Hence, a preferential deal on services trade with the region will bring significant gains to India.

**Constraints to ASIAN-India Relations:**

- (a) *Logistics*: It is addressed that there are some issues that need to be implemented to improve the logistics like (a) improved agreements for an integrated road transport market amongst ASEAN nations; (b) better and synchronized transport regulations (c) simplified and rationalized import, export, transit procedures and processes to decrease clearance costs and time and; (d) Service Level Agreements to improve predictability of clearance time.
- (b) *Shipping connectivity* : The Liner Shipping Connectivity Index (LSCI aims at capturing a country's level of integration into the existing liner shipping network by measuring liner shipping connectivity. The index for Singapore, Malaysia and Vietnam is much higher compared to India.
- (c) *Trade transaction barriers*: There is a need to reduce bureaucratic delays and paperwork involved in border crossings between member countries; standardizing trade rules and products. The customs and clearance procedures at borders need to be streamlined to reduce delays and costs of transit. For instance, it takes less than 3 days to put an export consignment (standard 20 feet container) from factory gate to ship in Thailand whereas it takes more than 7 days to undertake the same process in India. Also the burden of customs procedures is much higher in case of India.
- (d) *Non-tariff barriers (NTBs)*: NTBs to trade continue to maintain a strong presence in the ASEAN region. One needs to exercise prudence to separate the legitimate public policy objectives of non-tariff measures from a desire to protect local interests.

The ASEAN-India partnership holds ample potential for a successful future. As things stand, it is evident that both India and ASEAN are keen to establish a strong relationship with a long-term emphasis on greater cooperation and integration, apart from the strengthening of economic and strategic ties. While there are definite challenges to be addressed before achieving a consolidated East Asian Community, it is evident that conscious efforts are being made on both the sides in developing synergies for the shared prosperity and mutual benefit of India, ASEAN and the Asian region at large.

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**Referring to the above case, answer the following questions :**

- (a) What do you mean by regional trading blocks ? Discuss the aims and purposes of ASEAN that are set out in the ASEAN declaration. (10 marks)
- (b) Why is India interested in ASEAN ? What are the opportunities that India is looking for in this relationship ? (10 marks)
- (c) “Over the past decade, trade and investment relations between India and ASEAN have improved considerably”. Justify this statement. (10 marks)
- (d) Why it has been said that as a response to India’s ‘Look East’ strategy, ASEAN must adopt ‘Look West’ strategy to India ? (10 marks)
- (e) “The ASEAN-India partnership to expand in long-run requires addressing some challenges”. Elaborate on challenges. (10 marks)
2. (a) The Go-vegetarian movement is gathering stream around the world. A home grown restaurant chain Arnapurna Ratna is planning to open its outlets abroad starting with the US, the UK and Canada. The management of Arnapurna Ratna has decided to foray into overseas market through the franchisee model. Do you think the decision taken by the management to enter foreign market is correct ? Justify your answer. (6 marks)
- (b) P & P, a multinational sweets and dry food chain, wants to enter the Gulf market. Given the nature of global environment, what are the cultural issues which the management is likely to face ? Discuss. (6 marks)
- (c) “Globalisation is not always beneficial to developing countries”. Do you agree ? Give reasons in support of your answer. (6 marks)
- (d) M & N, an Indian leading automobile company, is building electric vehicles that will cover 300 kilometers on a single charge in collaboration with Pininfarina, the Italian car designer company. Which type of foreign collaboration is this ? Discuss why M & N has chosen for such collaboration. (6 marks)

- (e) It has been claimed by a group of experts that “Geographical Information System (GIS) can simplify logistics operations in India by reducing the complexity by bringing out subtle geographic patterns and relationships that can form the basis of good decisions”. Do you agree with the claim ? Justify your answer. (6 marks)
3. The Hindustan Motors, India’s Pioneering automobile company, which put the iconic Ambassador car on the road as a power symbol of the country announced that a French automobile major, the Peugeot SA Group is planning to acquire the brand. It is expected that the car will soon hit the Indian roads in its new ‘avatar’ (look). Explain the reasons for this acquisition by French Peugeot. (5 marks)
4. Both anti-dumping and normal customs duty are collected and levied by the Customs authorities. Are both the duties the same ? When the country can apply anti-dumping duty and normal customs duty ? (5 marks)
5. Being an exporter why you will support and argue in favour of organizations under Ministry of Commerce such as Federation of Indian Export Organization, Indian Diamond Institute, Surat and Footwear Design & Development Institute (FDDI). (5 marks)
6. Should countervailing measures be taken in cases where subsidization has not caused any ‘injury to domestic industry’ ? Justify your answer by analyzing important parameters that determine countervailing measures. (5 marks)