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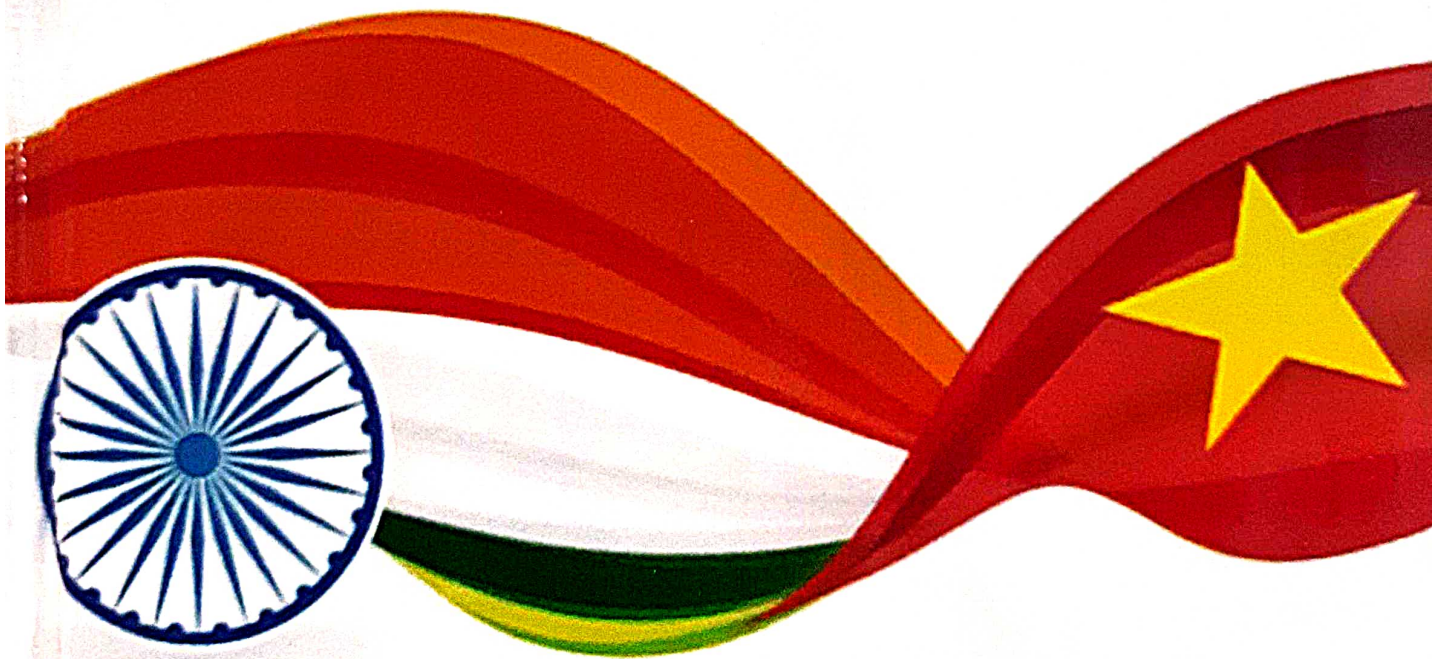
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INDIA VIETNAM

DEFENCE, STRATEGIC AND
ECONOMIC COOPERATION



JAYACHANDRA REDDY G
RAMESH BABU V

India-Vietnam

Defence, Strategic and Economic Cooperation

Editors

Jayachandra Reddy G

Ramesh Babu V



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Contents

Preface	v
List of Contributors	ix
1. India-Vietnam Relations towards Comprehensive Partnership <i>Jayachandra Reddy G and Ramesh Babu V</i>	1
2. India and the East: Strengthening Equation with Vietnam in Indo-Pacific Economic Corridor <i>Mohammed Khalid</i>	18
3. An Appraisal of India-Vietnam Mutual Cooperation: View from India <i>Kamala Kumari</i>	32
4. India-Vietnam Defence and Security Relations: China Factor <i>Srinivas Junuguru</i>	44
5. India and Vietnam - Is India a Net Security Provider? <i>Vaibhavi Palsule</i>	58
6. Trends in India's Trade with Vietnam: An Empirical Analysis <i>Venkata Prasad A and Krishna Moorthy D</i>	73
7. Geostrategic Significance of Cam Ranh Bay Port in India-Vietnam Maritime Relations <i>Niranjan Chandrashekhar Oak</i>	89

8. India and Vietnam: Strategic Partnership to Comprehensive Strategic Partnership
Tilottama Mukherjee 100
9. Potential of Vietnam-India Cooperation in Energy Efficiency Sector
Nguyen Van Linh 115
10. India and Vietnam: Emerging Contours of Strategic Partnership
Chandra Mouli Reddy D 130
11. Growth and Structure of Foreign Trade: A Comparative Analysis of India and Vietnam
Kondaih P and Krishna Moorthy D 141
12. Fostering Cooperation between India and Vietnam: With Reference to Trade Prospects
Rayeesunisa 156
13. Relationship between India and Vietnam: Trade and Commerce
Arun Kumar P 175
14. India, Vietnam and the Korean Triangle
Rajaram Panda 192
15. Opportunities and Challenges of Tea Industry between India and Vietnam: An Analysis
Siva Kumar S, and Bangalore Morarji 203
16. Changing Trends in India and Vietnam Trade Relations
Sravanakumar B and Muralidhar BV 216
17. India-Vietnam Strategic Partnership: Progress and Prospects
Vinodini JMJ 228

Trends in India's Trade with Vietnam: An Empirical Analysis

Venkata Prasad A and Krishnamoorthy D

Abstract

India and Vietnam share close to half a century of relations with the establishment of formal diplomatic ties that began in 1972 between India and the then-North Vietnam. The relations were derived from common historical linkages as colonies of Western powers striving to achieve independence. Bilateral ties between India and Vietnam have got strengthened in recent years with a focus on regional security issues and trade. The adoption of the 'Look East Policy', imbued with the economic element, marked an important turning point in India-Vietnam economic relations. Vietnam has played an important role in India's "Act East" policy, which was enunciated as an upgrading of the earlier 'Look East Policy' and also she has been a crucial partner in sub-regional, regional and multilateral forums. The need for economic development increased the importance of bilateral economic and commercial linkages between both the countries. These efforts received fillip from regional arrangements, as for example, ASEAN-India cooperation and Mekong - Ganga Cooperation. India is Vietnam's fifth largest trading partner in ASEAN; Vietnam holds the 19th position worldwide for India, both the countries made conscious efforts to expand the areas of economic cooperation and to increase the volume of trade and investment. India's total trade comprising exports and imports skyrocketed from the abysmal level of US \$0.24 billion to the magnificent level of US \$12.27 billion between the years 2001 and 2017. India and Vietnam will explore "substantive and practical measures" to achieve the bilateral trade target of \$15 billion by 2020. Currently, India has 182 investment projects worth US \$816 million in Vietnam, while Vietnamese businesses have a mere seven projects worth some US \$6 million in India. The present paper reviews the performance of India's merchandise trade with Vietnam during 2000-01 to 2015-16 on the basis of the data released by the Ministry of Commerce and Industry, Government of India.

Key Words: ASEAN, Trade, Growth Rates, Commodity and Act East Policy

Several regional economic groups have emerged in different parts of the world particularly after 1950s. One such regional groups that has made rapid strides in terms of degree of economic integration and geographical coverage is "Association of South East Asian Nations" (ASEAN) among the countries of South East Asia. The Association of Southeast Asian Nations, or ASEAN, was established on 8th August 1967 in Bangkok, the capital of Thailand, with the signing of the ASEAN Declaration (Bangkok Declaration) by the founding members of ASEAN, namely Indonesia, Malaysia, Philippines, Singapore and Thailand. Brunei Darussalam later joined the Association on 8th January, 1984, Vietnam on 28th July 1995, Lao PDR and Myanmar on 23rd July, 1997 and Cambodia on 30th April 1999. The ten member states of ASEAN hope that the regional co-operation among these members could help in exploiting the existing resources in the region fully. ASEAN is a unique example for regional co-operation and development. It is the most successful inter-governmental organization in the developing world today. In the words of Kofi Annan, former Secretary General, UNO, *"Today, ASEAN is not only a well-functioning, indispensable reality in the region, it is a real force to be reckoned with far beyond the region. It is also a trusted partner of United Nations in the field of development"*.

India's relations with Vietnam are marked by growing economic and commercial engagement. India is now among the top ten trading partners of Vietnam. In recent times, political contacts have strengthened as reflected in several high level visits by leaders from both sides. Trade and economic linkages continue to grow. India's thrust under the 'Look

East' policy combined with Vietnam's growing engagement within the region and with India has paid rich dividends. Vietnam is an important regional partner in South East Asia. India and Vietnam closely cooperate in various regional forums such as ASEAN, East Asia Summit, Mekong – Ganga Cooperation, Asia Europe Meeting (ASEM) besides UN and WTO.

With trade and other Areas along with defence and strategic ties, India has attempted to boost economic relations with Vietnam. Sri.NarendraModi's policy navigation from "Look East" to "Act E

which essentially aims to strengthen ties with the extended neighborhood of the Asia Pacific region and to expand ties between India and Vietnam to the level of "Comprehensive Strategic Partnership", makes Vietnam extremely critical in India's eastward outreach. Vietnam on its part has actively supported the Act East Policy as it facilitates India's larger role in the region. Also, Vietnam is ASEAN's Coordinator for ASEAN-India Dialogue Relations from 2015 to 2018, which can be utilised to further increase the cooperation. India is now among Vietnam's top ten trading partners and with Sri. Narendra Modi's visit in 2016, it is expected to further boost bilateral trade between them

The two countries also expanded cooperation in areas such as space exploration and cyber security. New Delhi and Hanoi signed the Inter Governmental Framework Agreement for the exploration of outer space for peaceful purposes, and agreed to conclude the implementing arrangement between the Indian Space Research Organisation and the Vietnam Ministry of Natural Resources and Environment on the establishment of a Tracking and Data Reception Station and a Data Processing Facility in Vietnam under the India-ASEAN Space Cooperation. A Memorandum of Understanding on cyber security was also signed between Vietnam's Ministry of Public Security and India's Ministry of Electronics and Information Technology; and the two countries also facilitated the transfer of equipment to the Indian-funded Indira Gandhi High-Tech Crime Laboratory. India has also established a satellite tracking facility in Ho Chi Minh City. Although termed a civilian facility, it could provide strategic benefits such as the tracking of Chinese movement in the sea, in case of a threat. It has been planned and implemented by the Indian Space Research Organization. Collaborating on regional security, defence, and trade engagements, India and Vietnam have managed to build a strong partnership over the last few years. Given their mutual convergence, it is likely that this relationship will only grow stronger. There remains much to do, for instance India can help Vietnam become a prospective market for India's defence exports, which still remains under-exploited. Beyond that, there is significant scope to explore in the economic realm on areas such as energy, mineral exploration, agro-processing, healthcare, IT, and education, among others, which will help to boost existing ties.

Cultural and people-to-people exchanges need to be strengthened further as there is significant goodwill that can be leveraged by the two states. Overall, this is a relationship that is poised to take off in the coming years, led by political leaderships in the two countries determined to make this relationship truly strategic in orientation.

India's Trade with Vietnam:

Bilateral trade between India and Vietnam has seen continuous growth over the past few years. India is now among the top ten trading partners of Vietnam. Over the past 16 years there has been a steady increase in the trade volume between India and Vietnam. Eventually it crossed the 10,000cr. mark in the year 2009-10. This is a major achievement, in the light of the fact that one decade ago; in 2000-01 the total trade was just Rs. 1088.64 cr. In the last five years there has been a continuous growth in the bilateral trade.

Vietnam is an ASEAN country with which India has favorable trade balance. The relevant details pertaining to India exports and imports from Vietnam and other world are furnished in Table -1.

Table-1: India's Exports to and Imports from Vietnam and World(Rs in crores)

Year	Exports	Imports	Exports to World	Imports from World	2 as % age of 4	3 as % age of 5	Balance of Trade	Trade Balance as % of total trade
1	2	3	4	5	6	7	8	9
2000-01	1032.02	56.62	203571.01	230872.76				
2001-02	1040.51	90.19	209017.97	245199.71	0.12	0.36	975.4	89.60
2002-03	1632.81	141.23	255137.27	297205.87	0.14	0.73	950.32	84.05
2003-04	1886.01	175.6	293366.74	359107.66	0.14	0.55	1491.58	84.08
2004-05	2498	388.65	375339.52	501064.54	0.14	0.52	1710.41	82.96
2005-06	3057.86	581.69	456417.86	660408.9	0.14	0.36	2109.35	73.07
2006-07	4446.23	758.61	571779.28	840506.31	0.11	0.35	2476.17	68.04
2007-08	6451.28	698.07	655863.52	1012311.69	0.11	0.42	3687.62	70.85
2008-09	7949.47	1862.26	840755.05	1374435.55	0.11	0.32	5753.21	80.47
2009-10	8673.97	2459.11	845533.64	1363735.54	0.12	0.14	6087.21	62.04
2010-11	12045.07	4847.59	1142921.92	1683466.95	0.12	0.45	6214.86	55.82
2011-12	18084.98	8323.25	1465959.39	2345463.24	0.13	0.28	7197.48	42.61
2012-13	21562.84	12594.42	1634318.83	2669161.95	0.18	0.28	9761.73	36.96
2013-14	33253.25	15568.62	1905011.08	2715433.9	0.18	0.29	8968.42	26.26
2014-15	38317.85	18398.04	1896348.41	2737086.57	0.25	0.31	17684.63	36.22
2015-16	34616.91	16763.11	1714617.7	2488007.47	2.02	0.67	19919.81	35.12
					2.02	0.67	17853.8	34.75

Source: Website: <http://commerce.nic.in/eidb/Default.asp> (from 2000-01 to 2015-16)

It could be seen from table that India's exports to Vietnam soared from Rs. 1,032.02 crores to Rs. 34,616.91 crores registering a magnificent 33.54 fold increase between 2000-01 and 2015-16. India's imports from this country, on the other hand, skyrocketed by 296 times from Rs. 56.62 crores to Rs. 16,763.11 crores. Thus both in magnitude and growth, the performance of imports from Vietnam was higher than that of exports. The same conclusion is reiterated by the ratio analysis. As could be seen from the table, India's exports to Vietnam as a proportion of her total global exports put up a spurt from 0.12 per cent in 2000-01 to 2.02 per cent in 2015-16. On the other hand, India's imports from Vietnam as a proportion of her total global imports rose sharply from 0.36 per cent to 0.67 per cent amidst wide fluctuations. In view of rising trends in both exports and imports both in absolute and relative terms, India had a comfortable position on her balance of trade. India's positive trade balance with Vietnam notched up from Rs.975.4 crores to Rs. 17,853.8 crores in absolute terms but in relative terms the ratio decelerated from 89.60 per cent to 34.75 per cent during the study period in view of higher growth rates of imports as compared to exports.

Thus, both in magnitude and growth, the performance of imports from Vietnam was higher than that of exports. The same conclusion is reiterated by the ratio analysis. In view of relatively higher level of exports as compared to imports in absolute and relative terms, India had been in a comfortable position on her balance of trade. The India's positive trade balance with Vietnam notched up from Rs.975.4 crores to Rs. 17,853.8 crores in absolute terms but declined from 89.60 per cent to 34.75 per cent in relative terms during the study period. The analysis of growth rates of India's trade with Vietnam as presented in Table.1A revealed excellent performance in both exports and imports. India's imports from this country grew by robust 51.22 per cent as compared to exports that put up a handsome 29.84 per cent growth per annum during the period under study. Both these growth rates were statistically significant at one per cent probability levels as confirmed by the computed 't' test statistics for exports (38.25) and imports (27.99) that were higher than the theoretical 't' test statistic value of 3.250. Also exports had

a lower SEE of b value (0.007) and higher R²-value (0.99) as compared to the corresponding values of 0.015 and 0.98 for imports.

Table.1A: Growth of India's Trade with Vietnam Soc. Rep., during 2000-01 to 2015-16

Variable	CAGR%	R ²	SEE of b-value	t-value
Exports	29.84	0.99	0.007	38.25
Imports	51.22	0.98	0.015	27.99

Source: Table.1

Thus India's exports to Vietnam performed well as compared to her imports from Vietnam in several respects. Figure.1 highlights the excellent performance of India's trade with Vietnam in terms of line charts.

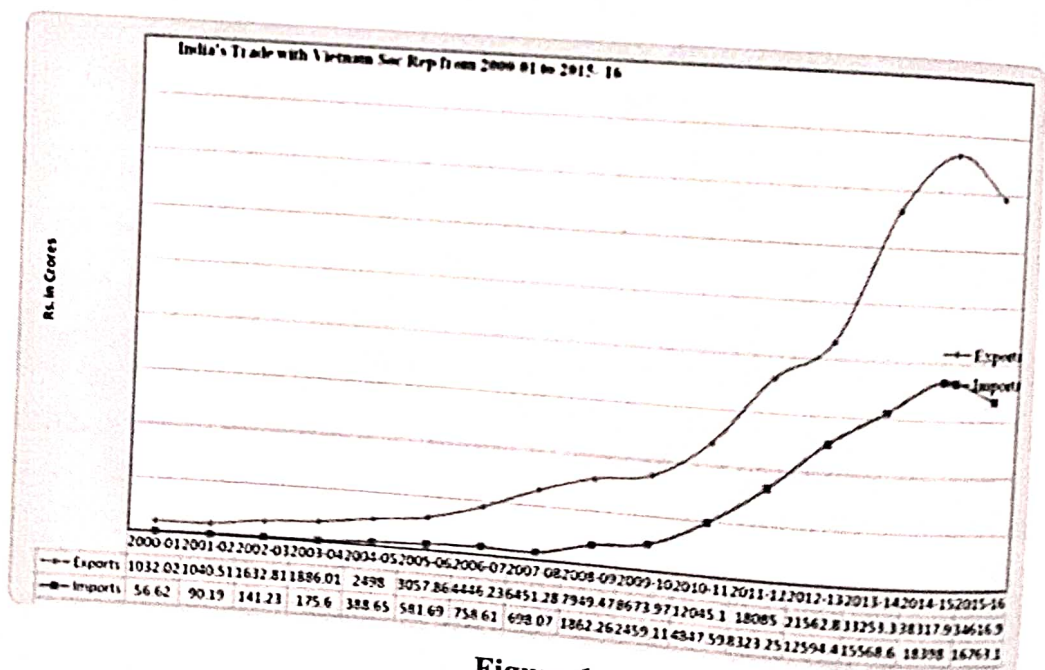


Figure.1

Source: Computed for data in Table.1

Growth Rates of Major Commodity Groups of India's Exports to Vietnam

From the discussion of India's trade with Vietnam in chapter five, it has been inferred that Vietnam is one of the most important and emerging India's trade partner within ASEAN region because India's exports to Vietnam grew by reliable and splendid 29.84 per cent and that India's

imports from Vietnam surged by dependable and marvelous 51.22 per cent per annum during the period from 2000-01 to 2015-16. India has also been enjoying positive trade balance with her trade with Vietnam. Given the scenario of overall trade, an attempt is made here to further probe to analyse the growth pattern of India's top 10 exports and imports items in her trade with Vietnam and relative shares of top ten commodity groups. Table.2 incorporates the necessary information on the growth rates, mean, standard deviation and coefficient of variation relating to India's exports to Vietnam.

Table.2: Growth Rates of Top – 10 Commodities of India's Exports to Vietnam Soc Rep During the period from 2000-01to 2015-16

S. No	HS Code	Commodity	CAGR%	R ²	t-cal value	Mean (Rs in crores)	SD (Rs in crores)	CV %
1	23	Residues and waste from the food industries; prepared animal fodder	9.56	0.27	2.31	70.39	754.89	59.42
2	30	Pharmaceutical products	15.12	0.97	24.03	451.00	301.41	66.83
3	39	Plastic and Articles Thereof	12.33	0.76	6.70	383.52	248.68	64.84
4	84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof.	28.67	0.86	9.65	375.10	415.09	110.66
5	40	Rubber and Articles Thereof	12.20	0.60	5.20	109.52	71.57	65.34
6	72	Iron and Steel	17.67	0.62	4.84	459.12	537.80	117.13
7	38	Miscellaneous chemical products	16.44	0.85	8.94	236.64	152.09	64.27
8	29	Organic Chemicals	16.07	0.94	15.40	248.98	161.94	65.04
9	3	Fish and Crustaceans, Molluscs and other Aquatic invertebrates	42.76	0.76	6.65	1580.01	2420.13	153.17
10	52	Cotton	40.59	0.93	14.33	653.53	821.42	125.68

Note: HS: Harmonized System of Trade Classification

Source: <http://commerce.gov.in/EIDB.aspx>

It is observed from table of that out of the top ten export commodity groups listed in the table, Fish and Crustaceans etc., (HS Code: 03) registered the highest growth rate of 42.76 per cent, closely followed by Cotton (HS Code: 52) with a growth rate of 40.59 per cent. The growth rates of these commodity groups were statistically significant at one per cent probability level. Next to these two commodity groups, the high-tech commodity group viz., Nuclear Reactors, Boilers etc., (HS Code: 84) registered the highest growth rate of 28.67 per cent followed by Iron and Steel (HS Code:72) with a growth rate of 17.67 per cent.

The high growth rate of all the above four commodity groups was also associated with high levels fluctuations in terms of Coefficient of Variation ranging from 111 per cent to 153 per cent. The other export commodity groups that have registered double digit growth rates during the study period were Miscellaneous Chemical products (HS Code: 38) with a growth rate of 16.44 per cent, Organic Chemicals (HS Code: 29) with a growth rate of 16.07 per cent, Plastic and articles thereof (HS Code: 39) with a growth rate of 12.33 per cent, Rubber and articles thereof (HS Code: 40) with a growth rate of 12.20 per cent. Thus, out of 10 commodity groups, the only commodity group that has registered the single digit statistically insignificant growth of 9.56 per cent was the commodity group Residues and Wastes from the food industries etc., (HS Code: 23).

The R^2 value of this commodity group was also very low. The commodities that have registered the growth rates between 10 per cent and 20 per cent, by and large, were subjected to relatively less degree of fluctuations in terms of coefficient of variation. The mean values of top 10 export commodity groups from India to Vietnam varied between a low of Rs.70.39 crores to Rs.1580 crores during the period under consideration.

Growth Rates of Major Commodity Groups of India's Imports from Vietnam

The growth rates of India's imports from Vietnam during the period from 2000-01 to 2015-16 along with R^2 values, computed t-values, mean, standard deviation, coefficient of variation are furnished in Table.3. A cursory glance at the table indicates that when compared to the export growth rates, the import growth rates from Vietnam were relatively high. Among the listed top 10 import commodity groups, the Hi-tech commodity group viz., Electrical Machinery and Equipment etc., (HS Code: 85) registered the reliable and fabulous growth of 71.30 per cent per annum followed by Rubber and articles thereof (HS Code: 40) with a tremendous growth rate of 56.58 per cent, Footwear, Gaiters etc., (HS Code: 64) with a magnificent growth rate of 45.60 per cent, Plastic and articles thereof with an amazing growth rate of 40.66 per cent. It is important to note that the R^2 and computed t-values of all these commodity groups were all very high indicating the dependable and sustainable growth of these commodity groups in the future.

At the other extreme, the commodity group Lac, Gums, Resins etc., (HS Code: 13) exhibited negative growth of -18.21 per cent during the period under consideration. Though another commodity group Other Base metals, cermets etc., (HS Code: 81) registered reasonably higher growth rate of 18.26 per cent per annum, the growth was not statistically significant and also the R^2 value was very low. The mean value of India's top ten commodity groups from Vietnam varied between a low of Rs.4.29 crores in the case of Lac, Gums etc., and a high of Rs.2047.67 crores in the case of Electrical machinery etc. It should, however, be noted that the fluctuations in the quantum of imports from the country were very high and were above 100 per cent indicating that the standard deviation values of the commodity groups were higher than the corresponding mean values. This implies that there are wide fluctuations in the year to year India's imports from Vietnam. Nevertheless, the growth rates of imports of all the commodity groups from Vietnam were statistically significant at one per cent probability level except in the case of one commodity group viz., Other Base metals etc. (HS Code: 81).

Table.3: Growth Rates of Top – 10 Commodities of India's Imports from Vietnam Soc Rep During 2000-01 to 2015-16

S. No	HS Code	Commodity	CGR%	R^2	t-cal value	Mean (Rs in crores)	SD (Rs in crores)	CV %
1	9	Coffee, Tea, Mate and Spices	27.90	0.922	12.83	404.83	435.64	92.93
2	13	Lac; Gums, Resins and other vegetable saps and extracts	-18.21	0.44	3.37	4.29	4.31	99.54
3	85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts.	71.30	0.957	17.66	2047.67	2883.82	71.01
4	39	Plastics and articles thereof	40.66	0.817	7.89	79.77	104.31	76.47
5	33	Essential oils and Resinoids; perfumery, cosmetic or Toilet preparations	51.76	0.95	16.37	86.63	129.53	66.88
6	40	Rubber and Articles Thereof	56.58	0.94	15.13	362.46	504.31	71.87
7	81	Other Base Metals; Cermets; Articles Thereof.	18.26	0.31	2.53	3.36	4.87	68.99
8	38	Miscellaneous chemical products	37.11	0.97	22.74	38.36	42.99	76.22
9	64	Footwear, Gaiters and the like; parts of such Articles	45.60	0.96	17.82	75.02	98.42	89.23
10	29	Organic Chemicals	26.16	0.64	5.04	28.18	18.57	151.75

Note: HS: Harmonized System of Trade Classification
Source: <http://commerce.gov.in/EIDB.aspx>

Shares of Top 10 Export Commodities to Vietnam

Having discussed the growth of India's top 10 export and import commodity groups from Vietnam, an attempt is made to analyse their relative shares in total exports and imports. Table.4 incorporates the information on the shares of top ten export commodity groups in India's exports to Vietnam during the period from 2000-01 to 2015-16.

Table.4: Shares of Top Ten Commodities in India's Exports to the Vietnam Soc Rep

S. No.	HS Code	Commodity	% Share in 2000-01	Rank	% Share in 2015-16	Rank
1	23	Residues and waste from the food industries; prepared animal fodder	18.11	1	2.54	8
2	30	Pharmaceutical Products	14.87	2	2.76	7
3	39	Plastics and articles thereof	13.65	3	1.83	12
4	84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof.	8.03	4	3.90	5
5	40	Rubber and Articles Thereof	6.98	5	0.34	28
6	72	Iron and Steel	5.92	6	1.33	14
7	38	Miscellaneous chemical products	5.33	7	1.26	15
8	29	Organic Chemicals	4.66	8	1.59	13
9	3	Fish and Crustaceans, Molluscs and other Aquatic invertebrates	4.52	9	16.76	2
10	52	Cotton	3.19	10	4.99	3
Total			85.26	-	37.3	-

Note: HS: Harmonized System of Trade Classification

Source: Computed for the data obtained from, commerce.nic.in/eidb/ecom.asp

It could be seen from table-4 that the top 10 India's export commodity groups to Vietnam accounted for an overwhelming proportion of 85.26 per cent of India's exports to Vietnam in the year 2000-01. However, over the years there has been marked change in the commodity composition of India's exports to Vietnam. As could be observed from the table in the year 2015-16 the top listed commodities in the table could account for only 37.3 per cent of total exports to the country. Except two commodity groups viz., Fish and Crustaceans etc., (HS Code: 03) and Cotton (HS Code: 52), all other commodity groups have lost their shares drastically over the period of time. While the former commodity group could increase its share dramatically from 4.52 per cent to 16.76 per cent and rank from 9th to 2nd, the latter commodity group could marginally gain its

share from 3.19 per cent to 4.99 per cent and rank from 10th to 3rd between the years 2000-01 and 2015-16. Three other notable commodities, that have retained their ranking within the top 10 even after losing their export shares were Residues and wastes from the food etc., (HS Code: 23 which has lost its share from 18.11 per cent to 2.54 per cent and the rank from 1st to 8th), Pharmaceutical Products (HS Code: 30) which has lost its share from 14.87 per cent to 2.76 per cent and rank from 2nd to 7th and Nuclear Reactors, boilers etc., (HS Code: 84) which has lost its share from 8.03 per cent to 3.90 per cent and rank from 4 to 5). Thus out of the top 10 export commodities five commodities slipped out of the top ten-list and in their place new commodity groups have entered. **Appendix Table-1** provides the details of the new commodity groups that have entered into India's export basket to Vietnam and their relative shares. These 10 commodity groups constituted about 81 per cent of the total exports shipped to Vietnam in the year 2015-16. The structure India's exports to Vietnam in the year 2015-16 are vividly represented in the form of Pie Diagram in Figure-2.

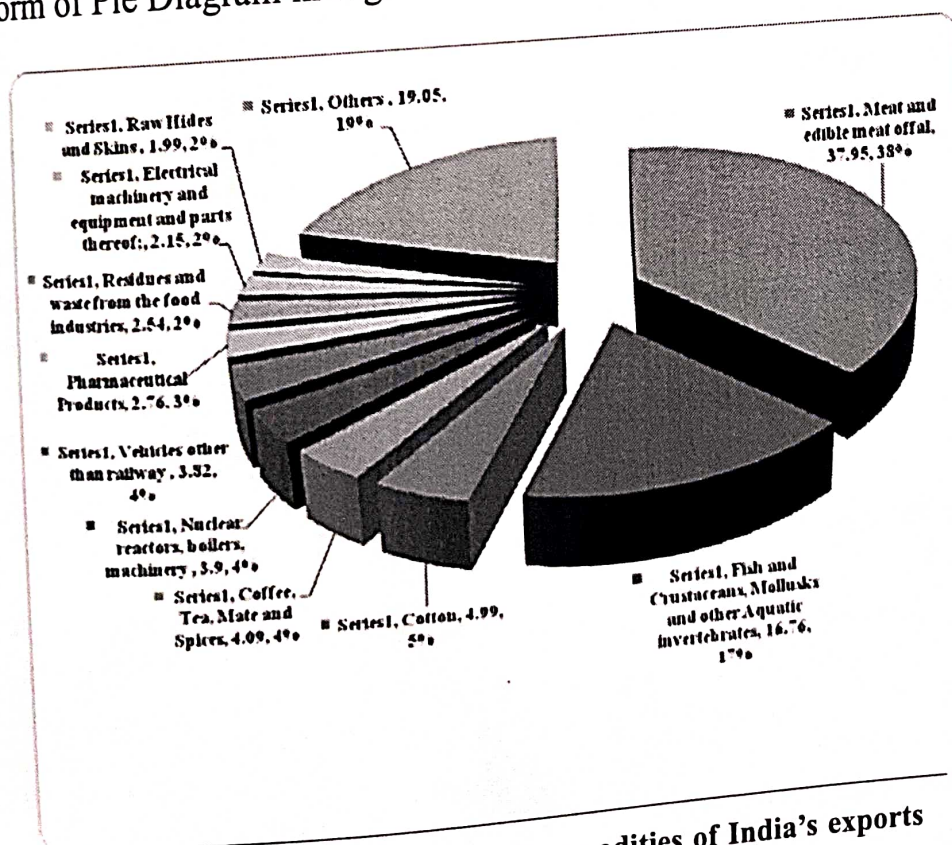


Figure-2 Shares of Top Ten Commodities of India's exports to Vietnam Soc. Rep. during 2015-16

Shares of Top - 10 Import Commodities from Vietnam

The analysis of growth of India's imports from Vietnam in the earlier section indicated that all the commodities except one commodity group registered positive and high rates of growth. What is the effect of the growth rates on the relative shares of these commodity groups over the period of time? Table.5 provides the information on the relative shares of top ten India's import commodities from Vietnam during two years viz., 2000-01 and 2015-16. As could be observed from the table, out of the top commodities two commodity groups viz., Electrical machinery and Equipment etc., (HS Code: 85) and Rubber and articles thereof (HS Code: 40) that have registered the highest and the second highest growth rates during the period 2000-01 and 2015-16 have markedly improved their relative shares respectively from 9.89 per cent to 31.40 per cent and from 5.43 per cent to 6.11 per cent.

These two commodity groups occupied the first and fifth ranks respectively in the year 2015-16. In view of enormous rise in the relative share of the first commodity group, viz., Electrical machinery and Equipment etc., (HS Code: 85) from about 9 per cent to 31 per cent, the relative shares of other commodity groups have dwindled over the years even though they have achieved higher rates of growth. It is a matter of appreciation to note that India has been importing essential manufactured commodities like electrical machinery and equipment, Rubber and articles thereof from Vietnam. On the other hand, India has been curtailing the imports of primary products such as coffee, Tea, mate etc., (HS Code: 09) whose share has fallen drastically from 34.54 per cent to 6.94 per cent, lac, Gums, Resins etc., (HS Code: 13), whose share has also decelerated sharply from 14.46 per cent to 0.02 percent, Miscellaneous Chemical products (HS code: 38) whose share has decelerated from 3.54 per cent to 0.74 per cent), plastic and articles thereof (HS Code: 39) whose share has come down from 8.42 per cent to 1.67 per cent, Essential Oils and Resinoids etc., (HS code: 33) whose share declined from 5.71 per cent to 2.37 per cent and Organic Chemicals (HS Code: 29) which has lost its share from 1.88 per cent to 0.21 per cent.

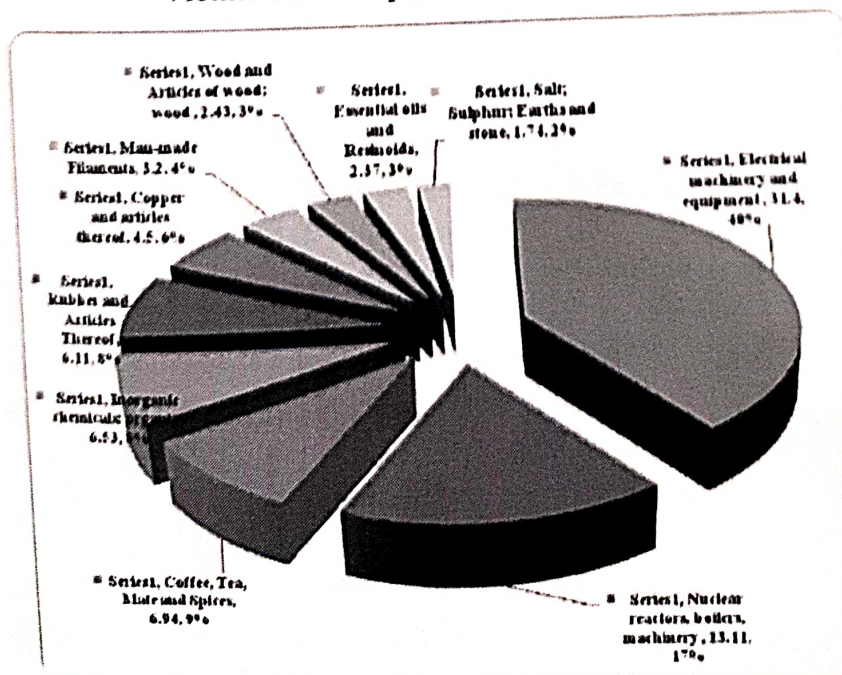
Table.5: Shares of Top Ten Commodities in India's Imports from Vietnam Soc. Rep

S. No.	HS Code	Commodity	% Share in 2000-01	Rank	% Share in 2015-16	Rank
1	9	Coffee, Tea, Mate and Spices	34.54	1	6.94	3
2	13	Lac; Gums, Resins and other vegetable saps and extracts	14.46	2	0.02	61
3	85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts.	9.89	3	31.40	1
4	39	Plastics and articles thereof	8.42	4	1.67	12
5	33	Essential oils and Resinoids; perfumery, cosmetic or Toilet preparations	5.71	5	2.37	9
6	40	Rubber and Articles Thereof	5.43	6	6.11	5
7	81	Other Base Metals; Cermets; Articles Thereof.	3.94	7	0.01	67
8	38	Miscellaneous chemical products	3.54	8	0.74	20
9	64	Footwear, Gaiters and the like; parts of such Articles	1.92	9	1.66	13
10	29	Organic Chemicals	1.88	10	0.21	35
Total Share			89.74	--	51.13	--

Note: HS: Harmonized System of Trade Classification

Source: Computed for the data obtained from, commerce.nic.in/eidb/ecom.asp accessed on 08.06.2017

Figure-3: Shares of Top Ten Commodities of India's Imports from Vietnam Soc Rep., during 2015-16



All these commodity groups together accounted for only 51.13 per cent of total imports from Vietnam in the year 2015-16. This implies that other new commodity groups have entered into India's import commodity basket and thereby India's imports structure has been more diversified in the year 2015-16 as compared to the year 2000-01. The details of new and diversified India's import basket from Vietnam in the year 2015-16 are furnished in the Appendix **Table-II**. At the same time, the details of India's import structure from Vietnam in the year 2015-16 are furnished in the form of Pie Diagram in Figure-3.

Conclusion

India's has been initiating economic liberalisation since 1991 and Vietnam since 1986. The economic reforms initiated by Doi Moi in Vietnam had created massive opportunities for commercial exchanges and cooperation in such areas as agriculture processing and technology and knowledge-based industries such as IT, biotechnology, oceanography and Space. Vietnam is focusing its attention on restructuring its economy by enhancing science and technology adoption where India can help Vietnam to a great extent. India's exports to Vietnam increased by 30 per cent whereas her imports from Vietnam rose by 51 per cent during 2000-01 and 2015-16. The share of Vietnam in India's total exports to world varied from 1.11 per cent to 2.02 per cent and the share of imports from the country as a proportion of India's total imports ranged between a low of 0.14 per cent and 0.67 per cent during 2000-01 and 2015-16. India has all along been getting positive trade balance with Vietnam in view of higher exports and relatively lower imports. Finally, both the countries need to understand their strengths and opportunities in their bilateral economic relations and act accordingly. In a short period of time, it will be impossible for Vietnam to bridge the trade balance, which is currently in India's favour. Vietnam's attention therefore, must be focused on attracting investment from India, which Vietnam needs, to fuel its growing economy. At the same time, India in its endeavour to become a global economic player needs to strengthen its economic relations with Vietnam through increased interaction with physical, commercial, investment, and trade linkages to venture into the larger Asia-Pacific.

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India and Vietnam have developed closer ties and a common destiny based on the cultural-religious linkages, closer association with the historical kingdoms and the impact of Buddhist philosophy to the anti-imperialist struggle during the colonial rule.

The year 2017 marks the 45th anniversary of the India-Vietnam diplomatic relations which began in 1972. These four and half decades of cooperation has witnessed many spheres of bilateral and multilateral ties. Most significantly both sides have pushed their relations from 'strategic partnership' in 2007 to a 'comprehensive partnership' in 2016. Such efforts have been envisaged in a multi-faceted and a multi-sectoral cooperation in political, economic, security, defence, science and technology, education, health, agriculture, tourism and building up a closer cultural contact between the people of the two countries. Over the years, Vietnam has emerged as a significant player in India's foreign policy (Act East Policy). The emerging contours of India-Vietnam relations with reference to Indo-Pacific region have been guided by nuances of geopolitics and praxis of diplomacy and geo-strategic concerns. To have a comprehensive understanding of defence, strategic and economic cooperation between India and Vietnam, this book serves as a major source for scholars interested in India-Vietnam relations and emerging geopolitical dynamics at regional as well as global level.



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Chapter

22

INFLOWS OF FOREIGN DIRECT INVESTMENT IN INDIA: AN ANALYTICAL STUDY

A. VENKATA PRASAD

Introduction:

Indian economy stands today as one of the influential and attractive economy. The liberalization move by the Indian Government in 1990s has given a boost to the Indian economy and put her into a fast track economic growth route. With the beginning of the new millennium, India was considered as an emerging super power. In 2009, Indian GDP based on purchasing power parity (PPP) stood at USD 3.5 trillion making it the fourth largest economy. India's service industry accounts for 62.5% of the GDP while the industrial sector contributes 20% to the GDP. The agricultural sector which was the back bone of Indian economy post-independence took a back seat in 21st century and contributed only 17.5% to the GDP. India growth rate has been an average of 7% since 1997 and has maintained a growth rate above 5% even in times of global recession.

Foreign investments add a great deal to India's economy. The continuous inflow of foreign direct investment (FDI), which is now allowed across several industries, clearly shows the faith that overseas investors have in the country's economy. FDI inflows to India increased 28 per cent in 2014 to reach US\$ 36 billion, as per a United Nations (UN) report. Foreign direct investments helps in developing the economy by generating employment to the unemployed, Generating revenues in the form of tax and incomes, Financial stability to the government, development of infrastructure, backward and forward linkages to the domestic firms for the requirements of raw materials, tools, business infrastructure, and act as support for financial system. Forward and back ward linkages are developed to support the foreign firm with supply of raw and other requirements. It helps in generation of employment and also helps poverty eradication. FDI have helped India to attain a financial stability and economic growth with the help of investments in different sectors. FDI has boosted the economic life of India and on the other hand there are critics who have blamed the government for ousting the domestic inflows. After liberalization of Trade policies in India, there has been a positive GDP growth rate in Indian economy.

"India has emerged as one of the largest global economies and the resilience of our economy is evident from the fact that the impact of the global financial crisis has been far

less severe in India than other countries," the President said while addressing Business Meeting at Finpro in Helsinki.

"Presently, our Foreign Direct Investment (FDI) policy is widely seen to be amongst the most liberal in the emerging economies, allowing up to 100 per cent FDI under the automatic route in several of our sectors and activities," he said, adding that it makes India an attractive destination for investments.

Need for the Study

India is suffering from the scarcity of financial resources and low level of capital formation because it has to majorly depend upon the external sources of Finance. Also the domestic resources are entirely inadequate to carry out development programmes that is why need of Foreign Investment in India. India possesses several advantages like superior IT technology; well developed industrial base, large consumer market, and abundant supply of skilled and educated workers who can fluently speak English are relatively low wage rates. Still, India attracts lesser inflows of FDI in comparison to other nations.

Research Methodology

The study is based on secondary sources of data. The main source of data are various Economic Surveys of India and Ministry of Commerce and Industry data, RBI bulletin, online data base of Indian Economy, journals, articles, news papers, etc.

Objective of the Study:

- To understand and analyze the global status of FDI in India
- To exhibit the year-wise & sector-wise analysis of FDI's in India.
- To Study the trends of FDI Flow in India during 2000-01 to 2014-15 (April-August)

Trends in FDI Inflows

International Economic Integration plays a vital role in Economic Development of any country. Foreign Direct Investment is one and only major instrument of attracting International Economic Integration in any economy. It serves as a link between investment and saving. This section briefly presents the recent trends in global (developing economies) capital flows particularly to emerging economies including India.

Global Trends in FDI Inflows:

FDI flows to developing economies reached a new high at \$778 billion (table.1), accounting for 54 per cent of global inflows, although the growth rate slowed to 7 per cent, compared with an average growth rate over the past 10 years of 17 per cent. Developing Asia continues to be the region with the highest FDI inflows, significantly above the EU, traditionally the region with the highest share of global FDI. FDI inflows were up also in the other major developing regions, Africa (up 4 per cent) and Latin America and the Caribbean (up 6 per cent, excluding offshore financial centres).

In 2013, FDI flows returned to an upward trend. Global FDI inflows rose by 9 per cent to \$1.45 trillion in 2013. FDI inflows increased in all major economic groupings –

developed, developing, and transition economies. Global FDI stock rose by 9 per cent, reaching \$25.5 trillion. UNCTAD projects that global FDI flows could rise to \$1.6 trillion in 2014, \$1.75 trillion in 2015 and \$1.85 trillion in 2016. The rise will be mainly driven by investments in developed economies as their economic recovery starts to take hold and spread wider.

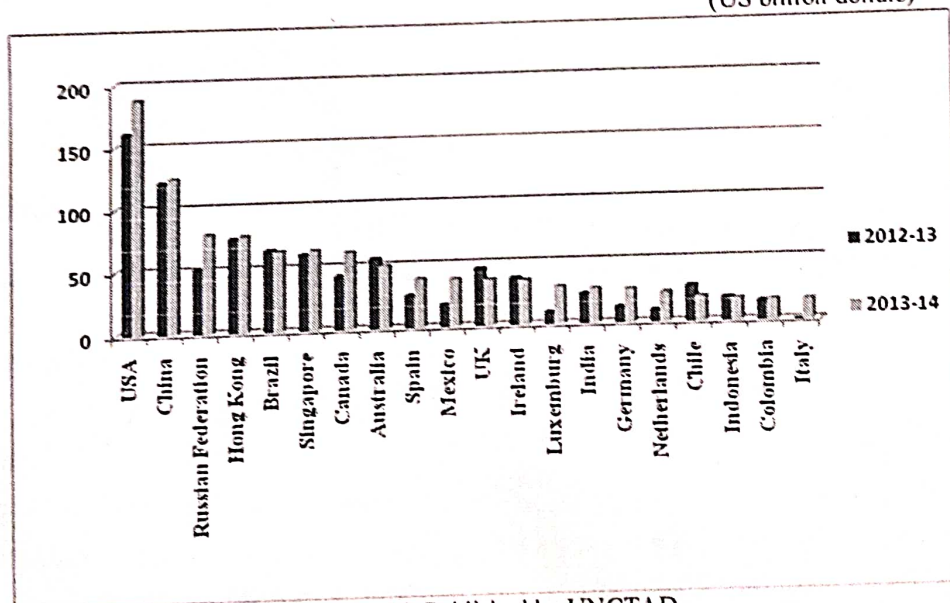
Table 1: FDI Inflows, by Region wise 2011-13

(Billions of dollars and Per cent)

Region	FDI Inflows			Percentage (%) share in world FDI Inflows		
	2011	2012	2013	2011	2012	2013
World	1700	1330	1452	--	--	--
Developed Economies	880	517	566	51.8	38.8	39.0
European Union	490	216	246	28.8	16.2	17.0
North America	263	204	250	15.5	15.3	17.2
Developing Economies	725	729	778	42.6	54.8	53.6
Africa	48	55	57	2.8	4.1	3.9
Asia	431	415	426	25.3	31.2	29.4
East and South-East Asia	333	334	347	19.6	25.1	23.9
South Asia	44	32	36	2.6	2.4	2.4
West Asia	53	48	44	3.1	3.6	3.0
Latin America and Caribbean	244	256	292	14.3	19.2	20.1
Oceania	2	3	3	0.1	0.2	0.2
Transition Economies	95	84	108	5.6	6.3	7.4

Source: World Investment Report, 2014

Fig. 1: FDI Inflows in Top – 20 host Economies in the World, 2012 and 2013
(US billion dollars)



Source: World Investment Report, 2014, Published by UNCTAD

Although FDI to developed economies resumed its recovery after the sharp fall in 2012, it remained at a historically low share of total global FDI flows (39 per cent), and still 57 per cent below its peak in 2007. Thus, developing countries maintained their lead over developed countries by a margin of more than \$200 billion for the second year running. Developing countries and transition economies now also constitute half of the top 20

economies ranked by FDI inflows (figure 1). Mexico moved into tenth place and India on fourteenth place. China recorded its largest ever inflows and maintained its position as the second largest recipient in the world.

TRENDS IN FDI INFLOWS IN INDIA

Table 2: FDI Inflows in India during 2000-01 to 2014-15(April-Aug)
(US \$ million)

S.No.	Financial Year	Total FDI Flows	% age growth over previous year (in US \$ terms)
1	2000-01	4029	--
2	2001-02	6,130	+52%
3	2002-03	5,035	-18%
4	2003-04	4,322	-14%
5	2004-05	6,051	+40%
6	2005-06	8,961	+48%
7	2006-07	22,826	+146%
8	2007-08	34,843	+53%
9	2008-09	41,873	+20%
10	2009-10	37,745	-10%
11	2010-11	34,847	-8%
12	2011-12	46,556	+34%
13	2012-13	34,298	-26%
14	2013-14	36,396	+6%
15	2014-15 (April – August, 2014)	17,445	--
	Cumulative Total from April 2000 to August, 2014	3,41,357	--

Source: <http://www.rbi.co.in>

India's economic reforms way back in 1991 has generated strong interest in foreign investors and turning India into one of the favourite destinations for global FDI flows. Many developing countries like India are facing the deficit of savings. This problem can be solved with the help of Foreign Direct Investment. Foreign investment helps in reducing the defect of Balance of Payments. The flow of foreign investment is a profit making industry like insurance, real estate and business services and serving as a catalyst for the growth of economy in India.

Total FDI inflows into India in the period April 2000–August 2014 touched US\$ 3, 41,357 million. Total FDI inflows into India during the period April–August FY15 was US\$ 17,445 million (table-2). The services sector (US\$ 2,336 million) attracted the highest

FDI equity inflows in the period April–August 2014, followed by the services (US\$ 1,086 million) and drugs & pharmaceuticals (US\$ 903 million) sectors.

Table 3: Share of Top Ten Investing Countries FDI Equity Inflows in India
(US\$ in millions)

Ranks	Country	2012-13 (April - March)	2013-14 (April - March)	2014-15 (April- August, 2014)	Cumulative Inflows (April 2000 - August 2014)	%age to total Inflows (in terms of US \$)
1.	Mauritius	9,497	4,859	3,934	82,459	36 %
2.	Singapore	2,308	5,985	1,892	27,337	12 %
3.	United Kingdom	1,080	3,215	827	21,591	9 %
4.	Japan	2,237	1,718	897	17,165	8 %
5.	Netherlands	1,856	2,270	1,562	12,797	6 %
6.	United States	557	806	394	12,321	5 %
7.	Cyprus	490	557	283	7,729	3 %
8.	Germany	860	1,038	377	6,895	3 %
9.	France	646	305	192	4,070	2 %
10.	Switzerland	180	341	114	2,822	1 %
-	Total FDI Inflows from all Countries*	22,423	24,299	12,014	229,716	85% (Top -10 total cumulative %age)

Source: <http://www.indiastat.com>

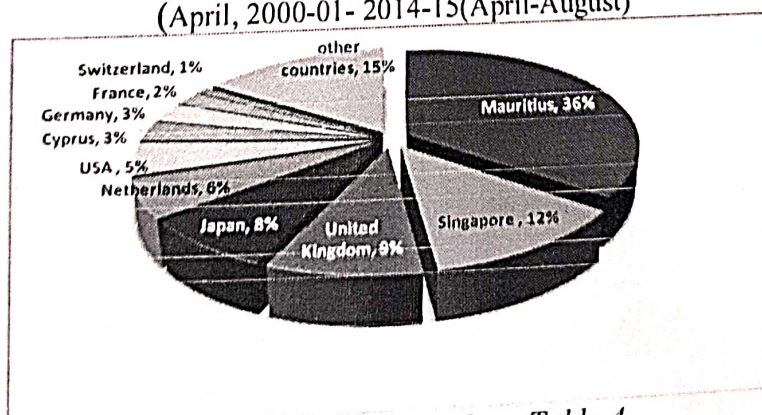
*Includes inflows under NRI Schemes of RBI.

Note: (i) Cumulative country-wise FDI equity inflows (from April, 2000 to August, 2014)

(ii) %age worked out in US\$ terms & FDI inflows received through FIPB/SIA+ RBI's Automatic Route + acquisition of existing shares only.

Table -3 shows that the country Mauritius led the share of top investing nations by FDI equity inflows into India with US\$ 3,934 million during April-August FY15, followed by Singapore (US\$ 1,892 million), the Netherlands (US\$ 1,562 million), the Japan (US\$ 897 million) and United Kingdom (US\$ 827 million).

Fig.2 Cumulative FDI Inflows to India (%)
(April, 2000-01- 2014-15(April-August))



Source: Consolidated from Table.4

The country Mauritius had the largest share of FDI inflows at 36% amongst top countries investing in India. Singapore (12%), United Kingdom (9%), Japan (8%) and Netherlands (6%) were the other countries in the top five lists (Fig.2)

The Sector wise FDI flows in India:

India attracted FDI equity inflows of US\$ 36,396 million in 2013-14. The cumulative amount of FDI equity inflows from 2000-01 to 2014-15 (April – August) stood at US\$ 3,41,357 million, according to the data released by the Department of Industrial Policy and Promotion (DIPP)

India attracted FDI equity inflows of US\$ 36,396 million in 2013-14. The cumulative amount of FDI equity inflows from 2000-01 to 2014-15 (April – August) stood at US\$ 3,41,357 million, according to the data released by the Department of Industrial Policy and Promotion (DIPP). Services sector is one of the most important sectors contributing to the sustained economic growth and development by contributing 62.5% to GDP. There is a continuously increasing trend of FDI inflows in services sector with a steep rise in the inflows from 2005 (onwards).

Table.4: Sector - Wise Top - 10 FDI Equity Inflows

(US\$ in millions)

Rank	Sector	Cumulative Inflows (April '00 August '14)	% age to total Inflows (In terms of US\$)
1	Services Sector**	40,546	18%
2	Construction Development: Townships, Housing, Built – Up Infrastructure	23,752	10%
3	Telecommunications (radio paging, cellular mobile, basic telephone services)	16,499	7%
4	Computer Software & Hardware	13,191	6%
5	Drugs & Pharmaceuticals	12,500	5%
6	Automobile Industry	10,120	4%
7	Chemicals (Other than Fertilizers)	10,070	4%
8	Power	9,269	4%
9	Metallurgical Industries	8,268	4%
10	Hotel & Tourism	7,441	3%

Source: www.unctad.org/fdistatistics

Note: ** Services sector includes Financial, Banking, Insurance, Non-Financial / Business, Outsourcing, R&D, Courier, Tech. Testing and Analysis

The Service sector comprising financial and nonfinancial services attracted 18 per cent of the total FDI equity inflow into India, with FDI worth US\$ 40546 million during 2000-01 to 2014-15 (April-August) while construction activities including Town ship, Housing, Build-up infrastructure and attracted second largest amount of FDI worth US\$ 23,752 billion (10%) during the same period. Telecommunications (radio paging, cellular

mobile, basic telephone services third highest sector attracting FDI worth US\$ 16,499 million (7%) followed by Computer Software & Hardware which garnered US\$ 13,191 million (6%) during the cumulative 2000-01 to 2014-15 (April-August). Drugs and Pharmaceuticals received FDI worth US\$ 12,500 million (5%) while power attracted FDI worth US\$ 9,269 million (4%) during above said period.

Government Initiatives:

India's cabinet has cleared a proposal which allows 100 per cent FDI in railway infrastructure, excluding operations. Though the move does not allow foreign firms to operate trains, it allows them to do other things such as create the network and supply trains for bullet trains etc. The Union Cabinet has cleared a bill to raise the foreign investment ceiling in private insurance companies from 26 per cent to 49 per cent, with the proviso that the management and control of the companies must be with Indians. The Reserve Bank of India (RBI) has allowed a number of foreign investors to invest, on repatriation basis, in non-convertible/ redeemable preference shares or debentures which are issued by Indian companies and are listed on established stock exchanges in the country.

India will require around US \$1 trillion in the 12th Five-Year Plan (2012-17), to fund infrastructure growth covering sectors such as highways, ports and airways. This requires support in terms of FDI. The year 2013 saw foreign investment pour into sectors such as automobiles, computer software and hardware, construction development, power, services, and telecommunications, among others.

CONCLUSION:

On the basis of study we draw conclusion that maximum global foreign investment's flows are attracted by the developed countries rather than developing and under developing countries. Foreign investment flows are supplementing the scarce domestic investments in developing countries particularly in India. FDI has helped the Indian economy grow and the government continues to encourage more investments of this sort. Attracting foreign direct investment has become an integral part of the economic development strategies for India. FDI has been a booming factor that has bolstered the economic life of India. Over the years FDI flow is increasing. However India has tremendous potential for absorbing greater flow of FDI in the coming years. The Indian government's policy regime and a robust business environment have ensured that foreign capital keep flowing into the country. The government has taken many initiatives in recent years such as relaxing FDI norms in 2013, in sectors such as defence, PSU oil refineries, telecom, power exchanges and stock exchanges, among others. The same year, big global brands such as Tesco, Singapore Airlines and Etihad lined up to invest in India as the government opened more sectors to foreign investment

FDI has grown in its importance in India in the last two decades. Cumulative FDI inflows reached US\$ 341,357 million between 2000-01 to 2014-15 (April-August). Since 2000-01, sectors such as services, construction hotels and tourism, drugs and pharmaceuticals, metallurgical industries, power, automobile, computer hardware and software have performed well in attracting FDI.

Service sector took the lion's share between 2000-01 to 2014-15 (April-August) in 18% of total FDI inflows. It was followed by construction (11%), Telecommunications (8%) and Computer software & hardware (6%).

Country wise, in 2014-15(April – August), Mauritius has been the largest investor in India accounting for 33% of the total FDI inflows. Singapore is the second largest investor in India accounting for 15.7% of inflows, followed by Netherlands (13%) Japan (7.4%) and U.K (6.8%). The investments from these countries are primarily concentrated in telecom, power, transportation and service sectors.

Our Prime Minister Shri Narendra Modi's favourite punch line for attracting foreign investments – “no red tape, only red carpet”.

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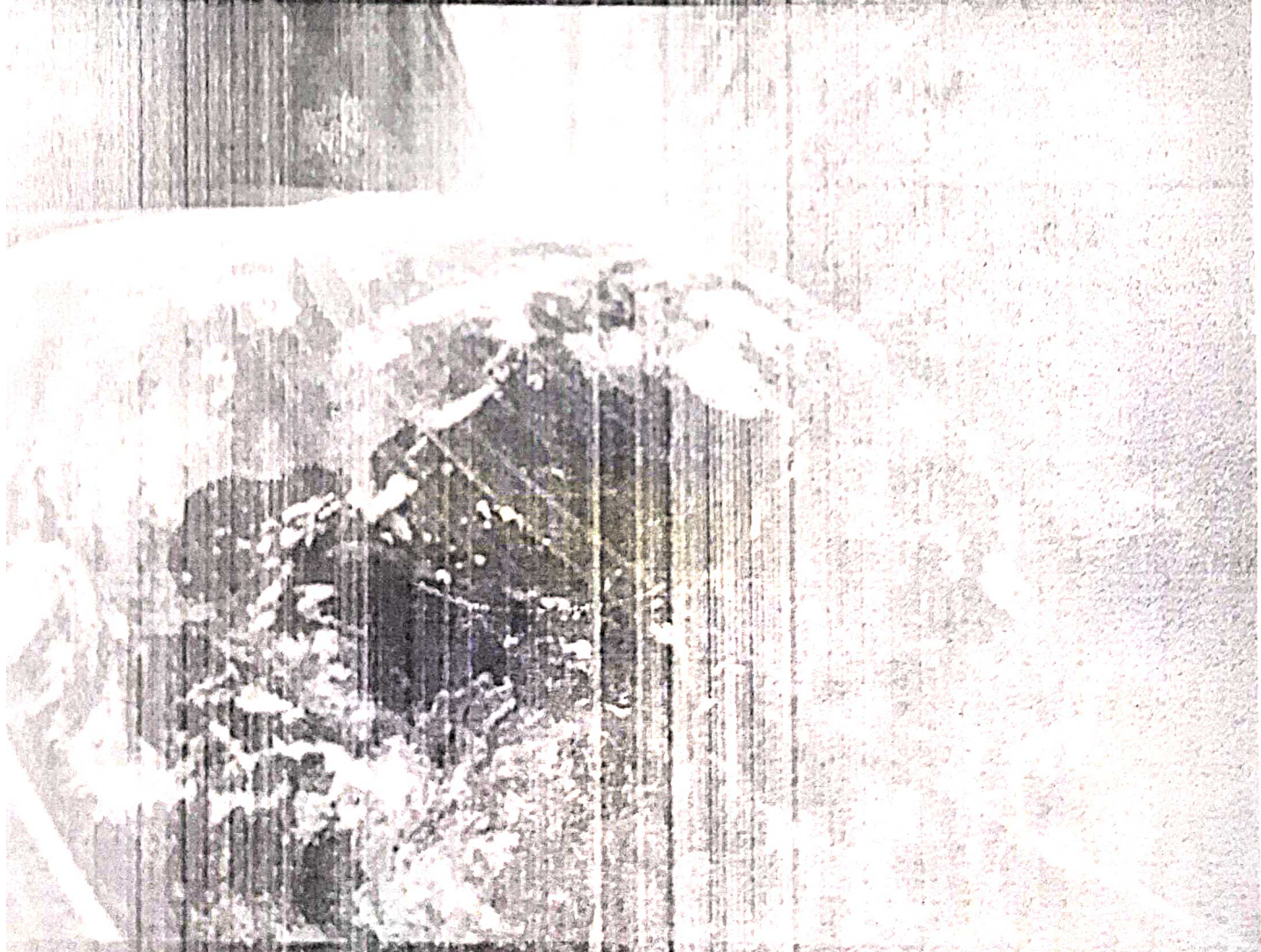
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INDEX PAGE

SNO	ARTICLE TITLE	PAGE NO
1.	DETERMINING CHEMICAL COMPOSITION OF FOUR TYPES PHAM VAN MAN; QU ZENG CHU	1 - 14
2.	EXTRACTION AND PRELIMINARY STRUCTURAL ELUCIDATION OF ALKALOID AND FLAVONOID IN ARTOCARPUS HETEROPHYLLUS (JACKFRUIT) SEED E.I OKOYE	15 - 23
3.	EXTRACTION AND PRELIMINARY STRUCTURAL ELUCIDATION OF ALKALOIDS, FLAVONOIDS AND SAPONININ IN LEAVES OF STARCHYTARPHETAR CAYENNENSIS E.I OKOYE; CHUKWU P.I	24 - 33
4.	MANAGEMENT OF FINGER AND TOENAIL ONYCHOMYCOSIS WITH PRELIMINARY NAIL AVULSION WITH 40% UREA UNDER OCCLUSION FOLLOWED BY TOPICAL TERCONAZOLE 1% TREATMENT TANA M. MD; HESA MAHMOUD EL-SAYED DIAB; AZZA ESMAT, MD; GHADA FATHY MD	34 - 59
5.	SYNTHESIS AND CHARACTERIZATION OF BARIUM HYDROXIDE NANOPARTICLES R.HERZI PRAMILA DEVAMANI; MALAGAR	60 - 75
6.	IMPROVING INSTRUCTIONAL MANAGEMENT IN SCHOOLS: AN ASSESSMENT OF COMPUTER RESOURCES AS A PREDICTOR FOR INSTRUCTIONAL MANAGEMENT IN PUBLIC SECONDARY SCHOOLS, KIAMBU COUNTY, KENYA KIONGO PUIS; LUCY M. MUNYIRI; DR. RUTH THINGURI	76 - 86
7.	EXTERNAL DEBT SERVICE AND ECONOMIC GROWTH: THE CASE OF NIGERIA OBI. CYRIL OGUGUA; EZEABASILI VINCENT NNANYEREUGO	87 - 97
8.	FACTORS INFLUENCING YOUTHS PARTICIPATION IN COMBATIVE SPORTS IN CROSS RIVER STATE, NIGERIA EKURI P. K.	98 - 106
9.	A SIMPLE AND EFFICIENT ROUTE FOR THE SYNTHESIS OF THE ROSIGLITAZONE AND ITS DERIVATIVES:NOVEL ANTI-HYPERGLYCEMIC DRUGS PRASHANT SINGH	107 - 121
10.	PRESENT STATUS OF HUMAN-ELEPHANT CONFLICT IN DONG NAI BIOSPHERE RESERVE, DONG NAI PROVINCE, VIETNAM KIEU MANH HUONG; FAN JIN SHUAN; NGUYEN HOANG HAO	122 - 139
11.	MODEL BUILDING AND DECISION MAKING: THE CASE OF SCENARIO AND MONTE CARLO SIMULATION UNDER CONDITIONS OF RISK AND UNCERTAINTY IFURUEZE S. MESHACK PH.D, CAN	140 - 166
12.	DEREGULATION POLICY AND OPTIMUM PRICING OF PETROLEUM PRODUCTS IN NIGERIA IFURUEZE S. MESHACK	167 - 196
13.	TEACHER ACCOUNTABILITY A HIGH RESOLUTION PARAMETER FOR TEACHER ENHANCEMENT DR. MARY GEORGE VARGHESE	197 - 201
14.	JEWELRIES FROM THE EAST- A NEW ENLIGHTENMENT DR. JAMIL YOUSEF AL-SAMAR	202 - 278
15.	EFFECTS OF INDIVIDUALIZED AND CONVENTIONAL INSTRUCTION ON MATHEMATICS ACHIEVEMENT OF LOW-ACHIEVING STUDENTS PROF. NWANKWO, O. C; OLADAYO, O. T.	279 - 293

16.	KNOWLEDGE REGARDING THE IMPORTANCE OF DIET AND WEIGHT GAIN DURING 2ND TRIMESTER AMONG PRIMIGRAVIDA MOTHERS WITH A VIEW TO DEVELOP AN INFORMATION BOOKLET MRS. PHILOMENA FERNANDES	294 – 304
17.	A COMPARATIVE STUDY ON EFFECT OF CERVIPRIME GEL AND VAGINAL MISOPROSTOL ON LABOUR PROGRESS AMONG THE PRIMIGRAVIDA MOTHERS IN SELECTED HOSPITALS AT MANGALORE MRS.ANN VARSHA VARGHESE; MRS.PHILOMENA FERNANDES; PROF.SHYNEE PAUL	305 - 313
18.	HOW TO IMPROVE THE CURRENT URBAN FORESTRY STATUS OF CHINA MAI THI THU; ZHANG SHUOXIN	314 - 323
19.	THE ROLE OF RELIGIOUS LAWS ON THE DEVELOPMENT OF MODERN INTERNATIONAL HUMANITARIANLAW TAHSIN KHAN	324 - 335
20.	INDIGENOUS KNOWLEDGE SYSTEM: ASPECTS OF SAMBURU INDIGENOUS EDUCATION IN KENYA NAOMI KEERU KITHURE	336 - 358
21.	MENTAL HEALTH IN RELATION TO MARITAL STATUS OF B.ED STUDENT DR. SHIVALI BAJAJ	359 - 373
22.	TRENDS IN INDIA'S TRADE WITH ASEAN: AN EMPIRICAL ANALYSIS A. VENKATA PRASAD; D. KRISHNAMOORTHY	374 - 383
23.	PATTERN OF DETERMINING PRIORITY OF DEVELOPMENT OF HUMAN RESOURCE MANAGERS BASED ON DEVELOPMENT PRIORITY INDEX (DPI) DR. IRAJ SOLTANI; HAMID DALAELI	384 - 402
24.	ANTHROPOMETRY BASED WORKSTATION DESIGN FOR INDIAN WORKING WOMEN SHWETA RAWAT; L. ROBERT VARTE INDERJEET SINGH;DHURJATI MAJUMDAR	403 - 413
25.	HIGHER EDUCATION AND YOUTH EMPOWERMENT FOR SUSTAINABLE DEVELOPMENT OF CROSS RIVER STATE DR. WILLIAM E. EKPIKEN; DR. EDET, ANIEFIOK O	414 - 423
26.	OPPORTUNITIES AND CHALLENGES OF IMPLEMENTING GENDER MAINSTREAMING STRTEGY IN DEVELOPMENT PROGRAMS IN FOUR SELECTED BUREAUS OF OROMIA GUDINA ABASHULA; SELAMAWIT TESFAYE; NEGA JIBAT	424 - 449
27.	LONG-ACTING BETA2-AGONISTS VERSUS SHORT-ACTING BETA2-AGONISTS IN CHRONIC OBSTRUCTIVE PULMONARY DISEASE ALIDA SINA; ZAMIRA SHABANI; ARLINDA RAMAJ	450 – 460
28.	LEADERSHIP OR MANAGEMENT: THE DYNAMISM OF SECONDARY SCHOOL PRINCIPAL IN THE 21ST CENTURY JOHN MUTHEE GIKUNGU; BETTY KARANJA	461 – 467
29.	EMERGING TRENDS IN TOURISM PROMOTION AND E-PROMOTION OF TOURISM IN INDIA DR. AMITA CHARAN	468 – 490
30.	ANALYSIS AND RECOMMENDATION ON LABOUR PRODUCTIVITY RIYA PAUL	491 – 498
31.	INDIA TWISTS NORTH-EASTWARD WHEN AXIS TILTS KRISHNA MOHAN AGRAWAL	499 – 510
32.	CORPORATE GOVERNANCE IN INDIA ISSUE & IMPERATIVES PROF.DR.SHAILESH O. KEDIYA; MR.RUPESHR.DAHAKE;MR.SACHIN S. PANCHABHAI	511 – 526
33.	PERCEPTION OF REHABILITANTS OF RAJEEV GANDHI NATIONAL PARK ABOUT RELOCATION PROGRAMME IN KARNATAKA Y.B.VENKATAREDDY; M. V. SRINIVAS; B. S. LAKSHMAN REDDY	527 – 541

34	PROPER FINANCIAL RECORDS KEEPING: A PREREQUISITE FOR THE SURVIVAL OF SMALL AND MEDIUM ENTITIES (SMES) IN NIGERIA ADDIRISI, JOSEPH TEMPHID	640 - 658
35	RELATIONSHIP BETWEEN VISUAL APPEARANCE AND MECHANICAL BEHAVIOR OF COBRA ABDELKHEIR BEHANE, JOSÉ LUIS GARCÍA DE CECA, FLORENTINO GONZÁLEZ, ET JOSÉ RAMÓN ADRADOS-GONZÁLEZ	667 - 670
36	EXPECTED TIME TO RECRUITMENT IN A SINGLE GRADE MANPOWER SYSTEM WITH DIFFERENT EPOCHS FOR DECISIONS AND EXITS HAVING CORRELATED INTER-DECISION TIMES USING UNIVARIATE POLICY OF RECRUITMENT A. DEVI, A. SRINIVASAN	671 - 680
37	DETERMINANTS OF HOUSEHOLD EXPENDITURE IN MALAWI: A SIMULTANEOUS QUANTILE REGRESSION APPROACH FRANCIS MAGUZA-TEMBO, ABDULKHALIL EDRISS	681 - 691
38	EFFECT OF BROADBAND BUSINESS DEVELOPMENT ON ECONOMIC GROWTH OF NIGERIA Dr. BALDWIN C. ASIEGBU	692 - 694
39	SOURCE OF REVENUE GENERATION IN EKAJUK CLAN OF ODOJA LOCAL GOVERNMENT AREA OF CROSS RIVER STATE, NIGERIA EDHAME, GREG EKPLUNG, KYUNGBE, AUGUSTINE AGANYI, LAWAL, MOHAMMED YABIRU EBA, MAYWELL-BORJOR ACHUK	695 - 697
40	A RANDOMIZED PLACEBO-CONTROLLED PILOT STUDY TO ASSESS THE EFFICACY OF BOTULINUMTOXIN A IN REDUCING SEBUM PRODUCTION IN OILY SKIN ADEEL EMAM, MD, GHADA FATHY, MD, HADEEL HATHOOT MS	621 - 639
41	PERFORMANCE ANALYSIS OF CSMA/TDMA HYBRID-MAC FOR WIRELESS SENSOR NETWORKS U. ASHOK, V.S. RUKMARI	640 - 649
42	SEARCH STRATEGY ON ELECTRONIC INFORMATION BY FACULTY MEMBERS OF SRI KRISHNADEVARAYA UNIVERSITY ANANTAPUR, A.P. A STUDY DR. Y. CH. VENKATESWARLU	650 - 662
43	INFORMATION SEEKING BEHAVIOUR OF THE FACULTY MEMBERS AND STUDENTS OF SRINIKATESWARA UNIVERSITY, TIRUPATI, A.P. A CASE STUDY DR. Y. CH. VENKATESWARLU	664 - 674
44	LEADERSHIP IN JHARKHAND MOVEMENT IN ORISSA DR. SUSHAKANTA NAYAK	675 - 691
45	HOUSING LOAN INDUSTRY IN INDIA: AN INTROSPECTION MR. JERUSHA J. SHRESTHA, DR. BEDANTA BORA	692 - 702
46	A CONFIGURATIONAL APPROACH OF THE RELATIONSHIP BETWEEN INFORMATION SECURITY MANAGEMENT AND PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN KENYA STANLEY NOUNGU, KENNETH LAWRENCE WANJAU, ROBERT GICHIRA, WAIWERU MWANGI	703 - 720
47	THE NEXUS BETWEEN ENVIRONMENTAL LAW, SOCIAL JUSTICE AND DEVELOPMENT - AN OVERVIEW OF THE PRACTICAL REALITIES IN ENVIRONMENTAL PROTECTION IN NIGERIA KENNETH KINGSLEY EZEIBE, ESQ, MESHACH NNAMA UMENWEKE, ESQ	724 - 754
48	INTEGRATED REPORTING PRACTICES - A STUDY ON THE SELECTED COMPANIES IN INDIA AMRITA DUTTA, RATAN BORMAN, SUBIT DUTTA	755 - 765
49	VARIOUS IMAGE FUSION TECHNIQUES: A REVIEW SHIKHA, NEETU	766 - 777
50	CARDIAC INVALIDISM AMONG PATIENTS WITH MYOCARDIAL INFARCTION IN KASTURBA HOSPITAL MANIPAL SOUMYA S; SHEELINI M; PRATIBHA	778 - 790

34.	PROPER FINANCIAL RECORDS KEEPING A PREREQUISITE FOR THE SURVIVAL OF SMALL AND MEDIUM ENTITIES (SMEs) IN NIGERIA ADERISI, JOSEPH FEMIPH, D	542 - 556
35.	RELATIONSHIP BETWEEN VISUAL APPEARANCE AND MECHANICAL BEHAVIOR OF CORK BELKHEIR DEHANE; JOSE LUIS GARCIA DE CECA; FLORENTINO GONZALEZ; ET JOSE RAMON ADRADOS-GONZALEZ	557 - 570
36.	EXPECTED TIME TO RECRUITMENT IN A SINGLE GRADE MANPOWER SYSTEM WITH DIFFERENT EPOCHS FOR DECISIONS AND EXITS HAVING CORRELATED INTER DECISION TIMES USING UNIVARIATE POLICY OF RECRUITMENT A DEVI A SRINIVASAN	571 - 585
37.	DETERMINANTS OF HOUSEHOLD EXPENDITURE IN MALAVIA SIMULTANEOUS QUANTILE REGRESSION APPROACH FRANCIS MAGUZA-TEMBO; ABDI-KHALIL EDRISS	581 - 591
38.	EFFECT OF BROADBAND BUSINESS DEVELOPMENT ON ECONOMIC GROWTH OF NIGERIA Dr. BALDWIN C. ASIEGBU	592 - 604
39.	SOURCE OF REVENUE GENERATION IN EKAJUK CLAN OF OOOJA LOCAL GOVERNMENT AREA OF CROSS RMER STATE- NIGERIA. EDAME, GREG EKPUNG; AYUNGBE, AUGUSTINE AGANYI; LAWAL, MOHAMMED KABIRU, EBA, MAXWELL-BORJOR ACHUK	605 - 620
40.	A RANDOMIZED PLACEBO-CONTROLLED PILOT STUDY TO ASSESS THE EFFICACY OF BOTULINUMTOXIN A IN REDUCING SEBUM PRODUCTION IN OILY SKIN ADEL EMAM, MD, GHADA FATHY, MD; HADEEL HATHOOT MS	621 - 636
41.	PERFORMANCE ANALYSIS OF CSM/TDMA HYBRID-MAC FOR WIRELESS SENSOR NETWORKS J.ASHOK, V.S.RKUMARI	640 - 649
42.	SEARCH STRATEGY ON ELECTRONIC INFORMATION BY FACULTY MEMBERS OF SRI KRISHNADEVARAYA UNIVERSITY ANANTAPUR, A.P: A STUDY DR. Y.CH. VENKATESWARLU	650 - 663
43.	INFORMATION SEEKING BEHAVIOUR OF THE FACULTY MEMBERS AND STUDENTS OF SRI VENKATESWARA UNIVERSITY, TIRUPATI, A.P: A CASE STUDY DR. Y.CH. VENKATESWARLU	664 - 674
44.	LEADERSHIP IN JHARKHAND MOVEMENT IN ORISSA. DR. SUBHAKANTA NAYAK	675 - 691
45.	HOUSING LOAN INDUSTRY IN INDIA : AN INTROSPECTION MS. JERUSHA J. SHRESTHA; DR. BEDANTA BORA	692 - 702
46.	A CONFIGURATIONAL APPROACH OF THE RELATIONSHIP BETWEEN INFORMATION SECURITY MANAGEMENT AND PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN KENYA STANLEY NDUNG'U; KENNETH LAWRENCE WANJAU; ROBERT GICHIRA; WAWERU MWANGI	703 - 723
47.	THE NEXUS BETWEEN ENVIRONMENTAL LAW, SOCIAL JUSTICE AND DEVELOPMENT - AN OVERVIEW OF THE PRACTICAL REALITIES IN ENVIRONMENTAL PROTECTION IN NIGERIA KENNETH KINGSLEY EZEIBE, ESQ; MESHACH NNAMA UMENWEKE, ESQ	724 - 754
48.	INTEGRATED REPORTING PRACTICES - A STUDY ON THE SELECTED COMPANIES IN INDIA AMRITA DUTTA; RATAN BORMAN; SUBIT DUTTA	755 - 765
49.	VARIOUS IMAGE FUSION TECHNIQUES : A REVIEW SHIKHA; NEETU	766 - 777
50.	CARDIAC INVALIDISM AMONG PATIENTS WITH MYOCARDIAL INFARCTION IN KASTURBA HOSPITAL MANIPAL SOUMYA S; SHEILINI M; PRATIBHA	778 - 790



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**TRENDS IN INDIA'S TRADE WITH ASEAN:
AN EMPIRICAL ANALYSIS**

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Abstract:

The period since the early 1990s has witnessed a perceptible shift in relations between India and the members of the Association of Southeast Asian Nations (ASEAN). Close geographical proximity, ancestral trade ties, a nominal inlet of mercantile needs and joining of views have combined a clever bond between India and ASEAN. Both share a multi-faceted attribute transcending across political, economic, energy, defence, strategic, security and informative realms. Besides, India's mercantile climb and flourishing pragmatism in general affairs combined a gainful atmosphere for informal cooperation. The present paper reviews the performance of India's merchandise trade with ASEAN during 2000-01 to 2013-14 (April-Dec) on the basis of the data released by the Ministry of Commerce and Industry.

KEYWORDS: ASEAN, Trade, Free Trade Agreement (FTA) and UNO.

1.1.Introduction

Several regional economic groups have emerged in different parts of the world particularly after 1950s. One such regional group that has made rapid strides in terms of degree of economic integration and geographical coverage is "Association of South East Asian Nations" (ASEAN) among the countries of South East Asia. The Association of Southeast Asian Nations, or ASEAN, was established on 8th August 1967 in *Bangkok*, the capital of Thailand, with the signing of the ASEAN Declaration called Bangkok Declaration by the five founding members of ASEAN, namely *Indonesia, Malaysia, Philippines, Singapore and Thailand*. *Brunei Darussalam* then joined the Association on 8th January, 1984, *Vietnam* on 28th July 1995, *Lao PDR* and *Myanmar* on 23rd July, 1997 and *Cambodia* on 30th April 1999, making up what is today the ten-member Group of ASEAN. The prime objective of ASEAN is promotion of regional co-operation among these members and efficient and fuller utilization of the existing resources of the region. ASEAN is a unique example for regional co-operation and development. It is the most successful inter governmental organization in the developing world today. In the words of *Kofi Annan, former Secretary General, UNO*, "Today, ASEAN is not only a well-functioning, indispensable reality in the region. It is a real force to be reckoned with far beyond the region. It is also a trusted partner of United Nations in the field of development".

1.2 Evolution of Indo-ASEAN Relations:

Southeast Asia and India are by no means strangers. Civilization and cultural links date back thousands of years, perhaps even well into the pre-historic period. Ancient Indian classical works, such as the *Ramayana*, made reference to parts of Southeast Asia. Indian merchants began bringing Hinduism and Buddhism across the sea by the 1st century AD, influencing the development of kingdoms and empires like *Srivijaya in Sumatra* and the *Majapahit in Java, Bali* and the *Philippine archipelago*. Indian influence is still visible today in Southeast Asian architecture, food, pop-culture, language and religion.

Modern Indo - ASEAN relations stepped up a notch, towards the end of 1990s and the beginning of 2000. In 1998, the then Indian Prime Minister, *Mr. Atal Bihari Vajpayee* intended to accelerate *India's Look East Policy*. The concept of extended neighbourhood was popularized by Indian Leaders such as *I.K. Gujral and Jaswant Singh*. In a lecture at the *Institute*

of Strategic Studies in Singapore in 2000, Jaswant Singh explained, "India's parameters of security concerns clearly extend beyond confines of the convenient, albeit, questionable, geographical definition of South Asia".

The India – ASEAN relationship has made great strides since then. Tangible bilateral co-operation began in the economic realm in 1992. The domain quickly broadened to include the political and security fields when India was accorded full ASEAN Dialogue Partner status in 1995. India then became a member of the ASEAN Regional Forum (ARF) in 1996 and the East Asian Summit in 2005, and signed on to the Treaty of Amity of Co-operation in 2003. New Delhi has also linked bilateral Free Trade Agreement with Singapore and Thailand and sub-regional initiatives like the Mekong-Ganga Co-operation Initiative (MGC1) and the Bay of Bengal Initiative for Multi – Spectral Technical and Economic Co-operation (BIMSTEC). ASEAN and India have also concluded an ASEAN-India Free Trade Agreement in Goods (AIFTA), which was concluded in May, 2009 and came into force in January 2010. India – ASEAN relations reached a new high on 20-21 December, 2012 during the Commemorative Summit celebrating 20 years of dialogue partnership and 10 years of Summit Partnership. The Commemorative Summit marked a qualitative jump in tone and tenor of India – ASEAN relations. One of the highlights of this summit was the elevation of ASEAN – India relations to the level of a strategic partnership. It also saw the successful winding up of negotiations on the ASEAN – India FTA in Services and Investments.

1.3 India's Merchandise Trade with ASEAN

India now stands as ASEAN's fourth biggest trading partner and accounts for 10 percent of India's global trade. The bilateral agreements that have emerged in the recent years demonstrate the extent of India's interest in engaging with Southeast Asia. ASEAN has been at the "heart" of India's Look East Policy. ASEAN as a group is an important trade partner of India. It is India's fourth largest trading partner after the EU, US and China. Almost 11 percent of India's exports go to ASEAN and India Imports almost 9 percent of its total imports from these countries together. The present study analyses India's trade with ASEAN region during the years from 2000-01 to (April-Dec) 2013-14.

1.3.1 India's Merchandise Exports to ASEAN:

India's merchandise exports to ASEAN have surged more than 10 times from about US\$ 2.9 billion in 2000-01 to US\$ 25.6 billion in third quarter of the financial year (FY) (April-Dec) 2013-14. The overall trend has been upwards, except during the 2009-10 and 2012-13 both in absolute and relative terms. The rising trend of merchandise exports from India to ASEAN has been accompanied by a shift in the share of ASEAN region in India's total exports during this period. The share of ASEAN region in India's total exports which accounted for 6.53 per cent in the year 2000-01 has risen sharply and touched a high of 11.19 per cent even in a year of world recession during the FY 2013-14. (See Table:1).

This could be understood from the fact that while India's exports to World have registered growth of 19.58 per cent, that of ASEAN region exhibited a robust growth of 23.68 per cent per annum during the 13 year period from 2000-01 to 2012-13. Both the growth rates were statistically significant at one per cent probability level as could be understood from the computed t-values given there under. Among the ASEAN countries, *Singapore, Indonesia, Malaysia, Vietnam and Thailand* are considered to be the India's major trade partners with whom India's exports have increased by leaps and bounds during the period under study. The share of these five countries in India's total exports to ASEAN was 90.63 in the year 2000-01 and it has soared to 93.59 per cent in the year (April-Dec) 2013-14. However, there have been wide fluctuations in the intermittent years. The increase in India's exports to the region is a clear indication of the inherent potential and the need to further examine the gains made in building the economic relationship between the two. It should be noted that India did not emerge on the global landscape until it began to seriously engage with ASEAN and other East Asian countries, for which the India - ASEAN summits provided a most useful opportunity. India - ASEAN engagements at the summit level and all the subsequent developments have helped India to become a credible inter locator with the major powers of the world.

Table: 1, India's merchandise exports to ASEAN from 2000-01 to 2013-14(April-Dec)
(US \$ million)

Year	India's exports to world	India's Exports to ASEAN	Growth Rate (per cent)	per cent share in India's total Exports
2000-01	44,560.29	2,913.78	30.22	6.53
2001-02	43,826.72	3,457.01	18.64	7.88
2002-03	52,719.43	4,618.54	33.60	8.76
2003-04	63,842.55	5,821.71	26.05	9.11
2004-05	83,535.94	8,425.89	44.73	10.08
2005-06	103,090.53	10,411.30	23.56	10.09
2006-07	126,414.05	12,607.43	21.09	9.97
2007-08	163,132.18	16,413.52	30.19	10.06
2008-09	185,295.36	19,140.63	16.62	10.32
2009-10	178,751.43	18,113.71	-5.37	10.13
2010-11	251,136.19	25,277.81	41.48	10.20
2011-12	305,963.92	36,744.35	43.38	12.00
2012-13	300,400.68	33,008.21	-10.17	10.98
2013-14 (April-Dec)	229,121.81	25,649.03	---	11.19
CAGR (per cent)	19.58	23.68	---	---
R ²	0.982	0.977	---	---
t-value	24.27	21.79	---	---

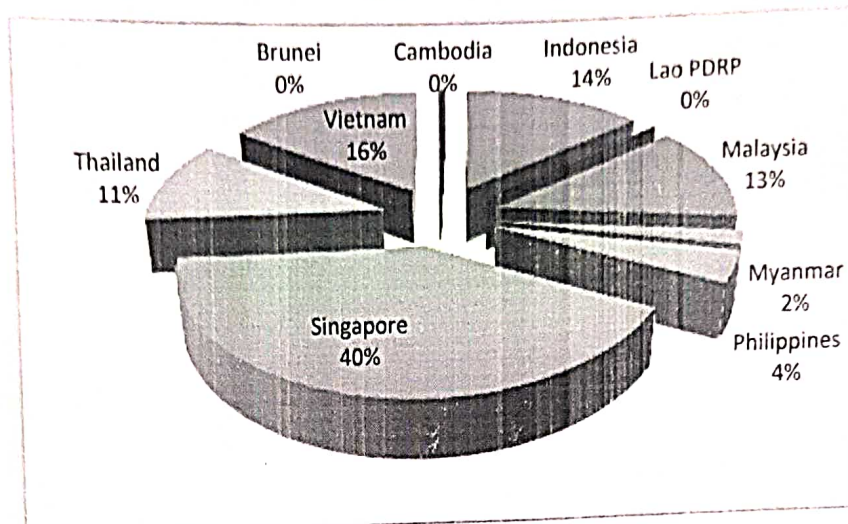
Source: Government of India (2013-14), Ministry of Commerce and Industry, website: <http://commerce.in/eidb/ergnnt.asp>

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Figure 1 provides a snapshot of the importance of individual ASEAN countries as India's export destination and import source as a percentage to India's total exports to and imports from ASEAN.

Figure 1: Share (per cent) of Individual country in India's Trade with ASEAN

(A) Share (per cent) of Individual country in India's Exports to ASEAN in 2013-14 (April-Dec)



1.3.2 India's Merchandise Imports from ASEAN

India imported goods worth US\$ 4.1 billion in 2000-01 from ASEAN. During the period April-December 2013-14, India's Imports from ASEAN totalled US\$ 31.3 billion, according to data released by the Ministry of Commerce and Industry. Table.2 presents India's merchandise imports from ASEAN and its relative share in India's total imports. It is observed from the table that India's share in total imports is significantly rising trend except in the year 2005-06. But in the very next year the imports have rebounded by staggering 66.38 per cent. After 2006-07, again there was a moderate negative growth of about -1.55 per cent in the year 2002009-10. Nevertheless, India's imports from ASEAN region as a proportion of her World imports stagnated around 8.0 to 10.0 per cent during the period under study. Under the current stage of FTA implementation, India, Malaysia, Singapore and Thailand are reducing tariffs and after sometime other ASEAN members will also join the process. India imports food and related items, raw materials and intermediates, and manufacturing goods. Given ASEAN's economic significance, India still does not figure prominently as a trade partner for ASEAN. However, India – ASEAN trade, though increasing is not substantial enough compared to global figures

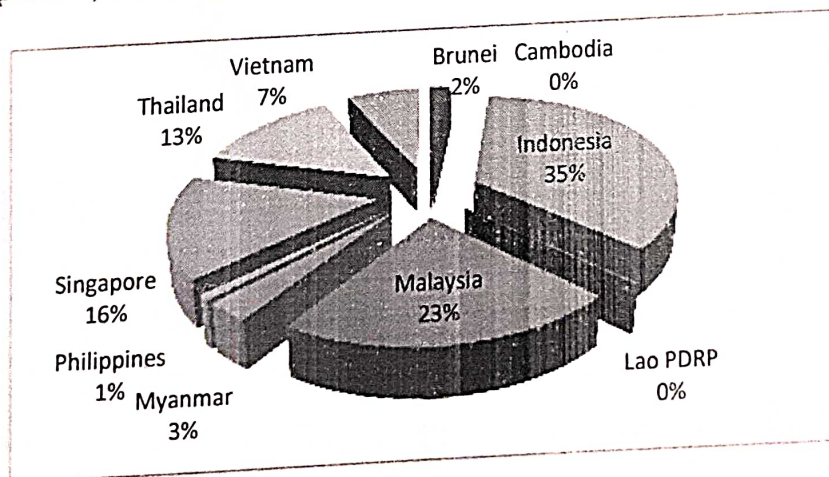
and needs to be increased further to realize the potential between the countries. The present level of trade volume is well below the potential.

Table: 2 India's merchandise Imports from ASEAN during 2000-01 to 2013-14 (April-Dec)
(US \$ million)

Year	India's total Imports	India's Imports from ASEAN	Growth Rate (per cent)	per cent share in India's total Imports from ASEAN
2000-01	50,536.45	4,147.48	-10.41	8.20
2001-02	51,413.28	4,387.22	5.78	8.53
2002-03	61,412.14	5,150.17	17.39	8.38
2003-04	78,149.11	7,433.11	44.33	9.51
2004-05	111,517.43	9,114.66	22.62	8.17
2005-06	149,165.73	10,883.67	19.41	7.29
2006-07	185,735.24	18,108.48	66.38	9.74
2007-08	251,654.01	22,674.81	25.22	9.01
2008-09	303,696.31	26,202.96	15.56	8.62
2009-10	288,372.88	25,797.96	-1.55	8.94
2010-11	369,769.13	30,607.96	18.64	8.27
2011-12	489,319.49	42,158.84	37.34	8.61
2012-13	490,736.65	42,866.36	1.68	8.73
2013-14 (April-Dec)	231,584.11	31,384.74	---	8.97
CAGR	23.58	23.72	---	---
R²	0.976	0.972	---	---
t-value	21.29	19.56	---	---

Source: Government of India (2013-14), Ministry of Commerce and Industry.
website: <http://commerce.in/eidb/ergncnt.asp>

(B) Share (per cent) of Individual country in India's Imports ASEAN in 2013-14(April-Dec)



Note: Sum of share for ASEAN as a group is 100

Source: Computed for the data obtained from the Ministry of Commerce and Industry, GOI, 2013-14 website as given under Tables -1 and 2.

By working closely together, both sides would be able to contribute positively to each other's recovery from the current global financial crisis. As ASEAN's economic significance has been representing an impressive increase, similarly India's sustained economic growth attracted ASEAN to foster economic ties with it. India's natural environments, nature of industries, expertise, demand and supply conditions have made positive environment for ASEAN.

1.3.3 Trade Deficit with ASEAN

India-ASEAN merchandise trade was worth more than US\$ 75 billion in 2012-13. (Table -3) Since India's imports from ASEAN have outpaced those of its exports, the balance of trade has been largely in favour of ASEAN during the period 2000-01 to 2012-13.

Table.3 India's Balance of Trade with ASEAN during 2000-01 to 2013-14 (April-Dec)
(US \$ million)

Year	India's Exports to ASEAN	India's Imports from ASEAN	Trade Turnover	Trade Balance
2000-01	2,913.78	4,147.48	7061.26	-1233.7
2001-02	3,457.01	4,387.22	7844.23	-930.21
2002-03	4,618.54	5,150.17	9768.71	-531.63
2003-04	5,821.71	7,433.11	13,254.82	-1,611.4
2004-05	8,425.89	9,114.66	17,540.55	-688.77
2005-06	10,411.30	10,883.67	21,294.97	-472.37
2006-07	12,607.43	18,108.48	30,715.91	-5,501.05
2007-08	16,413.52	22,674.81	39,088.33	-6,261.29
2008-09	19,140.63	26,202.96	45,343.59	-7,062.33
2009-10	18,113.71	25,797.96	43,911.67	-7,684.25
2010-11	25,277.81	30,607.96	57,885.77	-3330.15
2011-12	36,744.35	42,158.84	78,903.19	-5414.49
2012-13	33,008.21	42,866.36	75,874.57	-9858.15
2013-14(April - Dec)	17,712.88	20,826.01	38538.89	-3,113.13

Source: Government of India (2013-14), Ministry of Commerce and Industry,
website: <http://commerce.in/eidb/ergnnt.asp>

India has been running a deficit with ASEAN in the last decade, and the deficit has increased from about US\$ 1.2 billion in 2000-01 to around US\$ 9.8 billion in 2012-13. The widening trade

deficit is a reflection of India's trade growing trade trends with ASEAN. In 2013-14 (April – December), total imports (US\$ 20.8 billion) continued to exceed exports (US\$ 17.7 billion), with a trade deficit around US\$ 3.11 billion. But as could be seen from Table 3, total trade between the two has been increasing rapidly.

1.4 Problems and Prospects of Indo-ASEAN Trade

In the last decade, India did not have trade surplus with most of the individual ASEAN member countries. Notable exceptions are Singapore, Cambodia, Brunei, Vietnam and Philippines. Nevertheless, India tried to expand its trade with these countries. In 2012-13, India ran the highest bilateral trade deficit with Indonesia (US\$ 9.55 billion), followed by Malaysia (US\$5.5 billion) and Thailand (US\$ 1.6 billion). India is keen to establish its commercial presence in ASEAN. India has an active interest in exporting chemicals, pharmaceuticals and refined petroleum products. These are the areas where India may choose to explore possibilities in ASEAN. ASEAN countries are the important destination for export-oriented manufacturing, particularly in electrical and electronic products, automobiles and related equipment, as well as other light manufacturing goods. Indian companies could compensate for their current lack of competitiveness in these areas by forging partnerships with ASEAN firms. The agreement will make access to ASEAN markets easier. It would also provide a platform for Indian companies that want to engage with ASEAN companies by offering their expertise and technological capabilities in exporting to third country markets.

1.5 Concluding Remarks:

This paper has tried to explore the past trends and the future prospects of India-ASEAN trade magnitudes and trade relations. The agreement on trade in goods that came into effect at the beginning of 2010 was possibly a starting point in this respect. The India-ASEAN two-way trade grew more than ten-fold from US\$ 7.6 billion in 2000-01 to US\$ 75.8 billion in 2012-13. In spite of this spectacular growth in the volume of trade with ASEAN, the share of India's exports to ASEAN as a proportion of her total global exports is still at a very low level, accounting for only 10.98 per cent in 2012-13, while India's imports from ASEAN countries still hover around 8.73 per cent of her global imports during the same year. Thus the volume of trade is still small, considering the vast potential for trade that exists among countries of over 1.8 billion people (both India and ASEAN). It is hoped that the target of US\$ 100 billion total trade will be reached by 2015 and US\$ 200 billion by 2020. One of the reasons cited for the less-than-potential trade realized with ASEAN especially when India's exports are growing steadily is that India has not made an earnest attempt to look beyond its traditional trading partners such as the US, the UK, Europe and Japan.

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