

ISAS Insights

No. 510 – 27 August 2018

Institute of South Asian Studies
National University of Singapore
29 Heng Mui Keng Terrace
#08-06 (Block B)
Singapore 119620
Tel: (65) 6516 4239 Fax: (65) 6776 7505
www.isas.nus.edu.sg
<http://southasiandiaspora.org>



India-ASEAN Air Connectivity: Prospects for Growing Trade and Tourism

Deeparghya Mukherjee¹

Connectivity infrastructure has been crucial to enhancing trade and economic relations across countries in the world. Over the two decades, economic relations between India and the Association of Southeast Asian Nations (ASEAN)-member states have grown considerably due, in large part, to improved land and sea connectivity. In recent times, both Indian and ASEAN leaders have been stressing on the need to improve aviation connectivity among their countries. This paper analyses passenger and freight traffic between India and ASEAN through ASEAN airlines using data from the Directorate of Civil Aviation in India. The observations and other evidence are used to reflect on the current stress on building air connectivity between India and the ASEAN-member countries, the impending implementation of the Regional Comprehensive Economic Partnership, and in facilitating tourism, trade and commerce through aviation.

¹ Dr Deeparghya Mukherjee is an Assistant Professor of Economics at the Indian Institute of Management Nagpur, and a Visiting Research Fellow at the Institute of South Asian Studies (ISAS), an autonomous research institute at the National University of Singapore (NUS). He can be contacted at deeparghya@iimnagpur.ac.in. The author bears full responsibility for the facts cited and opinions expressed in this paper.

Introduction

Economic linkages between the regions of the world have historically thrived on the connectivity infrastructure between them. Traditionally, connectivity through roads and sea has been the most important and common form for most inter-regional businesses. As the cost for connecting regions through the air were seen to be high, the bulk of international trade in goods and services avoided air connectivity. However, in recent times, aviation connectivity has emerged as an important mechanism to foster business and investment partnerships, and in the trade of perishable and sensitive items.

According to estimates, about a third of the world's trade is shipped through air.² Apart from trade in goods and services, as international tourism increases with each passing year, better air connectivity will further improve the potential of tourism as well as business travel across connected countries. According to the United Nations' World Tourism Organization, the number of international tourist arrivals by air is expected to increase at the annual rate of 3.3 per cent till 2030.³

India and the Association of Southeast Asian Nations (ASEAN)-member states have seen growing economic linkages in the last two decades. Bilateral trade increased to US\$72 billion (S\$99 billion) in 2017 and there is the potential to grow it to US\$100 billion (S\$137.6 billion).⁴ Connectivity growth on various fronts, including sea, railway and air, has been emphasised by both Indian and ASEAN leaders in recent times. Multiple connectivity projects are currently underway to better link the two regions through roads, railway and sea ports. The need for greater air connectivity is increasingly felt in the context of the services and investment agreements signed by India and ASEAN in 2014.

² See Bilotkach et al (2017) "Air Cargo Market Structure, Inter Modal Competition, and Prices: Evidence from Chinese imports from Europe". <http://www.etsg.org/ETSG2017/papers/etsg-paper.pdf>. Accessed on 7 August 2018.

³ "Air Connectivity and its impact on tourism in Asia and the Pacific". http://cf.cdn.unwto.org/sites/all/files/pdf/john_koldowski.pdf. Accessed on 12 August 2018.

⁴ "India-ASEAN trade rises 10 per cent to \$72 Billion in FY 17, but is long way off potential", S Gupta, *Times of India*, 26 January 2018. <https://timesofindia.indiatimes.com/business/india-business/indo-asean-trade-rises-10-to-72bn-in-fy17-but-is-long-way-off-potential/articleshow/62657555.cms>. Accessed on 10 August 2018.

The Asian region, including India, China and the ASEAN-member countries, is expected to see a six-per cent year-on-year growth in air transport traffic between 2013 and 2031. This, in turn, implies that growing the scope of air travel between India and the ASEAN-member nations has a potential of increasing trade and commerce as well as tourism between the countries. It is in this context that this paper takes stock of the level of air connectivity and flow of passengers and freight by air between India and ASEAN-member countries. The paper analyses the growth of passengers and freight or cargo travelling between India and ASEAN-member states.

Passengers Travelling between India and ASEAN

In an effort to review the growth of passengers between India and ASEAN-member states, the paper looks at the number of passengers travelling between India and ASEAN using ASEAN airlines (Table 1).

Table 1: Passengers to India via ASEAN airlines

Airline	2015	2016	2017	Jan-Mar 2018
Air Asia Berhad	203,707*	370,852	430,767	110,059
Air Asia X	NA	50,247	64,190	16,604
Bangkok Airways	44,205	43,542	45,841	10,927
Batik Air	NA	NA	31,268**	22,895
Garuda Indonesia	NA	NA	15,767	4,106
Indonesia Airasia X	NA	NA	39,921**	15,193
Malaysia Airlines	443,062	359,690	383,792	106,142
Malindo Airways	244,216	304,845	342,745	82,571
Myanmar Airlines	7,583	12,669	17,705	8,745
Silk Air	166,403*	233,924	248,714	55,200
Singapore Airlines	581,329	551,769	579,603	152,334
Thai Air Asia	55,764**	106,706	185,738	53,962
Thai Airways	636,880	629,820	683,098	153,253
Thai Lion Air	NA	NA	5,106***	5,215
Thai Smile Airways	NA	10,207	66,626	27,322
Tiger Airways	320,553	299,329	338,496	100,339

* Data for first quarter not available

** Data for first two quarters not available

*** Data for first three quarters not available

NA Not Available

Source: Collated by the author using statistics from the Directorate General of Civil Aviation (DGCA), India

Amongst the ASEAN airlines, Thai Airways is observed to have the highest passenger travels to India between 2015 and 2017. Tourism linkages between India and Thailand have been the greatest amongst all ASEAN-member countries and the figures are, thus, high. This is closely followed by Singapore Airlines where figures are found to have dipped between 2015 and 2016, though its low cost variant, Silk Air, has progressively carried a higher number of passengers to India each year since 2015. A significant growth in the number of passengers is also observed in budget airlines such as Air Asia and its regional variants in Thai Air Asia and Air Asia Berhad.

In Table 2, the paper looks at the trends of passengers travelling from India to ASEAN-member states on ASEAN airlines.

Table 2: Passengers from India to ASEAN via ASEAN airlines

Airline	2015	2016	2017	Jan-Mar 2018
Air Asia Berhad	196,047*	355,713	410,089	111,340
Air Asia X	NA	52,731	64,479	17,286
Bangkok Airways	45,004	45,488	46,548	10,862
Batik Air	NA	NA	31,518**	24,352
Garuda Indonesia	NA	NA	16,185	3,908
Indonesia Airasia X	NA	NA	43,326	16,290
Malaysia Airlines	456,162	359,520	393,333	115,839
Malindo Airways	224,493	311,342	369,732	96,315
Myanmar Airlines	7,350	12,464	17,874	8,623
Silk Air	169,220*	250,825	277,567	77,008
Singapore Airlines	606,430	566,794	610,693	181,326
Thai Air Asia	29,273**	105,519	182,825	54,127
Thai Airways	690,969	677,610	709,731	170,450
Thai Lion Air	NA	NA	5,598***	5,263
Thai Smile Airways	NA	11617***	60,953	28,250
Tiger Airways	312,348	316,084	312,221	98,930

* Data for first quarter not available

** Data for first two quarters not available

*** Data for first three quarters not available

NA Not Available

Source: Collated by the author using statistics from the Directorate General of Civil Aviation (DGCA), India

The trend in the number of passengers travelling from India to ASEAN-member states on ASEAN airlines is similar to that of the number of passengers travelling to India from ASEAN-member states via ASEAN airlines. In this instance, Thai Airways has been

transporting the highest number of passengers from India to Southeast Asia. It is followed by Singapore Airlines. However, budget airlines have seen the highest growth rates of passengers moving across India and ASEAN.

As per statistics available from the Directorate of Civil Aviation in India, the Southeast Asian cities which have seen the highest number of passengers from Indian airports are Bangkok, Kuala Lumpur, Ho Chi Minh City, Yangon and Singapore. The Indian cities which have flights connecting to the Southeast Asian cities are New Delhi, Mumbai, Kolkata, Chennai, Ahmedabad, Bengaluru, Coimbatore, Hyderabad, Kochi, Jaipur, Amritsar, Lucknow, Madurai, Tiruchirapally, Trivandrum, Gaya, Varanasi and Visakhapatnam. For the Southeast Asian airlines, Singapore has the best connections to Indian cities and is connected to most of the cities except Gaya and Varanasi which are connected to Bangkok and Yangon respectively. After Singapore, Kuala Lumpur and Bangkok have the best aviation connections to Indian cities.

Mumbai and New Delhi have the highest number of passengers flying to and from ASEAN-member states. Chennai stands out in passenger footfalls from and to Singapore. Other most important Indian cities include Kolkata, Bengaluru and Hyderabad. Expectedly, Tier 1 Indian cities have better connections with the ASEAN-member countries.

Freight between India and ASEAN

In Table 3, the paper looks at the flow of freight in tonnes between India and the ASEAN-member countries through ASEAN airlines. It summarises the figures of freight flowing from and to India via ASEAN airlines from 2015 till the first quarter of 2018.

Table 3: Freight to and from India transported through ASEAN airlines (in tonnes)

Airline	2015		2016		2017		Jan-Mar 2018	
	To India	From India	To India	From India	To India	From India	To India	From India
Air Asia Berhad	411	3,669	741	3,816	977	3,801	243	871
Air Asia X	NA	NA	1,765	2,233	2,167	3,023	594	854
Bangkok Airways	169	573	9	516	131	402	40	97

Batik Air	NA	NA	NA	NA	-	0	-	-
Garuda Indonesia	NA	NA	NA	NA	15	316	15	66
Indonesia Airasia X	NA	NA	NA	NA	159	505	221	197
Malaysia Airlines	13,847	14,325	11,174	10,389	13,675	11,831	3,477	3,034
Malindo Airways	34	459	212	1,226	523	1,124	143	344
Myanmar Airlines	-	-	-	-	2	53	0	29
Silk Air	853	2,508	1,170	2,874	1,230	2,966	302	666
Singapore Airlines	36,682	34,130	40,113	39,483	35,938	36,494	8,838	8,535
Thai Air Asia	193.385**	159.134**	667	731	1,305	1,323	203	365
Thai Airways	26,714	19,057	28,211	18,027	29,877	23,275	8,257	7,091
Thai Lion Air	NA	NA	NA	NA	0***	0***	-	-
Thai Smile Airways	NA	NA	-	-	-	-	-	-
Tiger Airways	1,102	3,202	1,019	2,962	2,404	4,254	932	1,895

* Data for first quarter not available

** Data for first two quarters not available

*** Data for first three quarters not available

NA Not Available

Source: Collated by the author using statistics from the Directorate General of Civil Aviation (DGCA), India

The freight (in tonnes) flowing from India to Southeast Asia is far greater than that moving from the ASEAN-member states to India through ASEAN airlines. This is true for almost all ASEAN airlines except Singapore Airlines where statistics show almost similar figures for freight to and from India. Most other airlines, in particular the budget airlines, have been transporting more goods from India to Southeast Asia, as opposed to the other way around. This is interesting in terms of total trade, India is a net importer vis-à-vis the ASEAN-member states. This shows that, while India is a net importer from the ASEAN-member countries, most of the trade presently occurs through sea routes. When one considers trade through air connectivity, India is a net exporter to the region. Enhanced air connectivity could strategically benefit India in improving its balance of trade with the ASEAN-member countries.

Analysis, Current Initiatives and Future Potential

Connectivity between India and the ASEAN-member countries is reasonably good with some countries, namely, Singapore, Malaysia and Thailand. However, direct connectivity with

most of the other countries, including countries with business linkages such as Indonesia and the Philippines, is low. The situation is dimmer for the other Southeast Asian countries such as Vietnam, Cambodia, Laos and Brunei. Indonesian airlines normally operate on code-sharing basis with other ASEAN or Indian airlines.

In 2015, India signed a bilateral air services agreement with all the ASEAN-member countries. Most of the airlines of the ASEAN-member states fly to major Indian cities now with flights to Tier 2 Indian cities experiencing slow growth. Flights to and from Malaysia, Singapore and Thailand seem to be very useful and run on full bookings. However, flights from the other ASEAN-member countries, especially Cambodia, Laos, Myanmar and Vietnam are underutilised.⁵

India and the ASEAN-member states are expected to see higher than average growth in civil aviation usage in the near future. In January 2018, ASEAN and India pledged to improve air connectivity between the two regions. The need for greater air connectivity has been stressed at various levels, including by Singapore's Prime Minister Lee Hsien Loong in his last visit to India.⁶ India's national civil aviation policy (2016) emphasises the need to improve the quality of air cargo services as well.⁷

The ASEAN-India Working Group on Regional Air Services Arrangements would work towards convening air services consultations between the two regions. Additionally, it would facilitate the establishment of air transport cooperation on technical, regulatory and economic matters between India and ASEAN.⁸ There have also been talks of increasing air connectivity between Northeast India and the Southeast Asian region. The northeastern states lie closest to Southeast Asia and a number of connectivity projects are currently underway to improve linkages between India's Northeast and Myanmar and Thailand as the gateway to Southeast Asia which would help boost trade and commerce. Air connectivity between the city of

⁵ "ASEAN-India Air Connectivity Report", New Delhi: ASEAN India Centre (AIC), RIS, 2016. http://ris.org.in/sites/default/files/Final_Air_Connetivity_Report-web.pdf. Accessed on 5 august 2018.

⁶ "Greater trade, connectivity key to ASEAN-India ties: PM Lee", Elgin Toh, *The Straits Times*, 26 January 2018. <https://www.straitstimes.com/asia/south-asia/greater-trade-connectivity-key-to-asean-india-ties-pm-lee>. Accessed on 10 August 2018.

⁷ "National Civil Aviation Policy 2016". http://www.civilaviation.gov.in/sites/default/files/Final_NCAP_2016_15-06-2016-2_1.pdf. Accessed on 8 August 2018.

⁸ "India, ASEAN pledge to enhance air connectivity" 26th Jan 2018," *The Economic Times*, 26 January 2018. <https://economictimes.indiatimes.com/industry/transportation/airlines/-aviation/india-asean-pledge-to-enhance-air-connectivity/articleshow/62656825.cms>. Accessed on 8 August 2018.

Guwahati in Assam and the ASEAN region has been discussed.⁹ This will link Assam to most capitals of the ASEAN-member countries. Starting low cost flights to the Southeast Asian cities, which are strategically chosen by budget airlines, will have maximum impact. This is corroborated by statistical evidence presented earlier where one observes the highest growth in passenger traffic as well as freight in budget airlines while the traffic in mainstream airlines has been stable.

Higher aviation connectivity is also important in view of the ongoing Regional Comprehensive Economic partnership (RCEP) negotiations. The RCEP would liberalise trade between India and the ASEAN-member states, apart from the other free trade agreement partners of the ASEAN-member countries. As civil aviation improves, India, which already has a trade surplus through air borne trade via ASEAN airlines, would be well poised to better connect with regional value chains of appropriate industries and, thereby, reap economic benefits. India's 'Act-East' policy would also benefit through building air connectivity with countries like Vietnam both for tourism as well as for trade in parts and components as the latter rapidly builds production potential with liberalised labour norms, having been a signatory to the erstwhile Trans Pacific Partnership.

In conclusion, India's aviation links with the ASEAN-member states have grown significantly since 2015, following the signing of investment and services agreements with the ASEAN-member countries. However, while Singapore, Malaysia, Thailand, Myanmar and Vietnam have direct connectivity to India, direct air connectivity between India and the other ASEAN-member states needs to be developed. The recent growth in tourism between India and the Southeast Asian region would gain greater momentum through enhanced air connectivity efforts. ASEAN budget airlines have been observed to fly a growing number of passengers from and to India. Freight exports from India to the ASEAN-member countries via ASEAN budget airlines have also experienced impressive growth.

There remains a significant potential to grow trade and tourism links between India and Southeast Asia by strategically increasing connectivity between key cities in India and Southeast Asia. The RCEP negotiations, once concluded and implemented, would open up

⁹ "India to start flights to ASEAN from Assam", *The Straits Times*, 23 March 2018. <https://www.straitstimes.com/asia/south-asia/india-to-start-flights-to-asean-from-assam>. Accessed on 10 August 2018.

greater channels of trade integration between the ASEAN-member states and India which, through greater aviation connectivity, would lead to both India and the Southeast Asian nations further increasing bilateral trade, commerce and tourism.

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