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ASEAN and India: Exploring the progress and prospects in trade relationship

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Abstract

ASEAN has undergone evolution, with the rationale of free trade. The regional trade bloc has seen India, along with China, Japan and Oceania nations as a preferred ally. The India Government has officially seen ASEAN in the same reciprocal spirit. A number of policy measures and programs have been envisaged. There is a need of right choice and optimal timing in decision-making process to realize the prospects. The present paper endeavors to explore the progress and prospects in trade relationship of India in ASEAN framework.

Keywords: Trade relationship, ASEAN framework, regional intergovernmental organization

Introduction

The Association of Southeast Asian Nations (ASEAN) came into being in 1967 as a Regional intergovernmental organization comprising ten Southeast Asian countries, which promotes intergovernmental cooperation and facilitates economic, political, security, military, educational, and sociocultural integration among its members and other Asian states. The ten countries are Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam. On January 1, 1993 the ASEAN officially formed ASEAN Free Trade Area (AFTA), with the goal to cut tariffs on all intra zonal trade to a maximum of 5% by Jan1, 2008, with the provision that the weaker ASEAN countries would be allowed to phase in their tariff reductions over a longer period.

At the inception, there were as many as five members. The Brunei (1984), Vietnam (1995), Laos, Myanmar (1997) and Cambodia (1999) joined later. Still the basic members are 10 only. Work for further integration went on when ASEAN plus three was created in 1997 with China, Japan and South Korea. This was followed by another expansion by inviting India, Australia and New Zealand in the EAS. The EAS is a pan-Asian forum held annually by the leaders of eighteen countries in the East Asian region, with ASEAN in a leadership position. Initially, ASEAN belonged to all member states of ASEAN plus China, Japan, South Korea, India, Australia, and New Zealand, but ASEAN deliberations later were expanded to include the United States and Russia at the Sixth EAS in 2011. China, Japan, South Korea, India, Australia, New Zealand are special invitees only, not the regular members. The group is now known as ASEAN plus six, and stands as a pivotal column to Asia Pacific's economic, political, security, socio-cultural architecture, as well as the global economy.

The year 2017 celebrated 50 years of ASEAN existence and 25 years of ASEAN-India dialogue partnership. The ASEAN-India breakfast summit was held on November 15, 2018. As per PMO notification, the present and potential areas of co-operation have been documented well.

Areas of Co-Operation Between Asean And India

Political & Security Co-Operation: Consisting of Regional stability, International security, Counter-terrorism, Cyber-security

Economic Co-operation: Consisting of ASEAN-India Free Trade Area, Conservation And Sustainable Use of Maritime Resources, Help Growth Of MSME Sector, Food and Energy Security, Collaboration in Space Science & Satellite Imagery, Promotion of Private Sector Engagement and B2B Relations.

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Socio-Cultural Co-operation: Consisting of Exchange Programs of Policy-Makers, Managers Students and Academicians, Health Care and Affordable Quality Medicines, Cultural Tourism, University Student Exchange Programs, Education of Women and Children, Disaster Management, Biodiversity Conservation and Climate Change

Miscellaneous

1. India's commitment to enhance physical and digital connectivity in line with the MPAC 2025 and the AIM 2020 by, among others, availing of the US \$1 billion line of credit announced by India to promote physical infrastructure and digital connectivity.
2. Encourage the early completion of the India-Myanmar-Thailand Trilateral Highway Project and extend this Trilateral Highway to Cambodia, Lao PDR and Vietnam
3. India's continued support for ASEAN's efforts in narrowing the development gap within and between ASEAN Member States by implementing the IAI Work Plan -3

Policy Measures and Initiatives

The 25th Anniversary of ASEAN-India Dialogue Relations: India and ASEAN observed twenty five years of their Dialogue Partnership, 15 years of Summit Level interaction and 5 years of Strategic Partnership throughout 2017 by undertaking a wide range of over 60 commemorative activities, both in India and through her Missions in ASEAN Member States, which reached its peak in the ASEAN-India Commemorative Summit on the theme "Shared Values, Common Destiny" on 25 January 2018 in New Delhi.

The commemorative activities were highlighted by an ASEAN-India Regional Diaspora event in Singapore, a Music Festival, an Artists' Retreat, a youth summit, Port calls by Indian Naval Ships, a Connectivity Summit, a meeting to reinforce our Network of Think Tanks, a workshop on blue economy, a Dharma-Dhamma Conference, a Hackathon and Startup Festival, a Business and Investment Meet and Expo, a global SME summit, a Textiles Event, an ICT Expo, a Business Council Meeting, a Film Festival (25th to 30 May 2018), a Ramayana festival and the inauguration of an India-ASEAN Friendship Park in New Delhi.

Plans of Action: The ASEAN-India Partnership for Peace, Progress and Shared Prosperity, which sets out the roadmap for long-term ASEAN-India engagement, was signed at the 3rd ASEAN-India Summit in 2004 in Vientiane, as a reflection of the interest of ASEAN and India to strengthen their engagement. A Plan of Action (POA) for the period 2004-2010 was also developed to implement the Partnership. The 3rd POA (2016-20) was adopted by the ASEAN-India Foreign Ministers Meeting held in August 2015. Furthermore, ASEAN and India have identified priority areas for the period of 2016-2018 and are already implementing activities under it, which would contribute towards successful implementation of the 2016-2020 Plan of Action.

Political Security Cooperation: In the wake of growing traditional and non-traditional challenges, politico-security

cooperation is a key and an emerging thrust area of India's relationship with ASEAN. With rising export of terror, growing radicalization through ideology of hatred, and spread of extreme violence define the pattern of common security threats to our societies. Our partnership with ASEAN attempts to carve out a response that is based on coordination, cooperation and experience-sharing at various levels. ASEAN, as a regional grouping based on consensus, has worked diligently over 50 years to help secure peace, progress and prosperity in the region. India, therefore, views ASEAN at the center of its Indo-Pacific vision of Security and Growth-for- All in the Region. The key forum for ASEAN security dialogue is the ASEAN Regional Forum (ARF). India has been participating in annual meetings of this forum since 1996 and has actively joined in its various activities. The ASEAN Defense Ministers' Meeting (ADMM) is the highest defense consultative and cooperative mechanism in ASEAN. The ADMM+ brings together Defense Ministers from the 10 ASEAN nations plus Australia, China, India, Japan, New Zealand, Republic of Korea, Russia, and the United States on a biannual basis.

Economic Cooperation: India-ASEAN trade and investment relations have been developing in a steady-state way, with ASEAN being India's fourth largest trading partner. India's trade with ASEAN stands at US\$ 81.33 billion, which is about 10.6% of India's overall trade. India's export to ASEAN stands at 11.28% of our total exports. Investment flows are also substantial from both sides, with ASEAN accounting for approximately 18.28% of investment flows into India since 2000. The Foreign Direct Investment (FDI) inflows into India from ASEAN between April, 2000 to March, 2018 was around US \$68.91 billion, while FDI outflows from India to ASEAN countries, from April, 2007 to March, 2015, as per info provided by Department of Economic Affairs (DEA), was about US \$38.672 billion. The ASEAN-India Free Trade Area has been formalized, with entering into force the ASEAN-India Agreements on Trade in Service and Investments on 1 July 2015. ASEAN and India have also been working on the lines of enhancing the private sector engagement. ASEAN India-Business Council (AIBC) was formed in March, 2003 in Kuala Lumpur as a forum to induct key private sector players from India and the ASEAN countries on a single platform for business networking and sharing of ideas.

Socio-Cultural Cooperation: India has been organizing a large number of programs to boost People-to-People Interaction with ASEAN, such as inviting ASEAN students to India each year for the Students Exchange Program, Special Training Course for ASEAN diplomats, Exchange of Parliamentarians, Participation of ASEAN students in the National Children's Science Congress, ASEAN-India Network of Think Tanks, ASEAN-India Eminent Persons Lecture Series, etc. The second edition of the ASEAN-India Workshop on Blue Economy, jointly hosted with the Socialist Republic of Viet Nam, was held on 18 July 2018 in New Delhi.

Connectivity: A matter of priority for India is ASEAN-India connectivity, as also the ASEAN countries. In 2013, India became the third dialogue partner of ASEAN to initiate an ASEAN Connectivity Coordinating Committee-India Meeting. While India has made considerable progress

in implementing the India-Myanmar-Thailand Trilateral Highway and the Kaladan Multimodal Project, issues related to increasing the maritime and air connectivity between ASEAN and India and transforming the corridors of connectivity into economic corridors are under consideration. A possible extension to India-Myanmar-Thailand Trilateral Highway to Cambodia, Lao PDR and Viet Nam is also under discussion. A consensus on finalizing the proposed protocol of the India-Myanmar-Thailand Motor Vehicle Agreement (IMT MVA) has been arrived at. This agreement will have a crucial role in realizing continuous movement of passenger, personal and cargo vehicles along roads linking India, Myanmar and Thailand. India announced a Line of Credit of US \$1 billion to promote projects that support physical and digital connectivity between India and ASEAN and a Project Development Fund with a corpus of INR 500 crore was set up to develop manufacturing hubs in CLMV countries at the 13th ASEAN India Summit held in Malaysia in November 2015.

Funds: ASEAN Multilateral Division offers project-based financial assistance to ASEAN countries. Financial assistance has been provided to ASEAN countries from the following Funds:

- **ASEAN-India Cooperation Fund:** At the 7th ASEAN-India Summit in 2009, India announced a contribution of US \$50 million to the ASEAN-India Fund, to support implementation of the ASEAN-India Plans of Action, which envisage cooperation in a range of sectors as well as capacity building programs in the political, economic and socio-cultural areas for deepening and strengthening ASEAN-India cooperation. In order to take the development and capacity building initiatives forward, India's Prime Minister has proposed enhancing the ASEAN-India Fund with an additional grant of US \$50 million at the 14th ASEAN India Summit in Vientiane in September 2016.
- **ASEAN-India S&T Development Fund (AISTDF):** At the 6th ASEAN-India Summit in November 2007 in Singapore, India announced the setting up of an ASEAN-India Science & Technology Development Fund with a US \$1 million contribution from India to promote joint collaborative R&D research projects in Science & Technology. This Fund become operational in 2009-10 and expenditure began to be incurred from FY 2010-11. This fund has been stepped up to US \$5 million from 2016-17.
- **ASEAN-India Green Fund:** At the 6th ASEAN-India Summit on 21 November 2007 in Singapore, India declared the setting up of an ASEAN-India Green Fund with an initial contribution of US \$5 million from India, to support collaboration activities relating to environment and climate change. Some of the areas identified for collaboration under the Fund are climate change, energy efficiency, clean technologies, renewable energy, biodiversity conservation and environmental education.

ASEAN-India Projects: India has been collaborating with ASEAN by way of implementation of various projects in the fields of Agriculture, Science & Technology, Space, Environment & Climate Change, Human Resource

Development, Capacity Building, New and Renewable Energy, Tourism, People-to-People contacts and Connectivity etc. Some of the prominent projects, which are either ongoing or in the final stages of approval are as follows:

- Space Project envisaging establishment of a Tracking, Data Reception/Data Processing Station in Ho Chi Minh City, Vietnam
- Upgradation of Telemetry Tracking and Command Station in Biak, Indonesia;
- Setting up of Centres of Excellence in Software Development & Training in CLMV countries
- e-Network for provision of tele-medicine and tele-education in CLMV countries
- Quick Impact Projects in CLMV etc.

Besides the above said projects, India has been supporting ASEAN, especially CLMV countries under the Initiatives for ASEAN Integration, which include projects on Training of English Language for Law Enforcement Officers in CLMV countries and Training of professionals dealing with capital markets in CLMV by National Institute of Securities Management Mumbai, scholarships for ASEAN students for higher education at Nalanda University, Training of ASEAN Civil Servants in drought management, disaster risk management, sustainable ground water management etc.

To boost People-to-people Interaction with ASEAN, India has been organizing various programs including Training Program for ASEAN diplomats, Exchange of Parliamentarians, Participation of ASEAN students in the National Children's Science Congress, ASEAN-India Network of Think Tanks, ASEAN-India Eminent Persons Lecture Series, ASEAN-India Students Exchange program, ASEAN-India Media Exchange program etc.

In Agriculture: India is co-operating with ASEAN by way of projects such as Exchange of Farmers, ASEAN-India Fellowships for Higher Agricultural Education in India and ASEAN, Exchange of Agriculture Scientists, Empowerment of Women through Cooperatives, Training Course on Organic Certification for Fruits and Vegetables etc. These were further strengthened at the 4th ASEAN-India Ministerial Meeting on Agriculture held in January, 2018 in New Delhi, with the endorsement of the Medium Term Plan of Action for ASEAN-India Cooperation in Agriculture and Forestry for 2016–2020. In the S&T field, we have projects such as ASEAN-India S&T Digital Library, ASEAN-India Virtual Institute for Intellectual Property, ASEAN-India Collaborative Project on Science & Technology for Combating Malaria, ASEAN-India Program on Quality Systems in Manufacturing, ASEAN-India Collaborative R&D Project on Mari-culture, Bio-mining and Bioremediation Technologies etc.

Delhi Dialogue: India has had an annual Track 1.5 event Delhi Dialogue, for discussing politico-security and economic issues between ASEAN and India. Since 2009, India has hosted ten editions of this flagship Conference. The 10th edition of Delhi Dialogue was hosted by the Ministry of External Affairs on 19-20 July 2018 in New Delhi, with the theme, "Strengthening India-ASEAN Maritime Advantage".

ASEAN-India Centre (AIC): At the Commemorative Summit held in 2012, the Heads of the Government recommended establishment of ASEAN-India Centre (AIC) to undertake policy research, advocacy and networking activities with organizations and think-tanks in India and ASEAN, with the aim to promote the ASEAN-India Strategic Partnership. Set up in 2013, the AIC has been serving as a resource center for ASEAN Member States and India, for strengthening ASEAN-India strategic partnership and promoting India-ASEAN dialogue and cooperation in the areas of mutual interests. AIC has provided inputs to policy makers in India and ASEAN on implementation of ASEAN-India connectivity initiatives by organizing seminars, roundtables etc. AIC also organizes workshops, seminars and conferences on various issues relevant to ASEAN-India strategic partnership. It undertakes regular networking activities with relevant public/private agencies, organizations and think-tanks in India and ASEAN and EAS countries, with the aim of providing up-to-date information, data resources and sustained interaction, for promoting ASEAN-India Strategic Partnership.

Overview of Indo-ASEAN Relationship

A lot much was expected of India since its 'Look East' policy was initiated in 1991 along with the economic reforms. It was supposed to be a steady-state path where India and ASEAN countries 25 years down the line are deeply entrenched and integrated through economic, social, cultural and political associations. The reality check today reveals that India is not even close to the trade figures that China has with ASEAN countries. India's latest trade figures amount to close to \$80 billion with ASEAN states, whereas China's trading figures with ASEAN countries has crossed \$450 billion and expected to touch \$1 trillion by 2020. (<http://www.asiaone.com/business/china-asean-trade-hit-us1-trillion-2020>). China's "Belt and Road Initiative" (BRI) is expected to raise the flow of trade between China and ASEAN's six most prominent economies – Malaysia, Indonesia, the Philippines, Singapore, Thailand and Vietnam to an investment equivalent to US \$2.1 trillion by 2030, given in an analysis by HSBC. (<https://www.thestar.com.my/business/business-news/2017/05/20/chinas-bri-seen-boosting-trade-with-asean-to-us21-trillion/>). This huge gap in trade alone is a dampener for India's future with ASEAN.

The terminology was changed from 'Look' to 'Act East' in 2014, but the approach has been following the old principles of shared values, a common destiny, shared prosperity, culture and dwelling on technical jargon of relations becoming 'strategic' in nature. While celebrating the 25 years of relations, it is this nature of 'strategic partnership' that needs to be given more impetus in ASEAN-India relations for the next 25 years to come. India needs to effectively engage the Southeast Asian countries to keep the channels of communications open in the South China Sea region amidst overlapping territorial claims with China. In fact, some of the ASEAN countries, keeping aside Cambodia and Lao PDR, that are searching for a balancing power to China in the region would be keenly observing how India tackles the overlapping conflicts. If the proceedings of the CSCAP (Council for Security Cooperation in Asia-Pacific) meeting in December, 2017 are to be weighed-in, then the prevailing sense amongst the ASEAN delegates has been of apprehension towards

China's intimidating economic tactics. (<http://www.ibtimes.sg/india-needs-harmonise-ties-global-power-centres-22907>). Meanwhile, certain foreign policy experts from the Southeast Asian region had also questioned the lack of performance by India, even hinting at a subtle resistance to the concept of "Indo-Pacific" as a replacement to the old "Asia-Pacific". India was also called out on its 'Act East' policy looking more like 'At Ease' policy. (<http://indianexpress.com/article/opinion/columns/asean-cscap-security-look-east-indian-navy-a-strategy-for-the-sea-5013281/>)

Choice Amongst Options of Areas of Co-Operation

Crucial issue before the policy-makers, planners and programmers come as:

- Ranking the options of areas & sub-areas on the priority based on logic of need and urgency
- Present & future costs- benefits of options
- Internal consistency
- Balance of long run and short run perspective in matter of benefit-cost evaluation of the options
- Non-economic determinants in the decision process (like International Diplomacy, Social, Political, Legal and Cultural factors)

EAS: East Asian Summit; PMO: Prime Minister's Office; MSME: Medium, Small & Micro Enterprises MPAC: Master Plan on ASEAN Connectivity; AIM: ASEAN ICT Masterplan ICT: Info & Communications Technology; EAS: East Asian Summit; IAI: Initiative for ASEAN Integration; CLMV: Cambodia, Laos, Myanmar, Vietnam

Conclusion

India and ASEAN can contribute to each other in regional economic development. 'To what extent?', depends upon the timing, spacing and sequencing of the policy measures. Co-operation needs faith and mutual trust building measures. Trade policy must envisage a co-ordination between various ministries, viz. External Affairs, Commerce, Finance Corporate Affairs and Law.

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