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India-ASEAN Relations AN OVERVIEW

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INDIA-ASEAN RELATIONS

An Overview

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Ever since the launching of India's Look East Policy and the onset of regional integration of Southeast Asia, both India and ASEAN have developed a mutual comprehensive understanding in terms of shared vulnerabilities, shared economic progress and common stakes in creating a peaceful and prosperous Asian Economic Community. The signing of the Framework Agreement on Comprehensive Economic Cooperation and the signing of an ASEAN-India Free-Trade Area (AIFTA) with the combined GDP of US\$1.5 trillion and a market of 1.5 billion people is the most obvious example of growing synergy between India and ASEAN. ASEAN is looking towards India to play an important role in influencing the course of geo-politics and economic development of the region. India's economic stability, its image as a benign regional power and commitment to the reform process has created a positive image across Southeast Asia.

India and ASEAN countries have shared strong cultural and historical ties. In the immediate aftermath of World War II, India emerged as the champion of the process of decolonisation in Southeast Asian colonies, drawing recognition and appreciation for India's importance in the region. However, with the setting in of the Cold War bi-polarisation in Southeast Asia, the Vietnam crisis and India's growing partnership with the USSR, India and the ASEAN countries found each other advocating divergent strategies of economic growth and supporting contradictory nature of the international political ideologies. While India followed import-substitution and an inward-looking approach to economic development, the five ASEAN founder countries embarked on an export-oriented and globally integrated approach to the economic growth. While ASEAN countries castigated Vietnam's invasion of Cambodia, India

supported Vietnam and viewed ASEAN countries as the allies of the 'imperialist West.' As a result of this polarisation, India refused twice (in 1975 and 1980) to engage in dialogue with the ASEAN.

However, the situation began to change in the late 1980s and early 1990s. The collapse of the USSR, India's balance of payment crisis in 1989-90 and subsequent liberalization policy, stagnation in the SAARC integration process in contrast to the success story of the ASEAN and its emergence as a model of regional cooperation drew India's attention towards Southeast Asia. India embarked on the policy of liberalization and greater linkages with the global economy. It was in this spirit of the liberalized economy, of the search for a viable alternative as a regional platform and its policy of greater integration with the global economy that India launched its Look East policy. The process of inter-regional cooperation was institutionalized and formalized with India becoming the sectoral dialogue partner of ASEAN in 1992, the full dialogue partner in 1995 and member of ASEAN Regional Forum (ARF) in 1996. The deliberative mechanism of ASEAN-India Summit Level Meetings, started in 2002, and the signing of the ASEAN-India Partnership for Peace, Progress and Shared Prosperity in November 2004 has further consolidated and diversified the nature and dynamics of inter-regional engagement between India and ASEAN. The nature of India-ASEAN cooperation covers not only regional and bilateral level engagement through ASEAN but also sub-regional initiatives such as Mekong Ganga Cooperation, Bay of Bengal Initiative for Multi Sectoral Technical and Economic Co-operation (BIMSTEC). Initially, these sub-regional initiatives with the CLMV countries (Cambodia, Laos, Myanmar, and Vietnam) were perceived as a sign of India's failure

in engaging effectively at the multilateral level with the ASEAN region. However, the ASEAN, has of late, appreciated India's sub-regional initiatives as part of a mutual strategy of diversifying India-ASEAN cooperation, given the greater urgency of developing the CLMV countries and their integration within ASEAN.

POLITICO-STRATEGIC AND SECURITY RELATIONSHIPS

Much of the strategic and security cooperation between India and ASEAN has been taking place at two levels – at the ARF and at ASEAN-India Summit level meetings. In order to deliberate on security and strategic issues in the Asia-Pacific, ASEAN had spearheaded the formation of the ARF in 1994 with the membership covering ASEAN members and its dialogue partners. The ARF discusses security issues through its ARF Senior Officers' Meetings (ARF-SOM) and Inter-sessional Support Group meetings on Confidence Building Measures (ISG on CBMs) and its track-II platforms – the Council for Security Cooperation in the Asia Pacific (CSCAP) and ASEAN Institute of Strategic and International Studies (ASEAN-ISIS). Since 1996, India has been taking part in both the wings of the Forum on issues related mainly to transnational organized crimes such as drug-trafficking, terrorism and counter-terrorism, maritime piracy, illegal movement of nuclear, chemical, biological, and other deadly materials.

Besides its participation in the ARF deliberations, India has also been engaged with ASEAN in discussions on security issues through the summit level meetings. India and ASEAN signed a Joint Declaration for Cooperation in Combating International Terrorism in October 2003. The Joint Declaration stipulates cooperation in (a) exchange of information, (b) legal and enforcement matters, (c) institutional capacity augmentation and (d) training. During the meeting on Law Enforcement in Bali in August 2004, India proposed sharing of intelligence and coordinated actions among the law enforcement

agencies in combating terrorism. In the 2nd India-ASEAN summit level meeting in October 2003, India also signed the ASEAN Treaty of Amity and Cooperation (TAC), expressing its adherence to the ASEAN goal of regional peace and stability. Apart from the summit meetings, which generally outline the policy areas for cooperation and formalize agreements, there are various official and business level meetings which actually carry out the details of the cooperative activities.

ECONOMIC ENGAGEMENTS AND TRADE RELATIONSHIP

India-ASEAN economic relations remained minimal during the Cold War years and the two-way trade picked up only since the early 1990s after the launching of India's Look East Policy. During the last fifteen years, the total value of trade between India and ASEAN countries has gone up from US\$2.4 billion in 1990 to US\$23 billion by the end of 2005, registering an almost ten-fold increase. India's own economic growth and the recovery of ASEAN economies have given a major boost to the economic and trade links. The growing realization that the ASEAN-India trade is complementary, rather than competitive, has given a further boost to trade and economic engagements. As a result, in the last four years, the two-way trade increased by more than 150 per cent from US\$9.7 billion in 2002 to US\$23 billion by 2005. The nature and sectors of trade cover a wide range of commodities such as palm oil, electrical and high-end technological components, chemical products and drugs, textiles, software, tea and coffee, both raw and processed meats automotive, chemicals, consumer electronics and retailing sectors and so on.

In order to expand and diversify the economic linkages, India and ASEAN have set up various institutional mechanisms, through which, negotiations are being conducted and the two parties are making efforts to overcome the barriers in deepening interactions. India-ASEAN economic cooperation is being managed

and overseen through the following institutional arrangements at the official level.

- ASEAN-India Business Summit
- ASEAN-India Business Council
- ASEAN-India Economic Ministers' Meetings
- ASEAN-India Trade Negotiation Committee
- ASEAN-India Working Group on Trade and Investment

The ASEAN-India Business Summit has since 2002, acted as the apex body in dealing with the trade and business negotiations. In order to promote private sector participation in the trade negotiations, identify sectors of greater economic and trade cooperation, and ensure effective functioning of safeguards and reviews in the business agreements, the ASEAN-India Business Council was set up in 2003 comprising of members of the business community including from small and medium enterprises with the key objectives of promoting private sector participation in the trade and business negotiations and facilitating India-ASEAN economic linkages through private businesses. Much of the ground work for ASEAN-India economic cooperation is conducted and finalized through the ASEAN-India Trade Negotiation Committee, set up during the 2nd ASEAN-India Summit held in Bali in October 2003, and the ASEAN-India Working Group on Trade and Investment. India has also established Entrepreneurship Development Centres (EDC) in Cambodia and Vietnam and another EDC is being set up in Laos.

During the 2nd ASEAN-India Summit, India and ASEAN also signed a Framework Agreement for Comprehensive Economic Cooperation. The Framework Agreement envisages the establishment of an Indo-ASEAN Regional Trade and Investment Area including the setting up of an ASEAN-

India Free Trade Area in goods, services and investment. The Framework Agreement has also provided for an Early Harvest Programme on trade in goods towards progressive tariff reduction in 105 agreed items. The tariff reduction/elimination for ASEAN-6 countries (Brunei, Indonesia, Malaysia, Philippines, Singapore, and Thailand) is to be completed by October 2007 and for the CLMV countries by October 2010. The idea of a FTA with a ten-year time frame was mooted by India during the 1st ASEAN-India summit, held in Cambodia in November 2002. The deadline for the launching of free trade in goods was further revised initially to June 2005 and later to July 2007. During the 15th Meeting of ASEAN-India Trade Negotiation Committee, held from 20-21 March 2007 in Jakarta, India and ASEAN representatives discussed the contentious issues related to the India-ASEAN Free Trade Area in goods, which had hit a roadblock over issues of negative listing, rules of origin and the level of tariff reduction on agricultural commodities. The two sides were expected to meet again in Manila on 31 March 2007 to finalize the details of the FTA.

Foreign Direct Investment constitutes another important area for economic cooperation between India and ASEAN. India's liberalization programme has created a suitable atmosphere for ASEAN FDI in sectors such as infrastructure, hotel and tourism services, heavy industries, Chemicals and fertilizers and food processing. Despite the large size of their economies and their complementary trade relations, the total Indian FDI in the ASEAN region remained at a modest US\$225 million and FDI from the ASEAN-6 countries in India at US\$2 billion. ASEAN FDI is mainly in the areas of construction (Malaysian companies) and software (Singapore),

Infrastructure development has also been an important component of Indian FDI in ASEAN and vice versa. Both India and ASEAN have embarked on developing infrastructural linkages between the two

regions by upgrading for example, road and rail connectivity between India and Vietnam and road links from India to Singapore. India has been engaged with the ASEAN countries in developing infrastructural linkages for smooth trade and economic transaction by increasing flight services and destinations, and providing multi-modal transportation linkages and optical-fibre supported communications with Myanmar occupying an important place in these Indian initiatives. These projects are being undertaken either by India or through joint ventures. In order to create greater awareness among the people of India and ASEAN, about geographical and infrastructural connectivity, India proposed, during the 2003 Summit, an India-ASEAN Car Rally, which was finally flagged off in November 2004.

SCIENTIFIC AND TECHNOLOGICAL RELATIONSHIP

The growing partnership between India and ASEAN is further evident from their multi-sectoral scientific and technological cooperation. A number of agreements have been signed covering areas like space technology, info-tech, biotechnology, pharmaceuticals, and tele-medicines. These cooperative initiatives are managed by forums, such as the ASEAN-India Working Group on Science and Technology and the ASEAN-India IT Ministerial and IT Industry Forum. In the 12th ASEAN-India Technology Summit and Technology Platform (TSTP), held in New Delhi in November 2006, both sides agreed to set up an Indo-ASEAN Science and Technology Fund "to undertake collaborative work in Research and Development and technology development in areas of common interest." The two sides also agreed to set up India-ASEAN Institute for Intellectual Property and inter-link India's Tsunami Early Warning System with the Malaysian network for quicker dissemination of information. The Summit was jointly organized by the ASEAN Committee on Science and Technology, India's Department of Science and Technology

and the Confederation of Indian Industry (CII). India and ASEAN have also decided to establish an India-ASEAN Institute of Biotechnology in Jakarta and develop an ASEAN-India Digital Archive. The two sides have also set up an ASEAN e-Network Project-Establishing a VSAT-based Tele-Education and Tele-Medicine Network to connect Cambodia-Laos-Myanmar-Vietnam.

CULTURAL RELATIONSHIP

India and ASEAN countries share strong cultural relations. India is the birthplace of Buddhism, which is practiced by a large number of people in mainland Southeast Asia and Indian merchants and traders from Gujarat are known to have brought Islam to the Southeast Asian coasts during their trading visits. In order to revive historical cultural relations, Singapore has proposed reviving Nalanda University in Bihar and India is engaged in developing road and rail transport systems in the CLMV countries facilitating greater movement of people from the region as tourists or as pilgrims visiting religious places in India such as Sanchi, Sarnath, Bodhgaya, and Nalanda. India and ASEAN have also been working on linking Indian higher educational institutions with the ASEAN University Network. Indian educational institutions such as Manipal Medical College and Delhi Public School have opened branches in Malaysia and Singapore. The latter established an Institute of South Asian Studies in 2004 while India is yet to reciprocate. Various software training centres have been opened up by enterprises such as NIIT and APTECH in Vietnam, Malaysia, Cambodia and Indonesia. The Indian government has been organizing Indian Education Fairs in ASEAN countries and has also offered to establish Centres for English Language Training.

The Indian diaspora, living in Southeast Asia, has played a very important role in transmitting Indian cultural values, cuisines and films, thus retaining and strengthening the cultural relations between the two

regions. The importance of this diaspora in linking the two regions can be gauged from the fact that the president of Singapore, Mr. S. R. Nathan, is of Indian origin. During the first ASEAN-India Summit meeting, the two parties agreed to develop greater people-to-people linkages through both official interactions and exchange programmes including the youth, media, academics, government officials and artists. India and ASEAN have also agreed to support the development of an ASEAN-India network of think tanks, which will add inputs and long-term perspectives on how to further strengthen relations.

CHALLENGES AND OPPORTUNITIES

Although, India-ASEAN relations have been strengthened during the last fifteen years, much still needs to be done. The existing volume of trade between India and ASEAN has remained low despite the combined size of the two economies. Notwithstanding India's sustained economic growth, hovering around 7-8 per cent, India's share in ASEAN's total global trade has remained only 1 per cent. Negotiations on the ASEAN-India FTA in goods have dragged on for the last three years over several issues and despite large-scale economic cooperation, the two-way FDI has

remained marginal. India's policy of sectoral capping of FDI has further restricted the flow of ASEAN FDI into India. Economic cooperation is further complicated by the different levels of economic growth and development of the various ASEAN economies. This problem has been very much evident while negotiating the FTA in goods. India's bureaucratic entanglement has also acted as a major disappointment for ASEAN investment in India.

On the positive side, the nature and dynamics of India-ASEAN cooperation reflect both the cementing and diversification of regional cooperation, with the main objectives of greater integration and attainment of common objectives as spelt out under the Plan of Action to Implement the ASEAN-India Partnership for Peace, Progress and Shared Prosperity. Over the years, ASEAN countries have shown their willingness to further engage India on the issues of bilateral, regional, and international importance, thereby, creating more geo-strategic space for India to maneuver and rebuild the old historical, cultural, political and economic ties.

BILATERAL AGREEMENTS SIGNED BETWEEN INDIA AND ASEAN

Agreements	Year
Bangladesh, India, Myanmar, Sri Lanka, Thailand Economic Cooperation (BIMSTEC)	1997
Mekong Ganga Cooperation Initiative	2000
Instrument of Accession to the Treaty of Amity and Cooperation	2003
Framework Agreement on Comprehensive Economic Cooperation	2003
ASEAN-India Joint Declaration for Cooperation to Combat International Terrorism	2003
ASEAN-India Partnership for Peace, Progress and Shared Prosperity	2004
Plan of Action to Implement the ASEAN-India Partnership for Peace, Progress and Shared Prosperity	2004

CHRONOLOGY OF IMPORTANT MEETINGS BETWEEN INDIA AND ASEAN

- 1992 Sectoral Dialogue Partnership of ASEAN
- 1995 Full Dialogue Partnership of ASEAN
- 1996 Membership of Asean Regional Forum
- 1997 Establishment of the BIMSTEC
- 2002 First India-ASEAN Summit & India-ASEAN Business Summit
- 2003 Second India-ASEAN Summit
- 2004 Third India-ASEAN Summit
- 2005 Membership of East Asian Summit & Fourth India-ASEAN Summit
- 2007 Fifth India-ASEAN Summit and Second East Asian Summit

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