

Part II

4. Strengthened ASEAN Centrality and East Asia Collective Leadership

iv. ASEAN-India Relations: Foundation for the Future Architecture of Asia

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ASEAN–India Relations in 2040: Realising the Full Promise of a Special Partnership

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ASEAN is Central to India’s ‘Act East’ Policy

Connectivity between India and the Association of Southeast Asian Nations (ASEAN) is the imprimatur of India’s foreign policy in East Asia. What began as India’s ‘Look East’ policy in 1991 has assumed policy urgency in the ‘Act East’ policy since Prime Minister Narendra Modi announced renewed impetus at the India–ASEAN Summit in Nay Pyi Taw in 2014.

India–ASEAN connectivity is also how ASEAN leads its discussions with India. It overarches economic, political-security, and other forms of cooperation between ASEAN and India. It has also subsumed historical, cultural, and peoples’ linkages between two mega regions for centuries. The history and culture of India are entwined into the fabric of ASEAN Member States like no other neighbour.

The sea linkages between India and ASEAN are prosperous and peaceful. Land linkage via the northeast of India and Myanmar – once the natural gateway to Southeast Asia – still bears the aftermath of great wars and remain underdeveloped and prone to several risks. Trade and movement of people has continued over centuries and has left an indelible mark on the social, economic, and cultural foundations of Southeast Asian countries. Looking ahead towards 2040, the clue for realising the full promise of India and ASEAN relations lie in partnerships based on complementarity and value addition. If indeed India and ASEAN are to realise their individual, regional, and global potentials by 2040, then trade and economic cooperation between the two must be a core consideration. And yet, the challenge is to find the complementarities and shared assets in this relation which could replicate, if not surpass the richness of the history of India and ASEAN relations.

Contours of India–ASEAN Relations Will be Different from Other Dialogue Partners

The influence of China, Japan and the Republic of Korea on the regional economy is immense. The redoubtable rise of East Asia as the economic centre of the world is still in making and ASEAN’s intricate trade and economic linkages with these economies has made this possible. ASEAN and India will however share a differently textured relationship where trade and economic cooperation will be important, but complemented by multidimensional strengths of the two partners.

Balancing ASEAN–India Trade and Investment Relations

The puzzling lack of depth in India–ASEAN relations is partly because of trade balance in favour of ASEAN, as shown in Table below. ASEAN is an intrinsic part of the production networks in East Asia and has been able to achieve tremendous growth for its people in the past 3 decades. Foreign Direct Investment (FDI) into ASEAN helped to augment the trade strengths. It also experienced corresponding socio-economic progress during the past two and a half decades. Extreme poverty has dramatically declined in a number of ASEAN Member States. Correspondingly, the size of the middle class has expanded remarkably. Other social indicators such

as those on health and education also show substantial improvements. Despite being a large market with a broad industrial base, India could not link up with the manufacturing industries of East Asia due to physical and institutional barriers between India and ASEAN.

Table: India–ASEAN Trade in Goods, 2005–2017
(\$ billion)

| Country | Exports to Selected ASEAN Countries | | | | Imports from Selected ASEAN Countries | | | |
|--------------------|-------------------------------------|--------------|-------------|-------------|---------------------------------------|--------------|-------------|-------------|
| | 2005 | 2010 | 2016 | 2017 | 2005 | 2010 | 2016 | 2017 |
| Indonesia | 1.1 | 3.1 | 2.9 | 4.0 | 2.9 | 9.9 | 10.1 | 14.1 |
| Malaysia | 1.1 | 2.5 | 4.0 | 6.3 | 3.9 | 6.5 | 7.7 | 8.0 |
| Philippines | 0.3 | 0.6 | 1.5 | 1.8 | 0.1 | 0.4 | 0.3 | 0.5 |
| Singapore | 4.1 | 9.2 | 5.9 | 0.7 | 5.9 | 13.4 | 10.0 | 11.0 |
| Thailand | 1.3 | 2.3 | 2.6 | 3.9 | 1.5 | 4.4 | 5.2 | 6.5 |
| Viet Nam | 0.0 | 1.8 | 2.7 | 3.9 | 0.0 | 1.0 | 2.7 | 3.8 |
| Total ASEAN | 8.0 | 19.6 | 20.8 | 21.7 | 15.1 | 37.1 | 37.6 | 45.2 |
| % Change | - | 145.0 | 6.1 | 4.3 | - | 145.7 | 1.3 | 20.2 |

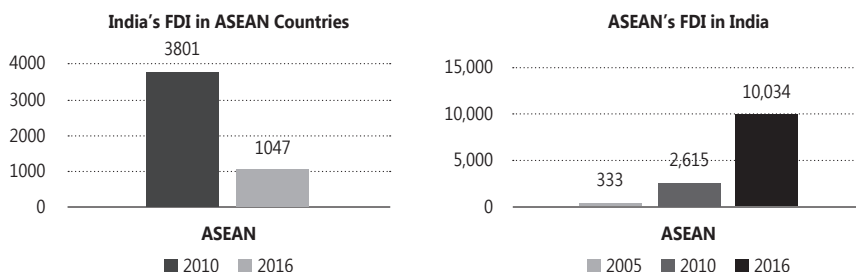
ASEAN = Association of Southeast Asian Nations.

Source: ASEAN Stats (2018).

The pace of growth in trade between ASEAN and India in the past decade is an important pointer for India ASEAN relations ahead. Trade witnessed an exponential growth after 2005, when tariff reduction and trade liberalisation were being introduced gradually, but assuredly in India. This was also the time when ASEAN–India Free Trade Agreement (AIFTA) inspired the confidence amongst partners and businesses. The sharp drop in trade in past 5 years is partly explained by thickening of borders, slowdown in demand, and diminished complementarities between the two regions. India and ASEAN should work jointly on restoring their confidence in intra-regional trade. Besides trade, FDI between India and ASEAN suffers from similar asymmetry. ASEAN’s foreign direct investment (FDI) in India has shown a remarkable increase since 2005, although India’s FDI in ASEAN has shrunk during the same period. (Figure). The status of trade and FDI makes a case for India to find avenues for trade and investment compatibility with ASEAN and to create conditions for investment and participation in the production centres of ASEAN, which facilitated the remarkable economic growth of Southeast Asia. Several

reports and studies suggest that ASEAN–India trade and investment will require greater facilitation measures and regulatory cooperation on both sides. India’s role in Regional Cooperation and Economic Partnership negotiations will therefore become an important indicator, even a lighthouse towards deeper trade relations with ASEAN.

Figure: India–ASEAN Foreign Direct Investment
(\$ million)



ASEAN = Association of Southeast Asian Nations, FDI = foreign direct investment.

Source: ASEAN Stats (2018).

India–ASEAN Relations will Underpin Trans-Regional Strength of Asia

India–ASEAN relations can be the foundation of the East Asia Architecture in 2040. As ASEAN will be looking at a wider expanse of its relations in Asia and beyond, preserving ASEAN’s centrality in the emergent architecture will be greatly facilitated by India–ASEAN relations. India has consistently supported ASEAN’s centrality in all regional constructs. However, the region faces multidimensional challenges, and also opportunities in the next decade. If India and ASEAN are to jointly address these, India–ASEAN connectivity must embed new ideas, new processes and partnerships, and new frontiers of development.

Maritime Linkages and Institutional Partnerships

The Indian Ocean is the common asset of the East Asia Summit (EAS) region. It will also be the pathway for ASEAN, and the region as a whole for, its greater connectivity with other economic regions such as Africa and Europe. With the Indian Ocean being viewed as the pathway

for all economic and security activities, countries that share common institutional strength will shape the future of the region.

Leading up to 2040, the maritime narrative must receive significant attention, as major countries in ASEAN such as Indonesia, Singapore, and Viet Nam rewrite their bilateral relations with India. In each of these cases, maritime connectivity and cooperation is at the top of the list. The Indian Ocean is the lifeline of trade and economics, and even socio-cultural connectivity between India and ASEAN. It has now become closely intertwined with political and security concerns as both India and ASEAN strive for an inclusive and rule-based order in the sea.

For seamless progress towards 2040, it is then important that both sides invest in infrastructure along sea lanes and cooperate closely over institutions, governance, and conduct of maritime linkages in the Indian Ocean. India–Indonesia relations are especially noteworthy here, as India’s Sagar Mala policy and Indonesia’s Global Maritime Axis find confluence in their objectives.

Projects such as the Mekong–India Economic Corridor and the Asia–Africa Growth Corridor should be seriously considered by both sides as India and ASEAN are central to such connectivity plans over land and sea.

It will be a missed opportunity for both sides if the missing links in the land connectivity are not put in place by 2040. The Northeast region (NER) of India and Myanmar will require special attention and action from both sides, much earlier than 2040. A good start has been made by India by putting in place the plan to extend and connect its Trilateral Highway with transport linkage to Cambodia, the Lao People’s Democratic Republic, and Viet Nam. Linking of the Trilateral Highway with the Master Plan on ASEAN Connectivity has been mandated by the ASEAN–India Summit since 2010. Building with a sense of urgency for this connectivity will be important for both sides. India and ASEAN can draw liberally from several plans and projects such as the Comprehensive Asia Development Plan, the Mekong–India Economic Corridor, the Master Plan on ASEAN

Connectivity. The will for creating enduring partnership will be the real test of both sides while moving towards 2040.

India's connectivity with ASEAN, and its impact on regional architecture, will also be influenced by the contours of relations with specific ASEAN countries. In maritime affairs, India–Indonesia relations will be of special value. Indonesia has redoubtable maritime strength, and the maritime connectivity between its islands can be very important for maritime connectivity in the Indian Ocean region as a whole. The Global Maritime Axis programme for inter-island connectivity, port infrastructure, and maritime security fits favourably in the maritime connectivity component of India's Act East policy, where India is working on deepening its cooperation with ASEAN and East Asia.

Infrastructure linkages with close partners such as Thailand, Viet Nam, and Myanmar will be especially important for ASEAN as a whole. India's business and people-to-people linkages with these countries will underpin the greater demand for maritime and infrastructure linkages with these ASEAN states.

India's natural friends in the Indian Ocean region are shaping its friendships and alignments. This will have a bearing on ASEAN's relations with India in the next decade.

Connecting the Growth Centres in India and ASEAN

India–ASEAN relations can intensify and diversify their economic relations when growth nodes of ASEAN fly over Delhi and connect directly with growth centres in India. As ASEAN deepens its production systems, the manufacturing links are better established if ASEAN develops business and productions linkages with important centres of production in India such as Bharuch, Ludhiana, Pimpri, Kochi, Chennai, Vishakhapatnam, Jamshedpur (to name a few). ASEAN and India have a thriving services economy and both require diversity in their respective services economy. Singapore, Kuala Lumpur, and Manila are better served when connected

with businesses in Bangalore, Pune, Hyderabad, and Delhi NCR. Agricultural value chains will be enhanced when Viet Nam, Indonesia, and Malaysia are directly linked with plantation centres in the South of India. New Delhi and Jakarta should be instrumental only in facilitating the connectivity and complementarity between sectoral growth centres of India and ASEAN, respectively.

Complementarity will Make for Enduring Partnership

As noted above, India and ASEAN have more to their partnership than trade and economic cooperation. This partnership seeks new frontiers when going into the next decade. The ASEAN region has experienced tremendous growth in past 3 decades. And yet, ASEAN is in quest for improving the quality of its growth. Human resource development, education, and research and development have been identified as the basic need for ASEAN countries to take it into the next decades. India's tremendous strength in education, especially science and engineering, should be opened for the use of ASEAN youth. India also has tremendous strength in medical learning and teaching. If both engineering and medical streams of education are facilitated for ASEAN, it will lead to enduring relations between India and ASEAN. Similar facilitation in and sharing of scientific and technical knowhow, research and development, institutions of excellence will bring out the unique contours of India ASEAN relations, which have always centred around enhanced people to people relations.

Blue Economy and Sustainable Development

India and ASEAN have had the singular foresight to put the strength of their partnership to develop, sustain, and protect the Blue Economy along the Indian Ocean. The Indian Ocean is a common asset for both India and ASEAN and is the lifeline of all economic and strategic movements along what is known as the southern route. India and ASEAN have the responsibility to ensure that the activities around Blue Economy are bound by rules, remain sustainable and inclusive, and address the developmental needs of the region. The Blue Economy is viewed as the next generation of trade and economic cooperation, which calls for rule-

based cooperation and partnerships. Developing a secure, sustainable, and inclusive Blue Economy will bring in other dialogue partners. The India–ASEAN partnership will set the regional agenda for the Blue Economy.

ASEAN and India have already initiated an institutional dialogue on the Blue Economy. Deepening of this cooperation will be the pathway to sustainable development in 2040.

India and ASEAN will Define Regional Partnership for SDGs and Climate Action

India and ASEAN have to play a very special role in realising the maritime related sustainable development goals (SDGs). The health of Asia and the Pacific's oceans has deteriorated since 2015, highlighting the need to strengthen measures to conserve and sustainably use ocean, sea, and marine resources (Goal 14). Sustainable use of terrestrial ecosystems, the protection of forest areas, and the reduction in degradation of natural habitats also have weakened since 2015. Progress towards climate action and sustainable cities and communities has been limited.

Asia faces unique difficulties in measuring progress on climate action and life below water since no indicators are available. National statistical systems in India and ASEAN must cooperate to adopt new sources of data and establish new partnerships to expand the scope of official statistics. India and ASEAN have an important contribution to make in SDG statistical systems, especially for climate action (Goal 13) and life below water (Goal 14). This is also an opportunity to deepen India–ASEAN connectivity through a collective effort in developing common SDG indicators and calibrated measurement systems that can address the diverse levels of development in India and ASEAN.

The region also requires cooperation for other important but data-poor SDGs such as reduced inequalities (Goal 10), sustainable cities and communities (Goal 11), responsible consumption and production (Goal 12), and peace, justice, and strong institutions (Goal 16). India and ASEAN

have the opportunity to forge their respective expertise to ensure that SDG indicators are available for regional progress assessment. SDGs require cooperation across borders, under conditions of mutual trust and common ambition. India and ASEAN relations are best placed to realise the SDGs for the region.

The commitments submitted by ASEAN member countries for climate action show their increasing interest in enhanced cooperation for achieving climate change goals collectively through a multilateral response and for raising ambition in the future. India and ASEAN can use their connectivity mechanisms to explore further opportunities for cooperation on addressing climate change under the ambit of the Paris Agreement. Designing connectivity and cooperation activities to foster and promote capacities for fulfilling the Intended Nationally Determined Commitments (INDCs) will be the new frontiers of this relationship, where India and ASEAN together give back to the global need for climate action.

ASEAN Centrality will Ensure an Inclusive, Prosperous, and Secure Indo-Pacific

As East Asia continues to rise as the economic centre of the world, connectivity and cooperation with this region will be important for all global partners in 2040. The United States and European Union have set their economic and political interests in the emerging landscape in East Asia. Free and Open Indo Pacific (FOIP) or Indo-Pacific are different connotation of peace, stability and security in the region. Several connectivity programmes, such as the MPAC, India-ASEAN connectivity, Asia-Africa connectivity (Asia Africa Growth Corridor), and the Belt and Road Initiative (BRI) will contribute to realising the prosperity of and stability in the Indo-Pacific. India has unequivocally placed ASEAN at the centre of Indo-Pacific and India-ASEAN connectivity, which will be an important mechanism for ASEAN's connectivity with West Asia, Africa, and Europe.

India and ASEAN can strengthen the institutions and processes in the Indo-Pacific by putting people and their prosperity at the core, make good governance and accountability the drivers, and commit to the goals

of sustainable development and Global Governance. The India–ASEAN partnership will extend beyond national boundaries where national, regional, and global development priorities conjoin naturally.

ASEAN–India Relations: Finding their Full Bloom in Next Decade

India–ASEAN relations, and ASEAN’s position in 2040, are under examination at a time when the fundamentals of the global economy and security are under stress. A recent rebound in growth and global trade have not been able to lower the threat of strong national borders, new trade barriers, and slowing growth. Much required connectivity projects and institutions are funding and creating infrastructure, but their competing interests are prone to erode the trust component in global and regional relations.

India–ASEAN connectivity, if truly materialised through infrastructure and maritime linkages, would be the hub of free and open movement of people, goods, and capital in Asia and between Asia, Africa, and Europe, both over land and the ocean. It will also be central to Asia–Africa and Asia–Europe connectivity.

Gary Hawke, in his seminal essay on East Asian integration (ERIA, 2012), wrote that ‘International economic integration depends on genuine commitment to agreed objectives and processes of reporting progress and peer review. Economic integration is facilitated when leaders and societies have mutual trust, and that is most likely when strategic tensions are minimal.’

India has enjoyed close economic and social connectivity with ASEAN. It also has decades old development cooperation and trade linkages with Africa, West Asia, and Europe. Though ASEAN does not have a unified foreign policy for influencing global or trans-regional relations, it can leverage its historical and trusted relations with India for greater connectivity in the region. Building on their historical relations to explore

new frontiers of cooperation, the report card for 2040 will mark the blossoming of the India–ASEAN partnership.

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