

ASEAN-India Relations: Potential for Further Growth

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Summary

On 16 June 2022, India hosted the Special ASEAN-India Foreign Ministers Meeting. The occasion also marked the 30th anniversary of the establishment of dialogue relations between India and the Association of Southeast Asian Nations (ASEAN) and 10 years since the development of their strategic partnership. The leaders called for greater emphasis on trade growth, investment enhancement, defence and security, physical and digital connectivity, climate and sustainability action and greater exchanges among their citizens. At the same time, they exchanged views on developments in the region and elsewhere.

This paper argues that despite the tremendous progress made in the last few decades in forging ties between ASEAN and India, their relations are not at their optimal. The two sides have challenges, but these are surmountable. Both ASEAN and India must take proactive approaches to ensure a brighter bilateral future.

Introduction

The Association of Southeast Asian Nations (ASEAN) and India complete three decades of diplomatic relations this year. Beginning with India's 'Look East' policy in the early 1990s, India-ASEAN ties have progressed from a sectoral dialogue partnership in 1992 to dialogue and summit-level partnerships in 1996 and 2002 respectively. In 2012, commemorating two decades of relations, India and ASEAN elevated their ties to a strategic partnership.

India and the ASEAN members' bilateral diplomatic engagements go back to the post-World War Two era. Notably, India supported the independence of Indonesia and Myanmar and was a prominent participant at the 1955 Bandung Conference, supporting the Non-Alignment Movement. India was also among the first countries to formally recognise a newly independent Singapore and establish diplomatic relations with it – just 15 days after Singapore became independent in August 1965.

After ASEAN was formed in 1967, India first informally supported it and then more definitely after 1973. However, India's recognition of the Vietnamese-backed Kampuchean regime in 1980 drove a wedge between Delhi and ASEAN, which lasted till the government initiated the 'Act East' policy to further engage Southeast Asia.

The relationship between ASEAN and India is a very important one. It is a relationship between the 1.35 billion people of India and the 650 million people of ASEAN. It is a relationship between two vibrant economies and is relatively free of problems. There is, therefore, a high degree of comfort and trust in the relationship. However, the truth is that

the relationship is far below its potential. ASEAN is underperforming in India and vice-versa. The ASEAN-India relationship is a pale shadow of the ASEAN-China relationship.

Areas of Convergence

India and ASEAN are important economic partners. Before the outbreak of the COVID-19 pandemic in early 2020, ASEAN was growing at about 5.7 per cent per annum. Similarly, India was growing at about 6.5 per cent per annum during that period. According to a State Bank of India report, India is expected to grow at about 9.5 per cent in 2021-22.¹ ASEAN is the world's fifth largest economy and could become the fourth largest by 2030. India could be the world's third largest economy, after China and the United States (US), by 2050. Presently, the US\$3.2 trillion (S\$4.4 trillion) ASEAN economy is slightly larger than the Indian economy (US\$2.9 trillion) [S\$4 trillion].

India and ASEAN have a free trade agreement. India is one of ASEAN's top trading and investment partners. In the decade since signing the agreement, bilateral trade has grown exponentially and reached over US\$79 billion (S\$110 billion) in 2020-21.²

Investment is another important area of engagement. India's foreign direct investment (FDI) in ASEAN has been growing. In 2020, it reached US\$2.12 billion (S\$2.9 billion), up from US\$850 million (S\$1.1 billion) in 2015.³ ASEAN's investment (mostly from Singapore) has also been growing. In 2021-22, Singapore invested US\$15.9 billion (S\$22.1 billion) in India, placing it in second place behind Mauritius.⁴ There are nearly 9,000 registered Indian companies in Singapore, and they explore business opportunities across markets in the region.

India and ASEAN also cooperate closely on political and security matters, both at the country-to-country and multilateral levels. Bilaterally, India has signed 'strategic partnerships' with four ASEAN countries, namely, Indonesia, Malaysia, Singapore and Vietnam. At the multilateral level, India is a member of multiple ASEAN-led fora, including the East Asia Summit, the ASEAN Regional Forum, and the ASEAN Defence Ministers Meeting.

Maritime cooperation is a key plank of security relations between the two sides. India's flagship MILAN naval exercise, started in the 1990s, includes several ASEAN members. India also conducts bilateral coordinated patrols with several ASEAN countries, as well as exercises such as the Singapore-India Maritime Exercise, which completed 25 years in 2018.

¹ Press Trust of India, "India's GDP likely to grow more than 9.5% in FY22: SBI research report", *Business Standard*, 2 December 2021, https://www.business-standard.com/article/economy-policy/india-s-gdp-likely-to-grow-more-than-9-5-in-fy22-sbi-research-report-121120100547_1.html.

² Ministry of Commerce and Industry, Government of India, <https://commerce.gov.in/about-us/divisions/foreign-trade-territorial-division/foreign-trade-asean/>.

³ ASEANstatsDataPortal, ASEAN Community Statistical System, <https://data.aseanstats.org/fdi-by-hosts-and-sources>.

⁴ Quarterly Fact Sheet, Fact Sheet On Foreign Direct Investment (FDI) in India, Department for Promotion of Industry and Internal Trade, Ministry of Commerce & Industry, Government of India, https://dpiit.gov.in/sites/default/files/FDI_Factsheet_March_2022_23May2022.pdf.

In 2019, it also participated in a new minilateral exercise with Singapore and Thailand. India and Singapore have also signed army, navy and air force agreements.

The movement of people, especially in tourism, is a high-potential area. In the pre COVID-19 period, the number of Indian tourists to ASEAN steadily grew over time and was over five million in 2019. In the same year, over nine million tourists from ASEAN visited India, an increase of about five per cent over the previous year.

While connectivity between India and ASEAN is longstanding, they need to promote greater connectivity on land, at sea, in the air and in cyberspace.

In 2004, India and ASEAN held the first ASEAN-India car rally. A group of enthusiastic drivers set off from North-East India and drove through Myanmar, Thailand, Laos, Vietnam, Cambodia, Malaysia and Singapore and, by ferry, to the Indonesian island of Batam. The successful car rally reminds us that India is connected to Southeast Asia through Northeast India. India is already promoting this land corridor which will also bring investment and development to North-East India.

In addition to military maritime cooperation, it is in the interest of both sides to augment their maritime infrastructure and enhance the shipping links between them. In addition, India is keen to enhance maritime cooperation with ASEAN. At the ASEAN-India Commemorative Summit to celebrate the 25th anniversary of ties in 2018, India's Prime Minister Narendra Modi put forward several proposals for ASEAN's consideration.

The air connections between India and ASEAN have also grown exponentially. In 2019, there were about 2,500 passenger and freight movements from the ASEAN countries to India while slightly more than 2,100 passenger and freight movements took place from India to the ASEAN region. In 2019, a new flight connection began between Bangkok and Guwahati in Assam. However, there are no direct flights between India and some ASEAN countries. ASEAN would like to conclude the ASEAN-India Air Transport Agreement expeditiously. This will boost tourism and enable Indian and ASEAN airlines to seize opportunities with new and emerging markets.

The cultural connections between India and Southeast Asia are also deep and broad. Hinduism and Buddhism came to Southeast Asia from India. The Indian languages, Sanskrit and Pali, have influenced several of the region's scripts. Indian literature, court rituals, food and fashion have been assimilated into the region's culture. Angkor Wat, Bagan, Borobudur and Prambanan were inspired by Hinduism and Buddhism. India's influence, however, lives on in contemporary Southeast Asia. For example, the national carrier of Indonesia is called Garuda, a legendary bird found in Hindu, Buddhist and Jain mythology. Garuda is the vehicle of the Hindu God, Vishnu. To add, the great Indian epic, Ramayana, is read and performed in all the ASEAN countries.

Both India and ASEAN can take pride in their shared heritage and the way in which cultural commonalities have helped bridge relations at the official and people-to-people levels. Having said that, much work still needs to be done in raising knowledge and cultural awareness on both sides.

Areas of Differences

Like all close partners, India and ASEAN differ – in terms of perspectives, intentions or actions – on several bilateral, regional and international issues. It is important for ASEAN and India to continue engaging each other to avoid any misunderstanding on these matters, or better still, to address them in a mutually beneficial manner.

The Regional Comprehensive Economic Partnership appears to be a key issue of divergence between India and ASEAN due to the latter's decision to withdraw from the trading bloc after eight years of negotiations. India withdrew for two reasons. It feared that the RCEP would worsen its trade deficit with China. New Delhi felt that India had opened its market to Chinese exports, but Beijing did not reciprocate. The second concern was that trade in services should be liberalised in tandem with trade in goods.

During the launch of the publication, *India On Our Minds*, in Singapore in December 2020, Singapore's Prime Minister Lee Hsien Loong, expressed his hope that India would revisit the merits of joining the RCEP, adding that the door would always be open to India. We hope for movement in New Delhi in this regard. India's leaders should remember that trade is strategy.

Geopolitically, China poses a geo-political puzzle for ASEAN and is reason for divergence between New Delhi and several ASEAN countries. India's recent border issues with China have highlighted that the two large neighbours will likely have a more confrontational relationship going ahead. In Southeast Asia, while some countries like Cambodia and the Philippines have courted Chinese investment and geopolitical support, countries such as Vietnam have opposed it in certain political-security spaces such as the South China Sea.

As with the US and China, the ASEAN states will need to seek to balance and pursue their interests in the developing India-China dynamic. The proximity of India and China to ASEAN further adds to the mix on account of their views and actions concerning serious regional geopolitical upheavals, such as the recent Myanmar military coup.

The ASEAN-India dynamics have been further complicated by the emergence of the Quadrilateral Security Initiative (the Quad), with India embracing it in its strategic lexicon. ASEAN is not comfortable with the rise of the Quad, comprising the US, Japan, Australia and India, as a significant security institution in the region. It also does not like the idea of the Quad being viewed as a threat to ASEAN's centrality as well as ganging up against China. ASEAN does not wish to be entangled in a possible power transition taking place in the Indo-Pacific region.

Looking to the Future

The future is bright for India-ASEAN ties. While the two sides have made tremendous progress in the last few decades and built strong linkages with each other, the potential for further growth and connections is immense.

India and ASEAN need to have greater e-commerce and digital connectivity. ASEAN possesses one of the fastest grown digital economy regions in the world. Countries such as Vietnam, Indonesia, Malaysia and Thailand have booming digital economies with high-growth and domestic innovation in sectors such as e-commerce, ride sharing, mobile gaming and financial technology. India too has a vast and burgeoning start-up sector with a digitally proficient human capital base. For example, India's Aadhaar system can facilitate digital connections among the citizens of India. ASEAN wants to do the same with its citizens.

India intends to build 100 smart cities and ASEAN intends to create a network of smart cities. There is much scope for leveraging their respective competitive sectoral advantages, and in cooperation and mutual learning. Some cooperation is already underway to this end. For instance, Singapore's Surbana Jurong is assisting with a smart city development in Maharashtra.

The two sides can also develop an ecosystem like that in Silicon Valley to promote new ideas, new technology, and new business. The outbreak of COVID-19 has accelerated the growth of the e-commerce and digital sectors. We should capitalise on the opportunities.

Climate change and sustainability have emerged among the critical challenges facing India and ASEAN. They can cooperate on technologies and solutions to combat climate change, again leveraging competitive advantages in sectors such as renewable energy, waste management, pollution control and disaster mitigation, among others.

Lastly, both India and ASEAN are confronted with human security issues on account of cross-border crises such as the Rohingya situation, extremism and the frequency of regional natural disasters. This is an area of cooperation which can help to build goodwill and deepen existing relations between the governments and the people on both sides.

Conclusion

India's relations with Southeast Asia date back a thousand years. There are many cultural, religious and people-to-people linkages between India and the ASEAN countries. Trade and investment ties have also grown since the opening of the Indian economy in the early 1990s. Relations are good but not optimal. There is little doubt that the ASEAN-India relationship will grow from strength to strength. However, efforts are needed on both sides in this respect.

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