

# Indo-Asean Relations: Evolution, Challenges, And The Way Ahead

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## Abstract

India has been engaging the South East Asian nations actively as a result of its 'Look East Policy' started in 1990. India and ASEAN have mutual interests in a wide range of areas which include Commerce, Tourism, Foreign Affairs, Renewable Energy and Telecommunications, Agriculture, and Renewable Energy. It indicates the deepening and strengthening friendship of India and ASEAN. In this context, the present study attempts to throw light upon the evolution of Indo-ASEAN relations from a historical perspective. It dwells upon the developments that took place after the end of the Second World War and subsequent tectonic shifts in the geo-political equations across South East Asia. The study provides an account of the key events that shaped the Indo-ASEAN relations over a period of time. It also discusses the challenges posed to this relationship in the backdrop of China's emergence in Asia and makes policy suggestions to deal with these challenges.

**Key Words:** South East Asia, Look East Policy, Indo-ASEAN relations, Second World War

## 1. Introduction:

ASEAN emerged as an important regional power block that has its own identity and significance in global geopolitics. This ten-member grouping and India account for a 1.85 billion population and also a combined GDP of \$3.8 trillion. Infact, ASEAN is the logical corollary of the tectonic shifts in the geopolitical equations in the post-Second World War period. Southeast Asia witnessed a large-scale transformation during this period as many of the nations in this region attained freedom from colonial clutches after the Second World War. However, as these countries became free nations, they also carried with them the border disputes and other conflicts from their past, pushing them back to the control of the Western nations. For instance, the Indonesia-Malaysia dispute over the Borneo islands and the Vietnam turmoil in the mid-1960s created a situation where Southeast Asian nations turned out to be the war theatres for the western powers. It is these fears of extensive involvement of the foreign powers in the region that propelled the statesman of the nations of Southeast Asia to come together and sort out the issues among them through consultation and dialogue rather than confrontation and turmoil, which would only end up in the loss of their sovereignty to the west again. At the same time, India too emerged as a key player in the Asian region that could be a strong counter to China's dominance, given India's economic might demographic dividend, and the democratic structure of governance.

Indeed, ASEAN views India not just as a political power with a functional democratic setup but also as a major economic powerhouse. India, in turn, is also trying to meet the expectations of ASEAN as a regional power and it has deepened its engagement with the Indo-Pacific region in general and ASEAN specifically. On the other hand, ASEAN could also cater to the energy needs of India as the South China Sea has rich deposits of natural gas and petroleum, and countries like Vietnam, Malaysia, and Myanmar could be useful as sources of energy supplies. Trade and commerce would flourish if there is a better network of transport and communication infrastructure across the region, as many of the ASEAN member states are also part of India's main trade routes

by the Sea. Given the changing global geo-political scenario, it is pertinent to understand the bilateral trade relations of the Asian giant India and the powerful grouping of ASEAN.

Against this backdrop, the present study attempts to throw light upon the changing trends in the Indo-ASEAN relationship. The paper has three sections. The first section discusses how Indo-ASEAN relations evolved. The second section discusses the emerging trends in this relationship in the backdrop of rising Chinese dominance in Asia and equally assertive India in the region. The third section is devoted to a discussion about the future of Indo-ASEAN relations and a conclusion.

## Section-I

### The Evolution of Indo-ASEAN relations

As a result of the initiative of the first guardians of ASEAN, Malaysia, Philippines, Singapore, Indonesia, and Thailand, the Association of Southeast Asian Nations, or ASEAN came into existence on 8<sup>th</sup> August 1967 after the signing of the ASEAN Declaration, famously called as Bangkok Declaration. Later, Brunei put initiation to join on 7<sup>th</sup> January 1984, followed by Vietnam on 28<sup>th</sup> July 1995, Lao PDR and Myanmar on 23 July 1997, and Cambodia on 30 April 1999. Today ASEAN has ten member states. ASEAN also takes along with it, the key players like India, China, Japan, The Republic of Korea, Australia, New Zealand, The United States, and Russia through the East Asia Summit. India also engages ASEAN separately through ASEAN-India summits.

India has been engaging the South East Asian nations actively. As a result of this “Look East Policy” started in 1990. The ASEAN – India started the dialogue partnership in 1992 after India started its new economic policy in the early 90s. In 1996, it became a full dialogue partnership. Since 2002, India has been holding annual summit meetings. After becoming the Sectoral Dialogue Partner in 1992, the trade relations of India with ASEAN improved as compared to other countries. In 2003, during the second India – ASEAN summit a framework agreement was signed on Comprehensive Economic Cooperation. on 13 Aug 2009, after six years-long negotiations, India ASEAN Trade in Goods (TIG) agreement was signed in Bangkok. During the 7<sup>th</sup> ASEAN India summit in Thailand in Oct 2009, both the parties agreed to revise bilateral trade. At the 10<sup>th</sup> ASEAN–India summit in Delhi in 2012 negotiate FTA in Services and Investments, to further aggressive integration in 2014 the LEP is retiled to AEP.

In the year 2009, India and ASEAN signed Free Trade Agreement on goods. Indo-ASEAN relations crossed another milestone in 2012 by upgrading their relationship to the level of a strategic relationship. As a result, defence and security ties were deepened further. Their economic integration reached new heights when both the parties signed Free Trade Agreement in services in 2014 when India changed the “Look East Policy” to the “Act East Policy”.

As a logical corollary of this approach of India, both India and ASEAN have 30 dialogue mechanisms that meet regularly, including a Summit and 7 Ministerial meetings in Foreign Affairs, Commerce, Tourism, Agriculture, Environment, Renewable Energy, and Telecommunications. This deeper engagement is yielding better results and it is evident from the fact that India has emerged as ASEAN's fourth-largest trading partner with an amount of total trade of \$71.69 billion in 2016-2017. This constitutes almost 11% of India's overall global trade of \$660.6 billion.

India is also the seventh-largest trading partner of ASEAN and in the last two decades, the value of investments from both sides touched \$ 70 billion. The exports to ASEAN in 2016-17 counted for \$31.07 billion, while imports were \$40.63 billion. This creates an adverse trade balance of \$9.56 billion. This trade deficit can be to some extent filled as India got a comparative advantage in the service sector relative to ASEAN and this would definitely boost India's service exports and also provide cheaper and better services to the ASEAN citizens shortly. Besides this India's pharma industry has a good reputation across the world and the Philippines premier had evinced keen interest to discuss issues related pharma sector during this commemorative summit. There are also proposals from the Indian side to further deepen the commerce between India and ASEAN, particularly in textiles and also by promoting business to business interactions. These developments would be having a positive impact on pharma and textile sector of India in the near term. According to the report of 2018, the export increased from 23 billion

USD in 2010 to 36 billion USD in 2018 at a Compound Annual Growth Rate (CAGR) of about 5% while the total import from 10 members increased from 30 billion USD in 2010 to 57 billion USD in 2018 which is about 8 percent at CAGR. In 2019-20, India's Export were 31.49 billion USD to Asean while import from the bloc tossed to 55.37 billion USD. From 2010, with the activation of ASEAN – India FTA for goods, trade between two partners almost doubled to reaches over 87 billion in 2019-20.

At present, the bilateral trade between Asean and India accounts for almost 11% of India's global trade, up marginally by 1% from 2010-11 to 2019-20. India's widening current account deficit with ASEAN, but with capital account surplus. In 2019, India's top 15 trading partner Singapore came at the fifth position with trade portion of 10.7 billion approx 3.3 percent and Vietnam in fourteenth position by 5.49 billion USD trade approx 1.7 percent. Indian pharma companies performed great as compared to 2017-18 and build a manufacturing and research hub and become 3<sup>rd</sup> largest in terms of quantity manufacturing of medicines and 13<sup>th</sup> largest in terms of value. The expected CAGR which was earlier 22.4 tossed to 55 billion in 2020. Even the COVID pandemic didn't have great impact on this sector, and it in fact continues to be a greater supplier of necessary drugs and forecast to reach trade export 130 billion USD by 2030. This reflects the deepening Indo-ASEAN trade relations.

## Section-ii

### Emerging Trends and Countering China's Dominance

In (2010) at 12<sup>th</sup> International conference of "Future of Asia" organized by Nihon Keizai Shimbun, Inc. (NIKKEI). RBI has a conference on the topic "The future of Asia" is well stated and heated economic valuation of Asian countries and the futuristic aspect of the economies. The RBI banker stated on behalf of India about the emerging India into Asia as a powerful economy. The paper is on behalf of RBI's assessment about challenges and outlook for Indian economy over the medium term. Chirathirat (2012) analyze that most the ASEAN nation after the financial crisis in 1997-98 developed and integration with outsides and started multiple bilateral, regional or sub-regional initiative as a group or individual on pursuit of trading arrangement as FTA and CEP ( comprehensive economic partnership) with other counties. Export –Import bank of India (2018), conclude that technology plays a vital role in upgrading economy of countries and bringing changes all over the world by e-commerce and digital connectivity. India-ASEAN are amongst the fastest growing e-commerce markets, by increasing growth and consumption of the internet and mobile usage we can grow the e-commerce and digital business more rapidly. India is also growing fastly in terms of digital economy and thus has a great potential to build 1 trillion USD of economics value and create 65 million new jobs by 2025. The SMCs have an adverse impact on business and continue to be a part of global value chain must overcome of low connectivity, high digital diversion and intensify supporting regulation and operational framework, to promote and build SMC's in fast track global integration or to compete with future completions. India–Asean must make a proper framework and logistics for SMC's, the major problem SMC's face are the lack of market knowledge and inability to indentify business partners which means that they don't actually know how and what a consumer of digital market wants for proper and effective e-commerce integration between India Asean. Both has to work together to develop information and market strategy and marking B2B connection to help SMCs to provide customer and partner's answer queries and resolution facility 24X7. SMC's 'must upload their success stories to motivate other and India Asean build a culture synergies and a common aspect to work like local product and handicraft and create an e-commence platform to increase market access for SMC's. Francis (2011) talked about the impact on sectors by FTA between ASEAN and India. By Liberalization of Imports, the agriculture sector and intermediate good and light manufacturing product has an adverse effect and small and medium enterprises in food and agriculture products also suffers. But import liberalization on intermediate good encourages multination corporations to boom up the production rationalization across the region in sectors like transport equipment, machinery, chemicals and iron or steel sectors. Paper also shed light over the negligence upon the development of service sector and agriculture or manufacturing base sector which challenges employment and lively hood more fiercely. However, on the other hand, there are hardly any immediate benefits as compared to percentage of tariff drops in Malaysia, Indonesia; Thailand's normal track products are lower than India. ASEAN has signed FTA with China, Korea and many other countries in order to make a route for the products of the other countries to reach India's market. As China is a major producer of agriculture product and Japan share in India's import fall due bilateral trade of Japan with

Asia. Austria and New Zealand are major producers of milk products which lead to difficulty for Indian domestic companies of agriculture and milk production policies for more hold in a foreign market which will affect adversely to India's employment and livelihood more challenging.

Malhotra (2018) in his article bestowed light upon the Act East Policy of India, including its progress and hurdles in India's path to maintain a healthy relation with the ASEAN. He further highlighted how Act East Policy provided momentum to India-ASEAN relationships. Concluding by stating that Act East Policy, no doubt aims to pace up the relations with ASEAN but still to succeed, India needs to grab fleeting opportunities, and be more receptive to offers and should focus on high quality along with fast delivery of services and projects undertaken. Ahmed (2012) studied about the securities concerned in the upcoming era. The gap among the nation according to their development brings the greater opportunity for developing bilateral relation with every individual country solely. This can help India to fulfill the requirement of individual country and can get what Indian market wants. He further focuses on ASEAN and EAS (East Asian Summit) group of 18 members and stated that an appropriate integration with this group can lead to ample of opportunities in the region and will facilitate India's Economic Development: Business which are looking into the global market will get a huge market in other countries. The paper also observes the security concern and policy making for fighting terrorism. Bajaj and Sharma (2015) explain the issue and opposition of AIFTA. The paper shows that after several negotiations in the year 2010, AIFTA, ASEAN – INDIA Free Trade became operational, but there is no such result or evidence which shows that the signing of FIA benefitted or disadvantaged India, as most of the study was about the sector specific advantages/disadvantage for India. The paper concludes that the future of AIFTA is good on agreement on trade in services. The paper reviews the falling of multilateral process which has result in snowballing effect in FTA's all over the globe. India should focus on the specific commodity groups which are important for ASEAN countries. This will increase export of India into the region. He suggested that India must build a transparent and easily business oriented agreement with ASEAN Countries which ultimately makes benefit out of Agreements (FTA's). India is one of the top scoring parameters for future integration and by signing AIFTA in services, the new era of trade for India can emerge with greater opportunities. Bhatiya (2016) in his article bestowed light upon the Act East Policy and Myanmar's role in relations between India and ASEAN. AEP being the up gradation of LEP features focus on action and result, intension of policy from ASEAN being core of it to US, Japan, Australia South Korea boldness ; co – operative with ASEAN and dedication. Talking about Myanmar's role, which is the only member state of ASEAN that shares both land and marine borders with India, holds a pretty important position in terms of ethnicity and religion. There exists a collective memory of interactions and exchanges on all fronts between two lands. To India, Myanmar also is "buffer state" in context to the 'China factor'. Concluding the author states, AEP needs to cover loopholes to mention the healthy relation as India and Myanmar both need each other for tackling future threats and grasping the opportunities. Tyagi et.al (2017) talked about the issue of transportation and transport sector in the region. The aim of the paper is specifically focusing on the transportation sector within the region of Indo-Asean. Paper analyzes transport facilities among ASEAN Economies and what can be taken to improve the sector for better trade integration and development of nations. As India's road is not much appropriate for heavy trucks and maintenance of such road or road networks in India are under the National Highway Development Project (NHDP). Economies in the region must have to harmonize road transportation and motor vehicles, rules and regulations, freely movements of vehicles. The Information technology can be used in monitoring cross border movements in goods. Trade liberalization is important and necessary, but in sufficient condition, and give utmost priorities to infrastructure facilities. As in the India-ASEAN, trade transport sector must be playing a better role in building the economics so we must liberalize the transport pattern and built a good transport network by way of a road, railway waterway and by air. Economics must build a better road network and enter water port of short distant. Bajpae (2017) in his article on India's Look East/Act East Policy, mentioned about the theoretical aspects and on ground reality of the policy. Look East Policy, which was launched in the early 1990s, to increase the importance of Southeast Asia in India's Foreign Policy Agenda. The policy evolves through different 'phases', with each phase focusing on broadening and deepening India's relations with the ASEAN and the South East. In the study, the author mentioned three phases. Phase 1<sup>st</sup> of LEP aimed at trade example economic development and phase 2<sup>nd</sup> was characterized by an expanded definition of the East with ASEAN at its cost. Phase 1<sup>st</sup> of LEP aimed at trade example economic development and Phase 2<sup>nd</sup> was characterized by an expanded definition of East with ASEAN at its cost. 3<sup>rd</sup> phase Act East replacement of Look

East implied that the India would be taking a more pro active and action oriented approach towards the Asean. The launch of each phase severed as mere rebranding exercise. However, the elements of later phases were present in early phases too. The policy just only serves as a narrative device for understanding general progressive of India's eastward engagement, but fails to capture minute differences of India's post cold war relationship with the South East Asia. Kuo (2018) in her conversation with Dr. Gurupreet S Khurana discussed about the strategic and geopolitical discourse in India related to the term Indo-Pacific. The trigger behind coining the term Indo Pacific was China's increasing Politico – Military determined/ commanding personality. Initially, the US term “ Asia-Pacific” but later on changed it to “Indo-Asia Pacific” which was essential for U.S to maintain its relevance as ‘Resident Power’ in Asia. Apparently, however, Donald Trump coined it ‘Indo- Pacific’ to concentrate on the security dimension of America's geopolitical ends, especially those related to China. Indo-Pacific concept was embraced for more constructive geopolitical amalgamation of Indian Ocean and western pacific regions. However, indo pacific as geopolitical concept involves competition of establishment. Concluding that, the concept is not exclusive and is equally helpful to all nations including China. Ngaibiakching and Pande (2020) highlight the increasing dominance of China in Indo-Pacific region in his paper India “Act East Policy” and Asean building a regional order through partnership in the indo pacific. He clarify that India is new in a better situation as compare to earlier or before AEP (Act East Policy). Now India can fill the gap and having much more potential to fill the gap between Asean and China's trade dominance. India can come as a new economic power to overcome the China's dominance in East and East Asean countries. Chang (2020) the article emphasizes on Indo- pacific concept and how it benefits the various nations including U.S, Japan, India and ASEAN. The ‘Indo – Pacific’ as coined by trump aims at joining of India, US, Japan, Australia etc to curb China in new framework of growing Cold War influence. On the other hand, Chinese scholars conclude that the geopolitical changes brought about by China's rise are the reason for US's framing of Indo-Pacific. Concluding that Indo pacific strategy is still an idea only now with its future effective uncertain. The quad of US, Japan, India and Australia has to yet improve the coordination and joint adoption of policies to facilitate success of Indo–pacific strategy. Kishore et.al (2020) Conclude that India-Asean to improve connectives, reduce digital divide and implement supporting regulation and framework. Due to digitalization SMC's are adversely impacting the ability of small businesses to trade and be part global value chains.

### Section (iii)

### Conclusion

To effectively counter China in the South China Sea, India needs to establish a formal bilateral trade agreement with other nations of the region, especially with individual Asean nations, apart with US. These trade agreements will help in countering Chinese regional dominance in the South China Sea and in Asean nations through a weakened Chinese economy, an India with strengthened regional influence, and the creation of a global supply chain competitor to China. Not only this but India but build a better road networks and waterways as India is in comparative geographic advantage with most or the Asean nations. CMLV countries project of road network will make better integration and trade practices with the region. The study clearly defines the objective that the trade trend into Asean nation needs a better integration for becoming the regional power. In addition to make the analytical statement RCA index clearly shows the field India having comparative advantage which can become greater opportunity in further upcoming years. India must focus on agricultural sector apart from manufacturing sector as developing manufacturing only leads to development when the primary sectors become more stable and powerful. Secondly, India facing a back step in agriculture or dairy product as New- Zealand and Australia are the leading supplier of dairy product in the East Asian nations followed by the China. To become a regional power and to tackle China's dominance India must have to focus on agriculture sector as well as Manufacturing sector equally.

India is leading service provider to Asean nations, in the field of Education India are well known in East Asia. India must open education hub in the region as IIT and IIM are well rated and liked institute by Asean nations. In the field of tourism India has to make plans for better tourism as to invite more of the people from the region and to hold Indian to plan foreign tours in Thailand , Singapore.

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