

ASEAN and India: Five for the Next Five

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INTRODUCTION

The India-ASEAN Dialogue Partnership has become increasingly important amidst uncertainty in the region. In 2012, the relationship was elevated to the status of 'strategic partnership'. India is keen to show its recognition of such importance, inviting all ten heads of state of the Association of South East

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Asian Nations (ASEAN) as chief guests at the Republic Day celebrations on 26 January. Making the partnership even more relevant is China's growing influence in the region, along with the rising economic potential of greater integration and changing geopolitical power structures in the region.

The latest Plan of Action for the Dialogue Partnership between India and ASEAN focuses on political and security cooperation, economic and socio-cultural cooperation, narrowing the development gap, and improved connectivity. As the two regions move forward, the path ahead offers plenty of opportunities for new forms of collaboration.

This report outlines five strategic areas for the ASEAN-India partnership for the next five years. First, improved physical connectivity should be augmented by efforts to reduce other barriers to trade, namely, non-tariff barriers that have the potential to significantly impede trade and integration. Second, in addition to security cooperation in the Indian Ocean Region (IOR), ASEAN and India should leverage existing platforms to deepen collaboration on economic development in ocean-related activities. Third, in the context of the digital age, cooperation and dialogue on fostering inclusive growth should be undertaken, along with collaboration in cyber security strategies. Fourth, as the economic benefits of improved labour mobility between India and ASEAN are immense, new policy frameworks should be developed to improve the flow of labour between them. Finally, given uncertainty in the region, ASEAN and India should define a collective soft-power strategy that will support a rules-based approach to governance in the region. This report illustrates the strategic importance of these five areas and highlights their potential impact for a sustainable, cooperative, and influential future.

FIVE KEY AREAS FOR INDIA & ASEAN

I. CONNECTIVITY

A pillar of the ASEAN-India agenda is improving economic, digital, and socio-cultural connectivity. Infrastructure projects that enhance transportation links between ASEAN and India are a key component of the economic connectivity and integration strategy. Together, India and ASEAN make up the third largest economy in the world, with a combined population of approximately 1.8 billion people.¹ Despite increasing trade between India and ASEAN, physical connectivity remains a binding constraint for further integration.

To fully benefit from improvements in infrastructure and the region's free trade agreements, other barriers to trade need to be addressed. One strategic area for collaboration between ASEAN and India over the next five years is the reduction of non-tariff barriers to trade.

ASEAN is India's fourth largest trading partner, accounting for 10 percent of India's global trade, up from seven percent in 2001, totalling US \$70 billion in 2016-17.² Meanwhile, India is ASEAN's seventh largest trading partner, accounting for 2.7 percent of trade in 2013, up from 1.3 percent in 2001.³ Free trade agreements such as the ASEAN India Free Trade Agreement (AIFTA), the ASEAN-India Investment and Services Agreement, several bilateral agreements, and the impending Regional Comprehensive Economic Partnership (RCEP) are enhancing the possibility for greater economic integration and increased trade in the region.

Several infrastructure projects linking India and ASEAN are underway, including the Trilateral Highway connecting India's northeast to Thailand, the Dawei Deep-sea Port in Myanmar, and the Kaladan Multi-modal Transit Transport Project. Continued commitment and investment are needed in these infrastructure initiatives, as well as in soft infrastructure such as standardisation, increased automation in customs, and upgraded border facilities to facilitate the seamless movement of goods.

Once fully implemented, the AIFTA will reduce 90 percent of tariffs between India and ASEAN.⁴ However, non-tariff barriers to trade remain a major constraint. NTBs are mechanisms that restrict the free flow of trade, such as certification and testing procedures, packaging and labelling, customs delays, and technical barriers.

The Integrated Trade Intelligence Portal, an initiative under the United Nations Conference on Trade Development (UNCTAD), recorded 6,000 non-tariff barriers to trade in ASEAN alone. Some 69 percent of imported products to the Philippines, and 58 percent to Indonesia are subject to non-tariff measures. In India, all imported products are subject to non-tariff measures, with an average of 4.2 measures applied to each imported commodity.

While NTBs can be valuable public-policy tools for protecting consumers and the environment, they are also used as instruments of protectionism to shield domestic business from international competition.⁵ The use of non-tariff measures significantly alters the nature of trade between nations. The reduction of strategic barriers must be addressed to enhance the trade potential within ASEAN, and between ASEAN and India. Existing institutional

mechanisms should be leveraged to align strategies and agreements for the reduction of NTBs over the next five years.

II. THE BLUE ECONOMY

Security cooperation is another pillar of the ASEAN-India agenda. Ensuring peace and security in the Indian Ocean Region (IOR) and leveraging the heft of India and ASEAN as a regional power should continue to be at the centre of this partnership. Piracy, disputes over resources, territorial claims, terrorism, China's increasing assertiveness, and a fractured governance system are creating instability in the region. India and ASEAN ought to continue to play a decisive role in shaping regional norms, and supporting a rules-based approach to governance in the IOR.

The maritime space is becoming increasingly central to security, economic development, and connectivity. Aside from addressing long-standing and emerging security threats in the IOR, there is scope for greater ASEAN-India collaboration in ocean-centred economic development.

In light of the economic and employment potential presented by the oceans, and their centrality to human wellbeing, there is a new urgency in the need to protect the health and sustainable use of ocean resources.⁶ At present, 70 percent of the potential value of the world's oceans is at risk due to pollution, over-exploitation, warming, acidification, and natural habitat destruction.⁷

The blue (or ocean) economy refers to ocean-based economic activities, including fisheries and aquaculture, renewable ocean energy, seaports and shipping, offshore hydrocarbons and seabed minerals, marine biotechnology, research and development, and tourism. India and ASEAN derive immense benefits from the blue economy: it accounts for approximately 20 and 15 percent of GDP in Vietnam and Indonesia, respectively.⁸ There is strong evidence to suggest that the management of natural resources and assurance of the health of the oceans will have significant long-term social and economic benefits.

While security imperatives in the IOR are clear and ASEAN and India have an important role to play in securing the region, there is potential for greater strategic collaboration in sustainable economic development. This should include collaboration on the UN Sustainable Development Goals, rejuvenating

fish stocks, creating new public-private partnership models, the development of accounting methods of ocean assets, knowledge-sharing, and conservation and management of coastal and marine areas.⁹

III. THE DIGITAL AGE

Digitalisation and technological change are rapidly altering the world and all nations must manage the risks and opportunities presented by these vast transitions. These emerging trends, all with the potential to change people's daily lives, include Artificial Intelligence (AI) and robotics which may displace large numbers of workers. Moreover, new forms of work are putting pressure on existing social safety nets, job displacement is creating the potential for unrest, digital divides are pervasive and in many cases increasing, and cyber insecurity continues to be a threat.

While these transitions are significant, strong policy frameworks and collaborative efforts can help manage their challenges. Two areas of focus should shape the India-ASEAN agenda relating to digitalisation over the next five years: 1) inclusive growth; and 2) cyber security.

Inclusive Growth

India and ASEAN must focus on ensuring greater economic inclusion. Technological change and digitisation may greatly increase inequality in incomes, digital access, and opportunities. Income inequality is a drag on growth, may lead to social and political instability, and slows down demand. Digital divides mean that parts of the population, typically the less well-off, miss out on the emergence of new economic opportunities. Ensuring that the benefits of development lift the bottom of the income distribution is a challenge for India and most ASEAN members alike.

Digital divides are a further area for strategic intervention. New technologies, the emergence of servitisation, and digital platforms may be able to bring new workers into the workforce. However, access to broadband and digital devices remains limited for many. Inequality in internet use, access to mobile devices, computers, and digital literacy must be addressed. In India, a low 29 percent of internet users are female.¹⁰ In Malaysia, 69 percent of females use the internet compared to 73 percent of males, while in Indonesia, just 20 percent of females, compared to 24 percent of males use the internet.¹¹ Digital

literacy is increasingly important for individuals to advance in their careers and find job opportunities. Without access to internet or devices, it becomes almost impossible to take advantage of the opportunities presented by the digital economy.

Further, in the face of rapidly changing employment landscapes, India and ASEAN must ensure equality of opportunity and outcomes, and social mobility. Addressing digital divides is a crucial part of that, as is ensuring equal access to quality education. The quality and outcomes of education in India are appalling, and equality of access in many ASEAN states are far from equal. Rural/urban and gender divides are persistent. If the moral argument for equality is insufficient, there is important evidence of the economic benefits of gender parity, and income equality. McKinsey Global Institute (MGI) estimates that gender parity would boost GDP growth by approximately 55 percent in India, and 30 percent in South Asia and South East Asia.¹²

India and ASEAN should facilitate greater knowledge sharing and best practices in fostering inclusive growth. This should include ICT consultations between the private sector and governments with a focus on broadband connectivity. Dialogue between government and relevant stakeholders as well as collaborative research, capacity building and training programmes in the areas of poverty eradication and fostering gender equality must be undertaken. Inclusive growth needs to be at the core of economic and social collaboration between these partners.

Cyber security

Cyber security has become a vital public policy issue. The expansion of the digital space, digital economy, and digital connectivity are simultaneously creating new risks. The governance of cyber space and cyber security policy are still evolving, and both India and ASEAN should seek to be a decisive voice in norm-setting, and in cultivating inter-regional cooperation for addressing cyber insecurity.¹³

India and ASEAN's presence in the cyber governance space has become even more important in the context of China's aspirations to influence the digital governance architecture. Potential areas for India-ASEAN collaboration include cyber security strategy formulation, research and development efforts, establishment of information sharing channels, clarification of grey areas, harmonisation of legislation related to cybercrime, and establishment of multi-stakeholder dialogues.¹⁴

IV. MIGRATION

India and ASEAN stand to benefit significantly from increased labour mobility and existing migration flows between the two regions show massive promise. Gaps in employment in ASEAN are increasing, the economic benefits of greater low-skilled labour migration are well established, and the absorption of excess labour is helping to supplement household incomes in India.

The majority of international migrants from India move to Gulf Cooperation Council (GCC) countries. In ASEAN, Singapore and Malaysia are migrant receiving (as well as sending) states. They rank 9th and 15th as receiving states of Indian migrants, respectively; there are an estimated 350,000 Indian migrants in Singapore, and 150,000 in Malaysia.

The economic benefits of increased migration are immense: the World Bank estimates that a 10-percent increase in low-skilled migrant workers in Malaysia would raise the country's GDP by 1.1 percent.

It is an oversimplification to assume that individuals and families migrate solely for economic reasons. Approximately 25 million Indians have migrated internationally, with substantially more migrating within India. This report makes a case for the economic benefits of labour migration for both ASEAN receiving countries, and India as a sending state.

India faces a jobs challenge, as economic growth in recent years has not been accompanied by growth in employment. Simultaneously, a growing young population is increasing demand for jobs. Wages in India remain low, with little growth over the last several decades. In terms of GDP, India ranks 9th in the world. However, GDP per capita is a low US\$6,209 (PPP), compared to US\$26,000 in Malaysia, US\$84,000 in Singapore, and US\$55,904 in the United States. This scenario is even worse when the actual income distribution is taken into account.

Unemployment is on the rise, particularly among youth, and urban females for whom the unemployment rate is 11.2 percent.¹⁵ Labour force participation particularly among females is falling (from 30 percent in 1983, to 22.5 percent in 2012).¹⁶ Further, the potential of job displacement due to automation and technological adoption are making the economic and social benefits of out-migration even more important.

The contributions of remittances are essential for many families to meet their basic consumption needs. Among households with international

migrants, 77 percent receive remittances, on average households with international migrants receive INR 46,000. In 2014, US\$845 million in remittances were sent to India from Singapore, and US\$263 million from Malaysia.¹⁷

Malaysia and Singapore benefit greatly from the inflow of foreign workers from India and elsewhere.¹⁸ Job creation is expected to increase significantly by 2020 in Singapore and Malaysia. Gaps in labour supply across skill categories already exist and are on the rise in many sectors. Finding sufficient and sufficiently skilled workers is a constraint for employers in Malaysia.

At present, there are an estimated 150,000 Indian migrant workers in Singapore, the majority of whom work in retail and construction. Jobs in these sectors are expected to increase by 72,000 and 290,000 jobs, respectively, by 2020. Singapore is attractive for Indian migrants due to its high wages, multiculturalism and political stability. However, migrant workers in Singapore face a number of issues including illegitimate deductions from their pay, and poor working conditions.¹⁹

Approximately nine percent of the 210,000-migrant population in Malaysia are Indian. Employment of Indian migrants is primarily in services and agriculture. Manufacturing's contribution to GDP is on the decline, but the sector is expected to generate 27,500 jobs by 2020. Services are increasingly important, accounting for a rising share in the country's GDP. Wholesale and retail trade is the largest services sub-sector accounting for 12 percent of Malaysia's GDP. Malaysia is an attractive destination for migrant workers because of the relatively high wages. However, migrant workers in Malaysia face issues in integration, seizure of passports, and poor living and working conditions.²⁰

The benefits of migration for many Indians are overshadowed by poor systems for emigration before departure and poor treatment and working conditions while abroad. Many international labour migrants face significant challenges in their host countries; ASEAN and India should work together to reduce barriers to immigration, and facilitate the freer movement of labour between them, as they both stand to gain.

V. SOFT POWER

The fifth and final strategic area for ASEAN and India over the next five years is the strengthening of the partnership's regional influence through soft power.

As noted earlier, changing regional power structures are opening up space for greater influence by ASEAN and India in shaping the geopolitical and security environment. As a bloc, this partnership will be an important counter-balance to dominant and conflicting powers in the region, namely, the United States and China.

Soft power is the ability to shape the desired outcomes of other states through means other than military persuasion or coercion. Soft power has gained significance as a supplement, rather than a substitute for hard power. In addition to India-ASEAN institutional and political relations, ASEAN and India have strong historical, cultural and religious ties. The ASEAN-India partnership has the ability to shape norms, expectations and development trajectories and fill the vacuum of leadership and collective vision in the region. ASEAN and India should continue to support a rules-based approach to governance, and exert greater collective soft power in their approach to achieving this.

India has strengths to leverage in terms of soft power beyond its existing approach of cultural exports. The first is that India presents an alternative growth model to the centralised, authoritarian Chinese one— a model that embodies and protects the people's freedoms and rights.²¹ Further, India's pluralism and multiculturalism lends itself to being an important influencer in a diverse region.

More than India exercising its soft power in ASEAN, the established ties between these partners should be leveraged to create collective soft power that can be used to influence the trajectory of the region. There are obvious cleavages between ASEAN states, and areas of divergence between ASEAN and India. However, their collective vision for a rules-based order can be a central, binding characteristic for their efforts.

CONCLUSION

India and ASEAN, in many ways, are natural partners. Their mutual interests have been a driver of their 25-year partnership. In a period of geopolitical uncertainty in Asia, ASEAN and India have an important role to play. "Asia is in need of stewards who can preserve current multilateral rules and foster new ones that undergird the liberal international order. India and the ASEAN are two actors indispensable to the creation of new 'rules of the game' in Asia."²²

As India and ASEAN embark on the next phase of their strategic partnership, five areas hold the promise of impact. The first is to align existing

and ambitious infrastructure goals aimed at increasing trade and connectivity, with efforts to reduce non-tariff barriers to trade. For India and ASEAN to realise the full potential of these infrastructure investments, and trade agreements, addressing non-tariff barriers will be crucial. Second, India and ASEAN stand to benefit substantially from the blue economy as a source of growth and employment. India and ASEAN should complement security initiatives in the Indian Ocean Region with collaborative efforts for ocean-centred economic development. Third, in the context of rapid technological change and digitalisation, India and ASEAN must leverage existing institutional mechanisms to enhance inclusive growth and cyber security. Fourth, ASEAN and India stand to benefit significantly from increased migration. Bilateral and multilateral approaches need to be enhanced to increase the mobility of workers. Policies must aim to fill skills-gaps and address skills mismatches, address employment gaps and over-supply, and ensure the wellbeing and safety of workers while abroad. Finally, given an increasingly uncertain geopolitical and security architecture in the region, ASEAN and India ought to seek to define a collective soft-power strategy for ensuring a rules-based order in the region.

The opportunities for collaboration are immense, and India and ASEAN have proven to be fitting partners for addressing pressing challenges. The next phase of collaboration is a chance to chart new paths for the region and assert the potential of this influential partnership. [ORF](#)

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ENDNOTES

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