

## India-ASEAN Partnership at 25

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**ABSTRACT** India-ASEAN relations have traversed a long, dynamic path interspersed with multiple achievements to reach the year 2017, when the two are celebrating 25 years of their partnership. India and ASEAN uphold each other's centrality in shaping the evolving regional architecture. In pursuit of this objective, India's 'Look East' policy had morphed into 'Act East' by 2014. Common concerns and aspirations bind the ASEAN countries and India at a time when Asia is in the throes of a disruptive phase that could well determine the future balance of power in the region. The two remain indispensable to the creation of new 'rules of the game' in Asia. This brief provides an overview of the trajectory of this crucial partnership as it has evolved over the last 25 years and underlines some of the challenges that need urgent redressal.

### INTRODUCTION

A deep and long history imbues India's relationship with the member states of the Association of Southeast Asian Nations (ASEAN) even as India has been underscoring the grouping's central role in shaping the regional order over the last two decades. India's 'Look East' policy was initiated in 1991 by the Narasimha Rao government, and has been described as “a multi-faceted and multi-pronged approach to establish strategic links with many individual countries, evolve closer political links with the Association of Southeast Asian Nations (ASEAN), and develop strong economic bonds with the region.”<sup>1</sup> Under the current government of Prime Minister Narendra Modi, the policy has

been rechristened 'Act East', reflecting an energisation of India's ASEAN policy.

Common concerns and aspirations, as well as similar threats, bind the ASEAN countries and India at a time when Asia is in the throes of a disruptive phase that could well determine the future balance of power in the region. As questions regarding strategic stability, regime compliance, and trade protectionism come to the fore, 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.

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This period of geopolitical uncertainty in Asia coincides with the emergence of growing digital economies, requiring Asian governments and businesses to incubate new technologies and manage the disruption to their workforces caused by automation. The region's challenges are multi-pronged, calling for the formulation of policy solutions that are mindful of economic, military, and political consequences. At the 14th ASEAN-India Summit in Vientiane in September 2016, Prime Minister Modi highlighted the multi-dimensional nature of India-ASEAN relationship, evoking stronger grounds for a revitalised 'Act East Policy' in India's foreign-policy doctrine.

The year 2017 is a landmark as ASEAN and India commemorate 25 years of their partnership, 15 years of summit-level interaction, and five years of strategic partnership. New Delhi is organising multiple events to observe the occasion, such as the signing of an air services agreement, a maritime expedition by Indian Navy ships to Asia, and a motor rally, in order to demonstrate the air, maritime and land connectivity between the two regions.<sup>2</sup> Scheduled for this year is the ninth edition of the Delhi Dialogue, India's Track 1.5 platform with ASEAN nations that deliberates on key debates concerning trade, connectivity, security, cyber and socio-political issues animating the India-ASEAN engagement today. This brief makes an assessment of the advances that have been made in India-ASEAN relations in terms of political, economic and socio-cultural cooperation. It provides an overview of some of the most significant developments in this crucial partnership and underlines the need to maintain the present upward trajectory after 25 long years of engagement.

## **HISTORICAL BACKGROUND**

India shares extensive cultural, economic and political ties with Southeast Asia. Strong civilisational ties are evident from references of

Southeast Asia in Indian classical works such as the Ramayana. Indian merchants frequented the region as early as 1st century A.D., facilitating the spread of Hinduism and Buddhism in pre-colonial kingdoms like Srivijaya in Sumatra, Majapahit in Java, Bali, and the Philippine archipelago.<sup>3</sup>

During the period of European colonisation, the Indian subcontinent was a geopolitical anchor for the stability of Southeast Asia. However, the period following India's independence from the British rule saw a deterioration in India-ASEAN relations. As the spearhead of the Non-Aligned Movement in the 1960s, India actively supported the anti-colonial struggle in Southeast Asia and shared good relations in the initial years. However, a pro-Soviet stance emerged in India's foreign policy in the 1970s, revealing ideological differences between New Delhi and the ASEAN nations. It was with the end of the Cold War that India's relations with ASEAN states became pragmatic.

India's 'Look East' policy, which was an effort to forge extensive economic, strategic and cultural relations with the nations of the Asia-Pacific region, was formulated and enacted during the prime ministership of P.V. Narasimha Rao (1991-1996). This policy achieved huge political success with the ASEAN countries as Prime Minister Rao visited Thailand, Indonesia, Singapore, Vietnam and Malaysia during his term. India became an active participant in various ASEAN organisations, becoming a Sectoral Dialogue Partner of ASEAN in 1992, a full ASEAN Dialogue Partner in 1996, and also a member of the ASEAN Regional Forum (ARF) in 1996.

The Look East policy was actively sustained by Rao's successor governments led by Prime Ministers Atal Bihari Vajpayee and Manmohan Singh, with India-ASEAN relations gaining momentum towards the late 1990s and early 2000s. The Vajpayee government introduced the concept of "extended neighbourhood", which

declared, “...our concerns and interactions go well beyond South Asia. They include other neighbours, and countries immediately adjoining this region—our 'extended neighbourhood'.”<sup>4</sup> The successive Indian governments embedded the concept in their foreign policy considerations.

In the post-Cold War era, Indian engagement of East and Southeast Asia assumed significant proportions and today remains a top foreign-policy priority for the Indian leadership.<sup>5</sup> India is now a full dialogue partner of the ASEAN, a member of the ASEAN Regional Forum, the regional security forum, since 1996, and is a founder member of the East Asian Summit launched in December 2005. India is also a summit partner of ASEAN on par with China, Japan, and South Korea since 2002. Over the years, India has also engaged not only in extensive economic and trade linkages with various countries in the region but also in security cooperation. Prime Minister Modi has made it clear that his government's foreign-policy priority will continue to be East and Southeast Asia, which are poised for sustained growth in the 21st century.

## **POLITICAL COOPERATION**

India's 'Look East' policy shifted to 'Act East' in 2014 under the leadership of Prime Minister Narendra Modi. India's relationship with ASEAN forms one of the most important pillars of its 'Act East' Policy, as evident in the undertaking of multiple initiatives by both sides. The various ministers and bureaucratic officials meet frequently to provide an impetus to ongoing joint ventures and collaborative efforts, while the top leaders of the individual nations interact annually to invigorate their relations with new aspirations and ideas. India has decided, for instance, to boost its partnership with the four least-developed economies of ASEAN – namely, Cambodia, Lao PDR, Myanmar, and Vietnam or CMLV.<sup>6</sup>

With the rapid growth of ASEAN-India relations over the last two and half decades, meetings at the levels of Summit, Ministerial, senior officials, and experts have become the norm.<sup>7</sup> India and ASEAN became summit partners in 2002 and strategic partners in 2012. Currently, there exist 30 different dialogue mechanisms between India and the ASEAN nations focusing on a diverse range of sectors. These include a Summit and seven Ministerial meetings dedicated to a range of areas that include foreign affairs, economy, environment, and tourism.<sup>8</sup> The ASEAN-India Centre (AIC), established in 2013, has boosted the India-ASEAN strategic partnership by focusing on policy research, policy recommendations, and interactions among think-tanks and other organisations in the two regions. The AIC aims to enhance the possibilities of India-ASEAN cooperation by bridging the existing knowledge gaps amongst the people of the two regions.<sup>9</sup> Exchange programmes are also in place for easier interaction between students, senior officials, diplomats, and media professionals.<sup>10</sup>

India and ASEAN are natural partners in their desire to create a free and inclusive regional architecture. They are active participants in the East Asia Summit (EAS), ASEAN Regional Forum (ARF), ASEAN Defence Ministers Meeting Plus (ADMM-Plus), and the Expanded ASEAN Maritime Forum (EAMF).

India-ASEAN strategic cooperation assumes great significance in the context of an increasingly assertive China. Beijing's territorial claims in the oil and gas-rich South China Sea, a vital international maritime trade route, has generated considerable tension in the region.<sup>11</sup> The geostrategic rivalry between China and India is manifest in the maritime domain. Indian and Chinese interests go beyond their immediate borders to the ASEAN region. China's rise as an economic giant and its increasing trade with the ASEAN countries gives India all the more reason to step up its collaborative efforts vis-a-vis ASEAN.<sup>12</sup> It is necessary for both India and

ASEAN to keep the China factor in mind and act accordingly in order to preserve a stable balance of power in the region.

With China-ASEAN ties under stress due to Beijing's aggressive territorial claims, New Delhi has been trying to fill the void by emphasising its credentials as a responsible regional stakeholder. It has made a strong case for supporting not only freedom of navigation but also access to resources in accordance with principles of international law. When China suggested that it would like to expand its territorial waters—which usually extend twelve nautical miles from shore—to include the entire exclusive economic zone, which extends two hundred nautical miles, it challenged the fundamental principle of free navigation. All maritime powers, including India, have a national interest in freedom of navigation, open access to Asia's maritime commons, and respect for international law in the South China Sea.

## ECONOMIC TIES

One of the pillars of the India-ASEAN partnership is economic cooperation, fueled by increasing trade and investments over the years. India's 'Look East' policy picked up momentum after the creation of the India-ASEAN Free Trade Agreement in 2003. The Agreement on Trade in Goods was signed in 2009 and implemented in 2010. This has bolstered the overall trade between India and ASEAN considerably in the past four years. The ASEAN-India Free Trade Area (AIFTA) has been completed with the entry into force of the ASEAN-India Agreements on Trade in Service and Investments on 1 July 2015. This is expected to facilitate the movement of both manpower and investments between ASEAN and India and clearly reflects India's adherence to the vision of having a reliable institutional architecture for economic ties with ASEAN.

The Asia-Pacific region is spearheading the global economy today in terms of rapid growth

and dynamism. The establishment of the ASEAN Economic Community (AEC) in 2015 was a groundbreaking achievement towards greater regional integration, as it aims to consolidate Southeast Asia's diverse economies into a single market.<sup>13</sup> The AEC offers various opportunities to the Indian economy as well, as it enables the manufacture and exchange of finished products and allows Indian companies to circulate intermediate goods through the ASEAN region with reduced costs and more straightforward procedures.

The ASEAN nations and India together consist one of the largest economic regions with a total population of about 1.8 billion.<sup>14</sup> ASEAN is currently India's fourth largest trading partner, accounting for 10.2 percent of India's total trade. India, on the other hand, is ASEAN's 7th largest trading partner. India's service-oriented economy perfectly complements the manufacturing-based economies of the ASEAN countries.<sup>15</sup> The annual trade between India and ASEAN stood at approximately US\$ 76.53 billion in 2014-15. However, it dropped to US\$ 65.04 billion in 2015-16 due to declining commodity prices against the backdrop of a sluggish global economy.

Investment flows are quite remarkable both ways, with ASEAN accounting for approximately 12.5 percent of investment flows into India since 2000. Singapore is the primary hub for both inward and outward investments.<sup>16</sup> FDI inflows into India from ASEAN between April 2000 and May 2016 were about US\$49.40 billion. FDI outflows from India to ASEAN countries, from April 2007 to March 2015, according to data from the Department of Economic Affairs (DEA), was about US\$38.672 billion.

In order to enhance economic and strategic relations with the Southeast Asian countries, the Indian government has put in place a Project Development Fund to set up manufacturing hubs in CMLV countries through separate Special Purpose Vehicles (SPVs).

The Regional Comprehensive Economic Partnership (RCEP) agreement is expected to be finalised by the end of 2017, opening up great opportunities for India and the ASEAN countries. It is a mega-regional agreement being negotiated between the ten ASEAN members and their six FTA partners: Australia, China, India, Japan, New Zealand and South Korea. As of 2017, prospective RCEP member states accounted for 30 percent of the world's economy and a market of 3.4 billion people with a combined Gross Domestic Product (GDP) of US\$21.4 trillion.

Private sector engagement has also been one of the key areas of focus for the two sides. The ASEAN India-Business Council (AIBC) was set up in March 2003 in Kuala Lumpur to provide an inclusive forum to major private sector players from India and the ASEAN countries for business networking. AIBC organised the ASEAN-India Business Leadership Conclave in July 2016 in Kuala Lumpur, Malaysia.<sup>17</sup>

Efforts by New Delhi to enhance connectivity—geographical, institutional and social—with the Southeast Asian region remain important for better regional integration. More significantly, greater connectivity between India and Southeast Asia will engender developmental gains for India's northeastern region. The Northeast is a natural partner in India's Act East Policy vis-à-vis the ASEAN. The Kaladan Multi Modal Transport project, India-Myanmar-Thailand Trilateral Highway and the Rih Tedim Project in Myanmar will in due course contribute to the enhancement of connectivity between India and Southeast Asia, via India's Northeast. The Kaladan Multi-Modal Transit Transport Project aims to connect the Indian seaport of Kolkata with Sittwe in Myanmar, and from Myanmar to Mizoram by road transport. The India-Myanmar-Thailand (IMT) Trilateral Highway—connecting Moreh in India with Mae Sot in Thailand via Myanmar—is also under construction. The project will bolster trade and commerce in the ASEAN-India Free Trade Area.

India intends to extend the highway to Cambodia, Laos and Vietnam, and the proposed route from India to Vietnam will be known as the East-West Economic Corridor (EWEC). The Rih-Tedim project aims to establish connectivity between eastern Mizoram and western Mizoram.

Despite the impressive trajectory that the India-ASEAN economic relationship has followed, there is room for further growth through the integration of India into the Asian value chain. Initiatives like 'Make in India' would help such integration across diverse sectors such as electronics and pharmaceuticals. There are certain challenges that India might face in the coming years due to complications in trade and mega Regional Trade Agreements (RTAs). Thus, the engagements at RCEP will be crucial in determining the rate of progress in India-ASEAN trade.<sup>18</sup>

## CULTURAL COOPERATION

India and Southeast Asian countries share longstanding civilisational ties. The impact of this cross-fertilisation of cultures and traditions is evident in aspects such as religion, language, literature, beliefs, customs, cuisine, and architecture of the two regions. These commonalities are an integral part of the economic and security pillars of the ASEAN community. The cultural linkages have evolved over the centuries through the exchange of people, cultural values, education, trade and commerce. Existing archaeological evidence shows ancient ties between India and Southeast Asia, including ceramic and boat-building traditions, and marine links. The presence of the Shivalinga has been found in Vietnam, which was the stage for many scenes of the Indian epic Mahabharata; within the 12th-century temples of Angkor Wat in Cambodia are further proof of the deep cultural bonds between South East Asia and India.<sup>19</sup> Indian merchants had facilitated the spread of religion and culture in

different parts of the region. Indian and Southeast Asian languages have common sources like Sanskrit and Pali, and traditional dance and other art forms of the two regions also exhibit many similarities.

The Indian epics, Ramayana and Mahabharata, are hugely popular in Thailand and Indonesia and have had influence on popular art forms in those countries such as shadow puppetry. The Arjuna statue near the National Monument in the heart of Jakarta is also a striking symbol of a common cultural heritage. Indian film stars are also quite popular in many ASEAN countries. In fact, most Indonesian television channels regularly show Hindi-language films.

The large Indian diaspora in many of the Southeast Asian countries, especially Malaysia and Singapore, help strengthen diplomatic, economic and security relations between India and ASEAN as they have contributed to a deepening of bonds. The Indian diaspora comprise an important instrument of India's soft power and they help congeal a highly organic relationship between the two regions. It can be claimed that India's increasing political and economic engagement with ASEAN-led institutions such as the ASEAN Regional Forum and East Asia Summit is partially influenced by the possibility of leveraging on the presence of the Indian diaspora in Southeast Asia.<sup>20</sup> Indian diasporic communities contribute towards shaping the culture of the Southeast Asian country that they reside in. For example, the Indian language, Tamil, is one of the official languages of Singapore for the sheer size of the Indian diaspora in the city state. In Malaysia, almost 1.6 million Indians who are either immigrants or descendants of immigrants call it their second home. The Indian diaspora in ASEAN nations thus form an integral part of the cultural relations between the two regions.


## CONCLUSION

Despite progress made over the last 25 years in India-ASEAN ties, there remains immense scope for further growth in the relationship. The Asia-Pacific is one of the most dynamic regions of the world today, and it is necessary for both India and the ASEAN countries to keep contributing to the shaping of the so-called 'Asian century'. Formidable security challenges remain, and the two sides must think strategically to increase cooperation for a favourable balance of power as maintaining regional stability is a priority for both India and ASEAN. Both regions are also increasingly facing non-traditional security challenges like piracy and terrorism, for which greater coordination is needed.

India's efforts to make itself relevant to the region come at a time of great turmoil in the Asian strategic landscape. Events in recent years have underlined China's aggressive stance against rivals and US allies in Asia; the tensions are only expected to heighten. With its political and economic rise, Beijing has started trying to dictate to its neighbours the boundaries of acceptable behaviour. As a result, regional states are reassessing their strategies. India's role becomes critical in such an evolving balance of power. As Singapore's elder-statesman Lee Kuan Yew has argued some years ago, India must be "part of the Southeast Asia balance of forces" and "a counterweight [to China] in the Indian Ocean."<sup>21</sup> India's 'Act East' policy is part of this larger dynamic. As New Delhi has reached out to its partners in South and Southeast Asia, the regional states have also shown an unprecedented reciprocal interest in Indian foreign-policy priorities.

India needs to rise to the occasion by delivering on its 'Act East' policy. To meet the region's expectations, India must do a more

convincing job as a credible strategic partner of the ASEAN by accelerating its domestic economic reforms agenda, enhancing connectivity within the region, and further boosting its engagement with regional institutions. India and the ASEAN nations have common aspirations that resonate with a

peaceful and prosperous regional security architecture. The India-ASEAN relations have traversed a long path since the inception of the partnership a quarter of a century ago. Deeper engagement and further cooperation should be prioritised by both sides if the full potential of this engagement is to be realised. 

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## ENDNOTES

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