



## **India and Asean: Areas of Economic Cooperation**

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### **Abstract**

*Since 1990s, India and ASEAN have been moving towards more profound regional integration to enjoy the development together and to share prosperity, although size of economy and level of development in the region are quite diverse, however it does not matter. India's economic cooperation is a fundamental part of Indi's Look East Policy. It has recalled that ASEAN- India engagement in the formal way began with a sectorial dialogue partnership which comprised Trade, Joint ventures, Tourism, Science and Technology and Human resource development. In the initial period trade was given the highest priority than other areas. With the progression of time these areas also became vital and some new areas were recognised. Renewable energy and Transport Linkages which were often missed out from the mainstream discourse on economic engagement between India and ASEAN are now recognised as main areas. These areas of economic cooperation not only expand the production possibility frontiers, but also promote the flow of ideas and cultural exchanges within the region. The economic collaboration has open wide gates of progress and prosperity and connectivity among the people of the region. Keeping these areas in view this paper will try to examine major key areas of cooperation and the process of development these areas made with the passage of time.*

**Key Words:** *Trade, Tourism, Renewable Energy, Technology, Human Resource Development, Transport Linkages.*

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**Introduction:** India has been following Look East Policy since 1990s with the initiation of Look East Policy, India first became a sectorial dialogue partner of ASEAN in 1992 and later on was promoted to full dialogue partnership in and was made a member of ARF in 1996. India hosted the 20<sup>th</sup> anniversary of dialogue level partnership and the 10th anniversary of summit level partnership in 2012. India's economic cooperation with ASEAN is diverse and incorporates collaboration across wide range of sectors such as Trade, Science and Technology, Tourism, Human Resource Development, Space Sciences, Agriculture, Renewable Energy, Information and Communication, Transport and Linkages, Joint ventures in Railways etc. In October 2007, at the 7<sup>th</sup> ASEAN-India summit meeting in, India announced a contribution of US\$ 50 million to the ASEAN-India cooperation fund to support ASEAN-India projects across the above mentioned areas. In addition to it India has setup ASEAN-India Science and Technology Development fund with an initial corps fund of US\$ 1 million. The ASEAN-India Trade in goods agreement signed in August 2009 at the ASEAN-India Economic Ministerial Meeting held in Bangkok. The India-ASEAN Free Trade Agreement (AIFTA) came into effect on 1 January 2010 with regard to Malaysia, Singapore and Thailand. For the remaining ASEAN members it will come into force after they have completed their internal requirements. This agreement is viewed to enhance and strengthen the trade relations

between the two. A Memorandum of understanding Tourism Cooperation was signed at the ASEAN-India Ministerial Meeting on January 12, 2012, in Manado Indonesia to enhance Tourism Cooperation. ASEAN-India has taken several measures to expand and enhance Cooperation on a wide range of areas including Trade, Maritime Security, Food, Energy, People to People Connectivity etc.

**Trade:** Trade is one of the major and significant areas of cooperation between ASEAN and India. Trade was given most priority and is the most significant component of India's foreign policy. After the initiation of Look East policy, India has witnessed a rapid economic growth and rapid increase in India's trade with ASEAN. A number of institutional mechanisms were put up in the nineties to promote trade and investment between India and ASEAN. The ASEAN-India working group on trade and investment were set up along with the creation of ASEAN-India fund to promote trade and other economic activities between the two regions. In the context of Look East Policy, India has actively expanded its trade and investment ties with many Southeast Asian countries. The Indian policy makers have taken various initiatives to increase trade and investment ties with the ASEAN region. The major initiative to expand trade collaboration with the region was the signing and implementation of Bilateral Trade Agreements. While India signed a Free Trade Agreement (FTA) in goods with the ASEAN in August 2009, the two sides have belatedly concluded FTA in service and investments. The ASEAN-India FTA in service and investment agreement is expected to provide a fillip to the growing bilateral trade, which currently stands at around \$80 billion, up from \$40 billion in 2009 and is expected touch \$100billion in 2015. Over the years, ASEAN has become India's fourth largest trading partner after EU, the US and China.

The commemoration of India's twenty years of dialogue and ten years of Summit level partnership with ASEAN was held in New Delhi from 21-22 December 2012, in a Commemorative Summit. This Commemorative Summit witnessed the up gradation of the relationship to the strategic partnership; negotiations were also concluded during the summit on ASEAN-India Free trade Agreement in services and investment. The commemorative summit also revised the progress made by the ASEAN-India during the two decades of their dialogue partnership. The report of the ASEAN-India Eminent Persons Group (AIEPG) was also presented and a target of US\$ 100 billion of trade was set up for ASEAN-India trade by 2015. During the year 2012-13 India's trade negotiations with ASEAN and its partners have commenced on Regional Comprehensive Economic Partnership (RCEP) which promotes economic cooperation and regional integration. India also continued talks on the negotiations of bilateral Comprehensives Economic Cooperation Agreement (CECA) with Thailand and Indonesia and Free Trade areas with Australia and New Zealand. ASEAN-India Agreement for Trade in services and investment were signed in 2014 and are expected to enter into force by the year 2015, with the signing of these agreements the ASEAN-India Free Trade Area is complete. The FTA in service and investment assumes significance as intra-regional offers better potential, especially at the time, when Global merchandise trade is showing slow progress.

In recent years India has, not only in attracted Foreign Direct Investment FDI but has emerged as a significant investor of outward FDI. India's key interests in service trade have always been in mode pertaining to the movement of Indian Professionals and the recently concluded FTA is expected to enhance the flow of skilled professionals from India into the region. The ASEAN market also offers significant investment opportunities for India, particularly in the areas Information Communication and Technology, Automobile Engineering and Pharmaceuticals, It is of

course not a one-way street but both are contributing and allowing one another to invest and progress.

**Tourism:** The Tourism sector has been another essential intends and one of the most vital areas of cooperation between India and ASEAN. Tourism is an important area that brings the people of different regions closer to each other. India has realised the potential of tourism sector area rather belatedly and is taking steps to implement an integrated tourism industry to improve tourism in the country. Currently India is the most popular tourist destination in the region and is in level with Vietnam, which is ranked as the fifth most popular tourist destination in ASEAN, followed by Malaysia and Thailand. Being the most attractive tourist place India has not been able to attract more and more tourists. The tourist flow of India has been more from India to ASEAN countries than from ASEAN to India. In 2012 the number of tourist arrivals from India to ASEAN was 2.84 million, an increase from 2.771 in 2011. According to Sen, Asher and Ramkishen, India is neglected as a travel destination due to lack of an integral approach that makes visiting India's Geography and its diverse culture quite difficult. Tourism to India has mainly been concentrated to metropolitan areas. Tourists flow from ASEAN only account for slightly above seven percent of all tourists. As an effort for improving tourism, India offered an open skies policy to the ASEAN and has opened up air, travels for ASEAN carriers and granted them 21 direct connections as well as unlimited landing clearance in four metropolitan cities during peak travel months. In order to boost tourism flows, On 25 January 2010 during the India-ASEAN Tourism meeting, Ministers of both India and ASEAN agreed to develop an India- ASEAN Tourism Agreement and establish a Promotional Chapter for Tourism (APCT) and familiarisation trips from India to ASEAN. During the meeting it was also agreed to further develop Buddhism and Hinduism pilgrimage tourism for the promotion of culture. On 12 January 2012, a Memorandum of Understanding was signed between India and ASEAN for the promotion of tourism. India has sought greater and larger integration with the ASEAN region and has provided new initiatives in the field of people to people contacts, space cooperation, capacity building, and information and communication technology and media exchange. On February 2013, India and ASEAN signed a Memorandum of Understanding with the aim of strengthening tourism cooperation and to strengthen the tourism organisation and exchanges. The Ministers of India and ASEAN have also launched the ASEAN-India tourism website [www.indiaasean.org](http://www.indiaasean.org) as a platform to promote tourist destinations.

**Renewable Energy:** India and ASEAN have expanded joint effort in the regions of renewable energy. The significance of collaboration in this division reflected in the result of the first ASEAN-India Ministerial Meeting on participation in renewable energy which was held in New Delhi in November 2012. It may be reiterated that renewal energy makes a positive impact on energy supplies and if one goes by the latest Global Renewal Energy Status Report (2012), the share of renewal energy in global energy consumption has increased to 16.7 percent. India have sought envisions to have access to clean, reliable and affordable energy in the ASEAN-India region since both India and ASEAN have several commonalities in their quest for targeting renewable energy. This is not surprising since India is among the top five countries in the world in terms of installed capacity in renewable energy with around 26 GW installed capacity accounting for about 12.5 percent of the total installed power generation capacity in India. Potential for cooperation between India and ASEAN, thus, are enormous in several areas of solar, wind, biomass, hydro-technologies etc. However, there is a lot which needs to be done in terms of enhancing renewable energy applications and curbing of greenhouse gas emissions. This will require setting in place not only a policy and regulatory framework between India and ASEAN for this purpose, but also require a

speedier action on various dimensions of cooperation such as financing, R&D, technology transfer, capacity building, and institutional cooperation, among others.

**Technology and HRD:** With the growing pace of globalisation, India has achieved a landmark position in this field. Since the last two decades India has not only sustained a healthy and ideal growth rate, but has established its excellence in the field of Science and Technology. HRD collaboration is dependent on stages of business and technology collaboration. India's Technology collaborations with ASEAN have played an important role in the developmental process and are an imperative instrument for ensuring Human Resources Development. Science and Technology can be described as one of the important areas on which India-ASEAN cooperation can be firmly rooted. In May 2000 at the Post-Ministerial Conference meeting in Bangkok the Indian foreign Minister had said that the focus of ASEAN-India activities is technology based. This indicates that the success of ASEAN-India largely depends on science and Technology. Since India's dialogue partnership with ASEAN, India has emphasised the technology dimensions one of the main areas of cooperation. In the year 2001, India and SEAN jointly conducted three workshops for the Human Rights Development. The ASEAN-India Human Resource Development Program on Bio-informatics in the year 2002 was a milestone in the ASEAN-India Human Resources Development. ASEAN-India also hosted the collaborative HRD on the use of Indian Remote Sensing (IRS) Satellite data and jointly derived out the mission for co-operation in space technology and Science & technology digital library project. During the year 2004 and 2005, the ASEAN-India cooperation projects were focused on the Science and Technology policy as well as technology management through the workshops. ASEAN and India have set up various joint ventures in Food Security, institutes for intellectual property rights, Technology Innovation and commercialisation etc. these ventures are funded by the ASEAN-India Co-operation fund which was augmented by India in 2002 by a contribution of 2.5 million. The Field of Science and technology has developed synergies between India's software capabilities and the strength of ASEAN states in computer hardware. India is providing training and fellowships to IT students from ASEAN and has established an Advanced Institute of Information and Technology in Vietnam. In the ASEAN-India vision 2020, a number of useful proposals have been made which include ASEAN-India fund for the promotion of Joint R&D with the active involvement of private sector and academia; co-operation in the area of science and technology management to address the issues of management of intellectual property rights; technology of forecasting; technology assessment and technology intermediation and setting up of an ASEAN-India Biotechnology Network for encouraging Biotechnology co-operation.

**Transport Sector:** Cooperation in the transport sector has been to encourage the movement of goods and people from both sides. Transport connectivity has not only encouraged the movement of goods, but also movement of people and these together have helped to tackle the inter-linkages that exist across trade in goods, trade in services, investment, technology, and human resources. Transport linkages between India and ASEAN are gigantically critical in the multi-modal sense. These incorporate roads, railways, civil aviation, and shipping. Each of these has further sub-dimensions for cooperation such as the missing road links, quality of roads, maritime and aviation infrastructure etc. It is interesting to know that India and ASEAN transport and logistics network is not up to its desired levels. An example is a lack of air connectivity between India and Indonesia, when the latter is one of the most promising countries in the region with which enormous economic potential for cooperation exist. These deficiencies with no doubt surely constrain the realisation of the full capacity of the proposed comprehensive economic partnership between India and ASEAN in terms of their welfare gains implications. Pretty much as on prior events, the late ASEAN summit in

Cambodia (2012) quite rightly puts emphasises on transport connectivity. The Chairman's Statement on the 10th ASEAN-India Summit, 2012 called for an early construction of the new India-Myanmar-Laos-Vietnam, Cambodia highway and for the extension of India- Myanmar-Thailand trilateral highway to Laos and Cambodia. It also underlined the need for escalating the Mekong -Ganga cooperation through transportation linkages. Furthermore, the significance of ASEAN- India car rally as a run up to the ASEAN- India Commemorative Summit in December 2012 in New Delhi brought the issue of seamless road connectivity to the fore. However, the 10th ASEAN- India Summit fell short of the scope and the pace at which transport linkages between India and ASEAN need to be scaled up. One of the a most optimized plan in which India- ASEAN transport linkages could be put on a fast track is by literally hastening the operational aspects of the plans for transport sector that may come about through the India- CLMV Quick Impact Project Revolving Fund to harness developmental outcomes especially in the CLMV region, with the broader aim of narrowing the development gaps.

**Cooperation in Joint Ventures:** India-ASEAN joint ventures have been the hallmark of economic cooperation between the two. Indian companies have many manufacturing joint ventures with Indonesian counterparts in the fields of synthetic fibres, textiles, garments, steel and hand tools, infrastructure, oil exploration and mining. Bajaj Auto has a joint venture for the assembly/production of three wheelers and two wheelers. There are twenty five joint ventures operating in Malaysia (rather small but more technology oriented industries with as much local equity as possible), mainly in textiles, steel files, spinning plant, furniture, sugar, diesel engines, paper and paper boards, cosmetic and pharmaceutical etc. There are about three joint ventures operating in Myanmar in manufacturing and infrastructural sector. In Singapore, joint ventures are working in shipping, automobile accessories, computer accessories, chemicals, etc. Joint Ventures with Thailand are relatively high-tech and even capital intensive and cover a wide range of products and activities including pulp chemicals, pharmaceuticals, textiles, nylon, tyre cord and real estate. Joint Ventures between India and Vietnam are in the field of oil and gas exploration and exploitation, plastics industries, pharmaceutical, steel production, etc. Joint Ventures with other countries in ASEAN as Laos, Philippines, and Cambodia concentrate on capital intensive industries, IT infrastructures, processing and manufacturing that India poses advantages over these countries.

### **Suggestions:**

1. At present ASEAN-India trade is expected to reach \$100 billion, efforts should be made to bring ASEAN-India trade to a level of about \$130 billion by 2016.
2. ASEAN-India needs to establish connectivity from India to Vietnam via Myanmar and Laos, this will strengthen India's private sector participation in ASEAN's cross-border infrastructure projects and will further reinforce their collaboration.
3. Promotion of tourism is an important aspect of increasing greater people-to-people understanding of each other's culture and civilisation. Efforts should be made to promote tourism cooperation by introducing luxury cruise liners to promote tourism in the Bay of Bengal region.
4. ASEAN-India should work with multilateral development banks on expanding the ADB's, Greater Mekong sub-regional programme to include the Mekong-India Economic Corridor (MIEC).
5. ASEAN-India cooperation should be expanded to touch other areas and to promote the creation of community colleges, vocational training and distance learning opportunities. The

private sector and civil society should be encouraged to partner with ASEAN and India universities in their endeavours.

**Conclusion:** No doubt, the existing work on ASEAN-India areas of collaboration put stress on mutually Strong relations between the two regions. However, there still remain various aspects which need to be looked into for the continued success of their relations in the future. The preceding details raise two important analytical points. Firstly, that ASEAN-India economic, trade cooperation which includes trade in goods, trade in service and investment need to be situated in the broader context of ASEAN-India economic integration by including crucial sectors like energy and transport linkages in a more direct way. Tourism needs keen attention to boost tourism cooperation, technology and HRD is really rising as indicated by joint projects undertaken by ASEAN groups. Secondly sincere attempt towards effective management of regional integration processes should ensure a progressive framework to facilitate trade at multilateral level. To conclude, it can be said that both India and ASEAN are keen to establish a sound and strong relationship with a long term emphasis on wide areas of cooperation and integration. But there are many challenges before them, which have to be accepted and try to make proper strategies so that their relationship lasts for the long run.

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