



## ASEAN-INDIA TIES ENTERING A NEW PHASE

Seema Gaur

8 October 2003

ASEAN-INDIA engagement will enter a new phase, with the two set to sign three major agreements at the second Asean-India Summit in Bali today. These agreements are aimed at enhancing economic cooperation, combating terrorism and facilitating India's accession to the Treaty of Amity and cooperation (TAC) with South-east Asia.

India is Asean's summit partner along with China, Japan and South Korea. After the initiation of its 'Look East' policy in the early 1990s, the Asean-India nexus has grown from sectoral dialogue partnership in 1992 to a full dialogue partnership in 1995 and subsequently to a summit level interaction, with the first Asean-India Summit being held in 2002 in Phnom Penh. The progressively closer relationship has led to strengthening of not only economic ties between Asean and India, but also political and security linkages, with India joining the Asean Regional Forum (ARF) in 1996. With the westward expansion of Asean to include Myanmar, India and Asean are no longer just maritime neighbours but share a land boundary of over 1,600 kilometers. The Asean-India partnership aims to exploit complementarities and synergies in factor endowments, economic structure and skills and capabilities in diverse areas, including trade and investment, infrastructure development, science and technology and tourism for mutual benefit. Over the last few years, collaborative initiatives have been launched between Asean and India in many of these sectors and strong institutional mechanisms for Asean-India cooperation have been put in place. The two sides are drawing up a roadmap called 'Vision 2020' which is expected to be adopted at next year's Asean-India Summit in Laos. Asean and India will sign a framework agreement on comprehensive economic cooperation which will set out blueprint for a free trade agreement (FTA) covering goods, services and investments in the region within a decade. The idea of an Asean-India FTA was first mooted by Indian prime Minister Atal Behari Vajpayee at last year's inaugural summit and was fully reciprocated by Asean leaders. Currently, Thailand and Singapore are also negotiating bilateral economic cooperation agreements with India, which are expected to boost the Asean-India FTA negotiations.

In addition, both Asean and India are making efforts to integrate with other countries of region through regional/bilateral FTAs. The recent collapse of the World Trade Organization talks in Cancun has added new urgency to the process. Asean's FTAs with India and other countries will complement and not substitute multilateral trade liberalization, because advantages from free global trade are expected to be much larger and more widespread.

An FTA between Asean and India makes good sense because trade and investment are the basic building blocks of Indo-Asean ties. Between 1993 and 2002, two-way trade between Asean and India has more than quadrupled from US\$2.9 billion to US\$12.1 billion. However, the volume of trade and investment between Asean and India still remains relatively low compared with other dialogue partners of Asean, with India accounting for less than 2 per cent of Asean's total trade and 0.2 per cent of FDI in the region. This is far below potential, considering that Asean and India have a combined population of 1.5 billion, a GDP of US\$1.5 trillion and share the huge advantage of geographical proximity, which offers the promise of competitive exports due to shorter delivery schedules and low freight costs. An Asean-India FTA would thus go a long way towards helping to realize the potential of trade and investment between the two. India and Asean are aiming to increase two-way trade to US\$15 billion by 2005 and to US\$30 billion by 2007. To accelerate the process, India has offered to start negotiations on an 'early harvest programme' which would identify fast-track measures for economic cooperation and trade promotion.

India is committed to bring down its tariffs to East Asian levels in the next three years. On their part, Asean countries may have to focus more on concessions on non-tariff barriers. The payoffs for them are substantial. Apart from trade benefits, they recognize the role India can play in their "Initiative for Asean Integration (IAI)" aimed at helping the lesser-developed countries of Asean, namely Cambodia, Laos, Myanmar and Vietnam to catch up with the rest of the grouping. India is already involved in development initiatives in these countries in many areas such as defense, combating drugs and illegal trafficking, trade, investment, and project assistance. An FTA will offer special opportunities for trade expansion to these countries, to which India has already offered unilateral tariff concessions.

But the potential benefits of a closer Asean-India relationship go beyond economics. India's accession to the Treaty of Amity and Cooperation (TAC) with South-east Asia and agreement on combating terrorism marks a shift from just trade and investment to wider economic and security issues, including joint efforts to protect the sea-lanes to ensure energy supply lines and coordination on counter-terrorism activities. Preserving the security and stability of the region is a key goal for Asean. India, given its size, strategic location in the Indian Ocean as well as its military strength, can play a positive role in this regard. India's willingness to accede to the TAC and its endorsement of the South-east Asia nuclear Weapons Free Zone has also reassured those members of Asean, who had been alarmed at India's nuclear tests in 1998.

The fact that India along with China, has been invited to sign the additional protocol to accede to Asean's TAC reflects the recognition of India by Asean as a major player in the region. So far, no non-Asean country has signed this treaty.

The agreements between Asean and India no doubt present a major breakthrough in Indo-Asean relations, but there are grounds for caution in how much we can expect and how soon. While significant progress has been made in Asean-India cooperation, a lack of information and misconceptions about each other as well as about the opportunities on both sides could be a major constraint, which needs to be rectified. Although the governments of Asean countries and India can provide the enabling policy framework, ultimately, trade and investment ties will deepen only through cooperation of the private sector. Thus, greater interaction between the private sectors from both sides is crucial: more business meetings, such as the Asean-India Business Summit need to be organized in both Asean and India on a regular basis.

As Singapore's Foreign Minister S. Jayakumar noted; “The Asean-India relationship has matured significantly. The task ahead is to build upon the existing foundations.” The Bali summit should provide ample opportunity to do so.

---

*Seema Gaur is a Visiting Research Fellow at the Institute of Southeast Asian Studies. This was published in Business Times, Singapore issue dated October 8, 2003.*