



India-ASEAN: Partners in Progress

This editorial is based on [“India, Singapore set to unveil MoU on cooperation in semiconductor ecosystem”](#) which was published in Hindustan Times on 02/09/2024. The article discusses Indian Prime Ministers upcoming visits to Singapore and Brunei, highlighting the strengthening of bilateral ties with ASEAN and the identification of new areas for cooperation in fields like defense, technology, and sustainability.

For Prelims: [ASEAN](#), [Singapore](#), [Indo-Pacific region](#), [Act East policy](#), [East Asia Summit](#), [India-Myanmar-Thailand Trilateral Highway](#), [Kaladan Multi-Modal Transit Transport Project](#), [SAGAR](#), [Supply Chain Resilience Initiative](#), [Free Trade Agreement](#), [South China Sea](#).

For Mains: Significance of ASEAN for India, Key Concerns in India-ASEAN Relations.

Indian Prime Minister's upcoming visit to [Singapore](#), marks a significant moment in the evolving India-Singapore partnership. India and Singapore are set to unveil about half a dozen agreements, including a crucial one on creating a **semiconductor ecosystem**. Building on the "**new anchors**" identified during the recent **India-Singapore Ministerial roundtable**, the relationship is poised for a major leap forward. Singapore's position as **India's largest trade partner in ASEAN** and its status as the leading source of foreign direct investment underscores the **economic significance of this relationship**.

India's engagement with Singapore serves as a crucial gateway to strengthening its broader relations with **ASEAN**. As India seeks to deepen its '[Act East](#)' policy and expand its influence in the [Indo-Pacific region](#), enhancing ties with Singapore - a key ASEAN member - becomes strategically vital.

ASEAN GROUPING



What is the Significance of ASEAN for India?

▪ Historical Context and Elevation of Partnership:

- **1992:** India became a **Sectoral Dialogue Partner** with ASEAN, marking the start of formal engagement.
- **1995:** Elevated to a **Dialogue Partner**, increasing interactions to the Foreign Minister level.
- **2002:** The relationship was further upgraded to **Summit level**, with the first Summit taking place in 2002.
- **2012:** At the **20-year Commemorative Summit in New Delhi**, the Dialogue Partnership was upgraded to a Strategic Partnership.
- **2018:** During the **25-year Commemorative Summit**, India and ASEAN agreed to focus on cooperation in the maritime domain.
- **2022:** The **30-year anniversary** of ASEAN-India relations was celebrated, designated as **ASEAN-India Friendship Year**, culminating in the elevation of the Strategic Partnership to a **Comprehensive Strategic Partnership**.

▪ Economic Powerhouse-Gateway to Southeast Asian Markets: ASEAN represents a crucial economic bloc for India, offering access to a market of over **650 million people** with a combined GDP of **USD 3.2 trillion**.

- The ASEAN-India Free Trade Area has boosted bilateral trade to **USD 110.39 billion in 2021-2022**.
- ASEAN is one of the major trade partners of India with a share of **11% in India's global trade**.
- **Singapore is India's largest trade partner in ASEAN and 6th largest trade partner worldwide** and it was the largest source of FDI during the last financial year valued at **USD 11.77 billion**.

▪ Strategic Counterbalance: In the context of rising geopolitical tensions, particularly with China, **ASEAN** serves as a crucial strategic partner for India.

- **India's 'Act East Policy' and ASEAN's 'Outlook on the Indo-Pacific'** share complementary visions for regional stability.

- The elevation of India-ASEAN ties to a **Comprehensive Strategic Partnership in 2022** underscores this alignment.
- India's engagement with ASEAN in forums like the [East Asia Summit](#) and **ASEAN Regional Forum** provides platforms to assert its role as a net security provider in the region, countering Chinese influence and promoting a rules-based international order.
- **Connectivity Catalyst:** ASEAN is pivotal in India's vision of enhanced regional connectivity.
 - Projects like the [India-Myanmar-Thailand Trilateral Highway](#) and the [Kaladan Multi-Modal Transit Transport Project](#), despite delays, represent India's commitment to physical integration with Southeast Asia.
 - Digital connectivity initiatives, including the **recent focus on 5G and cybersecurity cooperation**, further strengthen these links.
 - These connectivity projects are not just about infrastructure but are strategic investments in creating an **integrated economic and cultural space that can rival China's Belt and Road Initiative in the region.**
- **Cultural Confluence:** The deep-rooted historical and cultural ties between India and Southeast Asia provide a unique foundation for soft power diplomacy.
 - Initiatives like the **ASEAN-India Artists' Camp and Music Festival** celebrate this shared heritage.
 - The establishment of the **ASEAN-India Network of Universities in 2022** further strengthens academic and cultural exchanges.
 - These cultural links are increasingly important in an era where public diplomacy plays a crucial role in international relations, helping India build goodwill and influence in the region.
- **Technological Synergy:** ASEAN's rapidly digitalizing economies present significant opportunities for India's IT sector and start-up ecosystem.
 - The inaugural **ASEAN-India Start-up Festival** showcases the potential for collaboration in areas like fintech, e-commerce, and artificial intelligence.
 - The **ASEAN-India Science and Technology Development Fund**, with its recent **USD 5 million boost**, supports joint research in cutting-edge fields.
- **Maritime Security Collaboration:** ASEAN is a key partner in India's maritime security strategy, particularly in the context of the Indo-Pacific region.
 - Collaboration on issues like piracy, illegal fishing, and disaster management in bodies like the **ASEAN Regional Forum** and the **Expanded ASEAN Maritime Forum** aligns with India's [SAGAR \(Security and Growth for All in the Region\) doctrine](#).
 - The inaugural **ASEAN India Maritime Exercise** was held in the **South China Sea in May 2023.**
- **Energy Security and Sustainability:** ASEAN's energy-rich members offer opportunities for India to diversify its energy sources, crucial for its growing economy.
 - Simultaneously, **India's expertise in renewable energy**, particularly solar power, aligns with ASEAN's sustainability goals.
 - The recent ASEAN-India High-Level Conference on Renewable Energy exemplifies this synergy.
 - Cooperation in [semiconductors](#), [clean energy technologies](#) and **sustainable development practices** positions both India and ASEAN at the forefront of global efforts to combat climate change while ensuring energy security.
- **Supply Chain Resilience:** In the **post-Covid era**, ASEAN has emerged as a key partner in India's efforts to build resilient supply chains.
 - The pandemic exposed vulnerabilities in global supply networks, prompting a **rethink of over-dependence on single sources.**
 - India-ASEAN cooperation in sectors like pharmaceuticals, electronics, and automobiles is crucial for creating diversified, robust supply chains.
 - This collaboration aligns with broader initiatives like the [Supply Chain Resilience Initiative \(SCRI\) involving India, Japan, and Australia](#), aimed at reducing dependence on China and creating more secure regional value chains.

What are the Key Concerns in India-ASEAN Relations?

- **Trade Imbalance:** India's trade deficit with the ASEAN has surged, more than **doubling since the implementation of the [Free Trade Agreement \(FTA\)](#) in 2010.**

- This imbalance is particularly pronounced in sectors like **electronics and machinery**.
- For instance, in the fiscal year **2022-2023**, India's exports to ASEAN countries amounted to **USD 44.04 billion**, while imports significantly outpaced this, reaching **USD 87.58 billion** during the same period.
- **Infrastructure Connectivity:** While India and ASEAN have made progress in digital and cultural connectivity, physical infrastructure links remain underdeveloped.
 - The **India-Myanmar-Thailand Trilateral Highway**, a flagship project, has faced significant delays and is yet to be completed.
 - Similarly, the **Kaladan Multi-Modal Transit Transport Project** has encountered challenges.
 - These delays hamper trade flows and people-to-people connections.
- **Geopolitical Balancing- Navigating the China Factor:** China's growing influence in Southeast Asia poses a complex challenge for India-ASEAN relations.
 - ASEAN member states are increasingly caught between Chinese economic inducements and security concerns.
 - India's efforts to **position itself as a counterbalance to China**, such as through the [Quad Alliance](#), have met with mixed responses from ASEAN countries wary of taking sides.
 - The [South China Sea dispute](#) further complicates this dynamic.
 - For instance, while **Vietnam and the Philippines** welcome India's more active role in the **South China Sea**, other members are more cautious
- **Regulatory Hurdles:** Differences in regulatory standards and procedures between India and ASEAN countries create significant non-tariff barriers to trade and investment.
 - For example, **divergent food safety standards and certification** processes hinder agricultural trade.
 - The **lack of mutual recognition agreements in professional services** limits the movement of skilled professionals.

Why does India Continue to Face Trade Deficit with ASEAN?

- **Tariff Asymmetry:** The ASEAN-India Free Trade Agreement (AIFTA) has led to asymmetric tariff reductions, disadvantageing India.
 - While India has reduced tariffs on about **74% of its tariff lines for ASEAN** countries, the latter have reciprocated for **only about 56% of their tariff lines**.
 - This imbalance is particularly pronounced in sectors like agriculture and textiles.
 - This tariff structure has contributed to the surge in imports from ASEAN, widening the trade deficit which reached **USD 25.76 billion in 2021-22**.
- **Non-Tariff Barriers:** ASEAN countries employ various non-tariff barriers (NTBs) that hinder Indian exports.
 - These include **complex regulatory requirements, stringent sanitary and phytosanitary measures**, and technical barriers to trade.
 - For example, Indian pharmaceutical exports face lengthy and costly registration processes in several ASEAN countries.
 - Similarly, Indian agricultural products often struggle to **meet ASEAN's strict food safety standards**.
- **Manufacturing Competitiveness:** Many ASEAN countries, particularly **Vietnam and Thailand**, have developed robust manufacturing sectors with higher productivity levels than India.
 - This is evident in sectors like **electronics and machinery**.
 - For instance, **India exports to Vietnam** reached **USD 5.47 billion** (down 7.43%) while Indian imports from Vietnam amounted to **USD 9.34 billion** (up 6.26%).
 - India's **relatively lower labor productivity** and higher logistics costs (14% of GDP compared to **5-10% in ASEAN**) contribute to this competitiveness gap.
- **Missing Link Regional Value Chain:** India's limited integration into ASEAN-centric regional value chains exacerbates the trade imbalance.
 - ASEAN countries have successfully positioned themselves as key nodes in global supply chains, particularly in electronics and automotive sectors.
 - For example, **Thailand is a major auto parts supplier for Japanese car manufacturers**, while **Vietnam is a crucial link in the electronics supply chain**.
 - India's participation in these regional production networks remains limited, **reducing its ability to capture value-added exports** to ASEAN and beyond.

- **Services Trade Barriers:** While India has a comparative advantage in services, particularly in IT and ITeS, barriers to services trade in ASEAN due to language and other factors **limit India's ability to offset goods trade deficit.**
 - Restrictions on the movement of professionals, lack of mutual recognition agreements for qualifications, and data localization requirements in some ASEAN countries hinder India's services exports.
- **Rules of Origin Exploitation:** Weak rules of origin in the AIFTA have allowed non-ASEAN countries, **particularly China, to route their exports to India through ASEAN, exacerbating the trade deficit.**
 - This 'trade deflection' has been particularly problematic in sectors like electronics and machinery.
 - This issue not only inflates the trade deficit with ASEAN but also undermines India's efforts to reduce dependence on Chinese imports.

What Measures can be Adopted to Enhance India-ASEAN Relations?

- **Recalibrating the ASEAN-India Free Trade Agreement (AIFTA):** India should push for a comprehensive review and recalibration of AIFTA to address the trade imbalance.
 - This could include **negotiating for more balanced tariff reductions**, particularly in sectors where India has a competitive advantage such as **pharmaceuticals, textiles, and IT services.**
 - For instance, India could propose a phased reduction of tariffs on sensitive agricultural products while seeking greater market access for its services sector.
- **Enhancing Infrastructure Connectivity:** India needs to accelerate the completion of key connectivity projects like the **India-Myanmar-Thailand Trilateral Highway and extend it to Cambodia, Laos, and Vietnam.**
 - India could propose a comprehensive "**Connectivity Master Plan**" aligned with **ASEAN's Master Plan on Connectivity 2025.**
 - This could include digital connectivity initiatives, such as the proposed **India-ASEAN submarine cable project**, which would significantly boost digital trade and services.
 - Timely completion of these projects could potentially increase India-ASEAN trade by 20-30% in the medium term.
- **Boosting Manufacturing Competitiveness:** To address the manufacturing competitiveness gap, India should focus on sector-specific interventions.
 - The **Production Linked Incentive (PLI) scheme**, which has shown promise in sectors like electronics, should be extended to cover more industries relevant to ASEAN trade.
 - India could also propose **joint manufacturing initiatives with ASEAN countries**, leveraging each other's strengths.
 - For example, a **joint India-Vietnam electronics manufacturing hub** could combine India's software capabilities with Vietnam's hardware expertise.
 - Such initiatives could help India integrate better into regional value chains.
- **Enhancing Energy Cooperation:** India should propose a comprehensive "ASEAN-India Energy Partnership" focusing on **energy security, clean energy transition, and technology cooperation.**
 - This could include joint exploration and development of renewable energy technologies, semiconductors and knowledge sharing on energy efficiency.
 - Joint **research on emerging areas like green hydrogen and energy storage could also be initiated.** Enhanced energy cooperation could help India diversify its energy sources while supporting ASEAN's sustainable development objectives.
- **Enhancing Strategic and Defense Cooperation:** India should deepen its strategic engagement with ASEAN, particularly in maritime security.
 - India could offer increased **capacity building assistance** to ASEAN countries in areas like maritime domain awareness, anti-piracy operations, and [humanitarian assistance and disaster relief \(HADR\)](#).
 - The [Information Fusion Centre - Indian Ocean Region \(IFC-IOR\)](#) could be leveraged to enhance maritime cooperation.
 - India should also consider joint defense production initiatives with technologically advanced ASEAN countries like **Singapore and Indonesia**, which could enhance interoperability and strategic trust.

- **Aligning on Climate Change and Sustainability:** India should propose an "**ASEAN-India Green Partnership**" focusing on climate change mitigation, renewable energy, and sustainable development.
 - This could include technology transfer in areas like **solar energy**, where India has made significant strides with initiatives like the **International Solar Alliance**.
 - Joint research projects on **climate-resilient agriculture**, given the shared vulnerability to climate change, could be initiated.
 - Such initiatives could position India as a responsible partner in addressing shared environmental challenges.

How India Can Leverage Singapore to Enhance Its Relations with ASEAN?

- **Economic Gateway:** Singapore's strategic location and its status as a major financial hub make it an ideal economic gateway for India into the ASEAN region. India can:
 - Use Singapore as a **base for Indian companies**, especially startups and tech firms, to expand into Southeast Asian markets
 - Leverage the [Comprehensive Economic Cooperation Agreement \(CECA\)](#) to boost trade and investment flows with other ASEAN countries
 - Collaborate with Singapore to promote digital financial inclusion across ASEAN, building on successes like the **UPI-PayNow linkage**.
- **Maritime Security Cooperation:** Given Singapore's strategic location at the **Malacca Strait** and its support for India's role in regional maritime security, India can:
 - Expand joint naval exercises like [SIMBEX](#) to include other ASEAN nations, enhancing regional maritime cooperation
 - Collaborate with Singapore to promote maritime security initiatives within ASEAN, such as the **ASEAN-India Maritime Exercise**
- **Technology and Innovation Hub:** Singapore's emphasis on innovation and technology aligns well with India's digital ambitions. India can:
 - Partner with Singapore to develop joint initiatives in emerging technologies like **blockchain, AI, and cybersecurity**, which can be extended to other ASEAN countries
 - Use Singapore as a testbed for Indian tech innovations before scaling them across ASEAN
- **Supply Chain Resilience:** Building on the collaboration during the COVID-19 pandemic, India can:
 - Use **Singapore's expertise in logistics and supply chain management** to enhance connectivity with other ASEAN nations
 - Collaborate on initiatives to ensure the free flow of essential goods and services across the region during crises

Conclusion

India's strategic engagement with ASEAN, highlighted by the evolving partnership with Singapore, underscores a pivotal shift towards deeper economic, technological, and security collaborations. As India leverages Singapore's position and expertise to enhance its regional footprint, the ongoing commitment to strengthening ASEAN ties promises substantial mutual benefits. Addressing **trade imbalances and expanding cooperation** in key sectors will be crucial for realizing the full potential of this dynamic relationship.

Drishti Mains Question:

Discuss the economic dynamics between India and ASEAN. What steps should India take to address the trade imbalance and enhance economic cooperation with ASEAN countries?

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Prelims

Q1. India is a member of which among the following? (2015)

1. Asia-Pacific Economic Cooperation
2. Association of South-East Asian Nations
3. East Asia Summit

Select the correct answer using the code given below:

(a) 1 and 2 only

(b) 3 only

(c) 1, 2 and 3

(d) India is a member of none of them

Ans: (b)

Q2. Consider the following countries: (2018)

1. Australia
2. Canada
3. China
4. India
5. Japan
6. USA

Which of the above are among the 'free-trade partners' of ASEAN?

(a) 1, 2, 4 and 5

(b) 3, 4, 5 and 6

(c) 1, 3, 4 and 5

(d) 2, 3, 4 and 6

Ans: (c)

Q3. The term 'Regional Comprehensive Economic Partnership' often appears in the news in the context of the affairs of a group of countries known as (2016)

(a) G20

(b) ASEAN

(c) SCO

(d) SAARC

Ans: (b)

Q4. In the Mekong-Ganga Cooperation, an initiative of six countries, which of the following is/are not a participant/ participants? (2015)

1. Bangladesh
2. Cambodia
3. China
4. Myanmar

5. Thailand

Select the correct answer using the code given below:

- (a) 1 only
- (b) 2, 3 and 4
- (c) 1 and 3
- (d) 1, 2 and 5

Ans: (c)

Mains

Q. Evaluate the economic and strategic dimensions of India's Look East Policy in the context of the post-Cold War international scenario. **(2016)**

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