



INDIA-ASEAN ECONOMIC TIES: A COMPREHENSIVE ANALYSIS OF FUTURE GROWTH PROSPECTS

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Abstract-- India is becoming a significant factor in determining the future political, economic, and social security landscape in Asia as it displays its ability to compete economically and technologically in the 21st century. India's decentralized political and economic structures, together with their resilience and stability, as well as its unity, all have the potential to strengthen India's competitiveness. ASEAN¹ is essentially a political and economic grouping of ten important Southeast Asian Countries. This grouping was formed by countries like Indonesia, Philippines, Singapore, Thailand, and Malaysia in 1967 by signing the Bangkok Declaration. The other five joined this grouping in then 1990. The potential for ASEAN-India cooperation in the twenty-first century has increased with ASEAN's inclusion of the nations of the Indochina area (Cambodia, Laos, Myanmar, and Vietnam). So in the 1990s, the ASEAN became a predominant political and economic organization that is focused on the region. Regarding factor endowments, economic structure, skill levels, and capacities in a variety of fields, the ASEAN-India collaboration aspires to maximize complementarities and synergies. Aside from commerce in goods, there are also bilateral flows of FDI, tourism, science and technology, and labour between India and ASEAN. Strong institutional structures for ASEAN-India discussion and cooperation have been established during the last ten years to solidify the economic links between India and ASEAN nations. India is attempting to expand its economic ties with ASEAN as a whole to complement previous efforts at strengthening bilateral and sub-regional economic ties. Although the discussion above implies that ASEAN and India have been engaging in more commercial and political exchanges, India has been somewhat frustrated by the lack of deeper engagement with India. This article makes an effort to discuss the prospects and problems in the economic cooperation between India and the ASEAN nations, as well as their potential for future expansion.

INTRODUCTION

In the past, inward-looking economic blocs, regional cooperation agreements, and regional trade agreements were seen as barriers to international commerce. However, they are currently seen as enhancing and positively impacting international trade and are spreading around the globe. The founding fathers of ASEAN—Indonesia, Malaysia, the Philippines, Singapore, and Thailand—signed the ASEAN Declaration (Bangkok Declaration), establishing the Association of Southeast Asian Nations, or ASEAN, on August 8, 1967, in Bangkok, Thailand. As of right now, there are ten Member States of ASEAN: Brunei Darussalam joined on January 7, 1984; Viet Nam joined on July 28, 1995; Lao PDR and Myanmar joined on July 23, 1997; and Cambodia joined on April 30, 1999.² These ASEAN Countries represent a population of nearly 662 million people. This region accounts for nearly 4 trillion dollars of the global GDP. These countries have become significant powerhouses on their own. The most significant fact about Southeast Asia is that it lies at the center of the Indian Ocean and Pacific Ocean. So, a political-economic grouping that dominates South East Asia is naturally expected to play an important role in the Asian economy.

India's relationship with ASEAN is the central pillar of our localist activity. India launched the Look East policy in the year 1992 under the then P.V Narsimha govt. Under this policy, India was trying to revive its historical, cultural, and economic relations with its eastern neighbours. There were a few major developments that took place at that time. First, as the Cold War came to an end, India lost its key ally

¹ The Association of Southeast Asian Nations, commonly abbreviated as ASEAN, is a Political and Economic union of 10 States in Southeast Asia i.e. Indonesia, Malaysia, Philippines, Singapore, Thailand (Original Members), Brunei Darussalam, Vietnam, Lao PDR, Myanmar, Cambodia (later Members)

² Available at About ASEAN - ASEAN Main Portal (last visited on 15.05.2024)



in the form of the Soviet Union. During the same period, India faced a balance of payment crisis which eventually pushed India to introduce the LPG reforms. Therefore, India opened up its economy as it needed to attract new markets for exports. It was in this context the then Govt launched an ambitious LOOK EAST POLICY to pay attention to the South East Asia region and East Asia region. Major initiatives have been taken up and this policy is primarily driven by our relationship with the ASEAN region group. Hence, in 1992 India established a sectoral dialogue with the ASEAN group. Within a few years, India became a full dialogue partner and a member of the ASEAN REGIONAL FORUM (ARF) which is a much larger group that is led by 10 ASEAN Countries.

In 2014, Prime Minister Modi upgraded the Look East policy into the Act East policy. Even under this new policy, the ASEAN happens to be the central pillar.

It is important to note that the fear of economic isolation is spreading across many Asian nations as market access in the nascent patchwork of powerful regional trade blocs in Europe and America is declining. Both ASEAN and India are aggressively negotiating free trade agreements with their trading partners both within and outside of the area, motivated by the difficulties of globalisation and the region's increasing economic interdependence. The necessity for greater economic integration with trading partners has been exacerbated by China's rise as a global trade and investment superpower. The recent breakdown of WTO negotiations in Cancun and the inherent constraints of developing liberalised international trade has increased the urgency of the process. India has free trade agreements (FTAs) has agreed to a framework for an FTA with Thailand and is presently discussing FTAs with several nations. In addition to pursuing bilateral FTAs, ASEAN has inked framework agreements with China, Japan, and India to establish a free trade area over the next 10 years, with Singapore serving as the lead country.³ In addition to Japan, China, and South Korea, India is an ASEAN summit partner. The ASEAN-India relationship has evolved from a sectoral dialogue partnership in 1992 to a comprehensive dialogue partnership in 1995 and has ultimately reached summit-level engagement since the initiation of India's "Look East" strategy in the early 1990s, aligning with the country's economic reforms and liberalization efforts. In 2002, the first ASEAN-India summit took place in Phnom Penh, Cambodia. With India joining the ASEAN Regional Forum in the year 1996, the connection between ASEAN and India has grown steadily closer, boosting not just their economic ties but also their political and security ties in the last two to three years.⁴

INDIA ASEAN CO-OPERATION

The ASEAN-India partnership seeks to leverage complementarities and synergies in factor endowments, economic structures, and skills across various sectors, including information technology, pharmaceuticals, tourism, entertainment, human resource development, education, biotechnology research, power, food processing, agriculture, healthcare, financial services, communications, space technology, energy security, industrial parks, real estate management, and linguistics. In recent years, ASEAN and India have initiated collaborative efforts in several of these areas. Some cooperative efforts, such as the creation of composite materials and rare earth magnets for industrial uses, are now prepared for commercial use. Aside from commerce in goods, there are also bilateral flows of FDI, science and

³Hernaikh, *ASEAN-India Relations: Potential for Further Growth*, available at <https://www.isas.nus.edu.sg/wp-content/uploads/2022/07/ISAS-Insight-722-.pdf> (last visited on 10.05.2024)

⁴ *India-ASEAN Economic Relations: Examining Future Possibilities*, available at https://www.orfonline.org/wp-content/uploads/2018/01/ORF_Issue_Brief_221_India_ASEAN.pdf (last visited on 5.04.2024)



technology, tourism, and labour between India and ASEAN.⁵ ASEAN India can take advantage of a sizable market for its products and services because of its competitive edge at the national and regional levels.

Strong institutional structures for ASEAN-India cooperation and discussion have been established during the last ten years. Business people and government representatives from both sides have previously met at two India ASEAN Business Summits in India in 2002 and 2003 to discuss trade and industry connections. The ASEAN India Business Council (AIBC) has been formed, comprising leaders from the ASEAN Chambers of Commerce and Industry as well as prominent business associations in India, to spearhead private sector cooperation. With over a decade of market-oriented reforms, India is poised to enhance its engagement with the dynamic ASEAN nations. To support the future development of ASEAN-India relations, both parties are creating a roadmap.⁶

Upon the signing of the "Framework Agreement on Comprehensive Economic Cooperation" during the second ASEAN-India Summit in Bali, which took place from October 6–8, 2003, a new chapter in the two nations' ties began. This Agreement sets forth a plan for creating an RTIA, which will encompass investments, services, and trade, and will be operational throughout the area within ten years. The concept for a Regional Trade and Investment Agreement (RTIA) between ASEAN and India first emerged during the inaugural ASEAN Economic Ministers-India Consultation, which took place in Brunei Darussalam in September 2003. At this meeting, it was decided to create an "ASEAN-India Economic Linkages Task Force" whose recommendations would include the draught of a framework agreement to improve trade and economic cooperation between ASEAN and India. A collaborative study conducted by two academic experts for the ASEAN Secretariat and the Government of India that revealed substantial economic potential between ASEAN and India was the first to propose the creation of an India-ASEAN regional trade and investment area. This study note examines the framework between India-ASEAN.

INDIA-ASEAN TRADE

The ASEAN region is home to the third-largest market globally.⁷ India may benefit from this by using its export potential. In light of the convergence of regional interests, ASEAN is an essential part of India's "Act East" policy and its "Indo-Pacific" strategy. Forging closer ties with ASEAN nations can act as a balancing force against China's sway over the area.⁸ By positioning India's northeastern states as a hub for regional trade and commerce, connectivity initiatives with ASEAN can enhance economic development in these areas.⁹ ASEAN is at the forefront of advancing an Indo-Pacific region's rules-based security architecture, which is necessary for the stability and prosperity of the area.¹⁰

⁵OVERVIEW ASEAN-INDIA COMPREHENSIVE STRATEGIC PARTNERSHIP, available at <https://asean.org/wp-content/uploads/2023/06/Overview-ASEAN-India-CSP-as-of-June-2023.pdf> (last visited on 05.05.2024)

⁶ASEAN, PRC, and INDIA THE GREAT TRANSFORMATION, available at <https://www.adb.org/sites/default/files/publication/159310/adbi-asean-prc-india-transformation.pdf> (last visited on 15.05.2024)

⁷Available at ASEAN's trade-off between economic nationalism and development | East Asia Forum (last visited on 06.05.2024)

⁸Available at Balancing Act: Assessing China's Growing Economic Influence in ASEAN | Asia Society (last visited on 10.06.2024)

⁹Available at Leveraging India's Northeast Region for Regional Connectivity – CSEP (last visited on 11.06.2014)

¹⁰Available at ASEAN As An Indo-Pacific Middle Power: Shaping The Emerging Regional Order – Analysis – Eurasia Review (last visited on 16.06.2024)



AREAS OF POTENTIAL COOPERATION

Recognizing that ASEAN is a crucial element of India's Act East Policy, there are many areas of collaboration between the two countries:

- Annual summit: Presently, India and ASEAN hold annual summits. The official involvement started in 1992 as a "Dialogue Partner" and continued as a "Sectoral Dialogue Partner" in 1996. In 2002, it received an upgrade to the Summit level.¹¹
- Commerce and Investment: The Free Trade Area of Asia and India (FTA) has increased commerce and investment between the two regions. Asia-Pacific is India's fourth-biggest trading partner. In 2021–2022 there was \$110.4 billion in total trade.¹² To promote stronger commercial ties, the ASEAN-India Commercial Council (AIBC) was established in 2005.
- Regional connectivity: With projects like the Kaladan Multimodal Transit Transport Project and the India-Myanmar-Thailand (IMT) Trilateral Highway, India is attempting to improve connectivity with ASEAN nations.¹³
- Defense and Security: By holding cooperative military drills like the ASEAN-India Maritime Exercise and the ASEAN Defense Ministers' Meeting Plus (ADMM+), India and ASEAN have improved their defense cooperation. For instance, India's Indo-Pacific vision of Security and Growth for All in the Region (SAGAR) centers around ASEAN.¹⁴
- Socio-cultural cooperation: To strengthen people-to-people ties, India and ASEAN have encouraged cultural exchanges. For instance, inviting ASEAN students to India annually for the Students Exchange Programme, ASEAN-India Network of Think Tanks, Special Training Course for ASEAN Diplomats, Exchange of Parliamentarians, ASEAN-India Eminent Persons Lecture Series, etc.
- Education and research: To promote further research and studies on the connections between ASEAN and India, India established the ASEAN-India Centre at the Research and Information System for Developing Countries.¹⁵
- Delhi Dialogue (2009): Every year, ASEAN and India hold a Track 1.5 forum to discuss economic, sociocultural, and political-security issues.¹⁶
- Funding: The ASEAN-India Cooperation Fund, ASEAN-India S&T Development Fund, and ASEAN-India Green Fund have all provided financial assistance to ASEAN countries.¹⁷

¹¹Available at 30 Years of ASEAN-India relations - The ASEAN Magazine (last visited on 17.07.2024)

¹²Available at Free Trade Agreements between India and ASEAN Countries (investindia.gov.in)(last visited on 18.07.2024)

¹³Available at The Indian Trilateral Highway Project and Myanmar's Spring Revolution – The Diplomat (last visited on 20.07.2024)

¹⁴Available at Maritime Security Cooperation Between India and ASEAN | SpringerLink (last visited on 25.08.2024)

¹⁵Available at <https://aseanindiacentre.org.in/sites/default/files/2024-03/AIC-Commentary-No-48-Prof-Mahapatra.pdf> (last visited on 10.05.2024)

¹⁶ Available at Indian Mission to ASEAN, Jakarta | Government of India (indmissionasean.gov.in) (last visited on 17.06.2024)

¹⁷ Available at ASEAN India S&T Cooperation (aistic.gov.in)(last visited on 15.05.2024)



PERFORMANCE OF ASEAN-5 AND INDIA'S GLOBAL TRADE

The ASEAN-5 region refers to Singapore, Malaysia, the Philippines, Indonesia, and Thailand. It has greatly profited from its increased trade and integration into the global economy. The region's interaction with major economies across the globe has raised living standards.¹⁸

ASEAN-5 saw strong economic growth between 2020 and 2021, mostly as a result of their extremely export and investment-friendly economies. The ASEAN-5, which is known for being "outward-oriented," had an annual export growth rate of an average of 13.2% in the last five years, a small increase from 12.4% from 2010 to 2015¹⁹. From 14.8 in 2015-20, the import growth rate slowed to 10.2%. The financial crisis of 2008 caused a decline in imports since it made imports more costly if the value of foreign currencies declined. Similar to how their exports increased, this was due to their goods being more price competitive due to the depreciation of their respective currencies. But putting that aside, the ASEAN-5 has consistently maintained a strong export growth rate throughout the time on the strength of its ability to compete on both price and quality. Value-wise, yearly exports rose from US\$ 207 billion to US\$ 480 billion over the time. If this proportion is compared to India, it is extremely amazing.²⁰

Because just a small number of critical foreign goods were available in the Indian market before July 2010, India had a reputation as an "import substitution" economy. The main goal of the economic strategy was to use local resources and technology to make commodities. The justification for this policy was that domestic industry needed to be protected since it could not compete with external (international) industry and needed to be protected via an "infant industry" policy. Although it may be difficult to categorise the economy as "export-focused" given that economic reforms were initiated in July 1991, attempts are being made to dispel the previous perception of a nation that was "import-substituting." The economy is shifting away from "export pessimism" and toward "positive exportism" by giving full-fledged exports priority.²¹ The economy of ASEAN has expanded significantly and is expected to do so in the future. The population is projected to reach approximately 792 million by 2050, and between 2020 and 2050, the economy is projected to increase at a compound annual growth rate (CAGR) of 4.6%. The energy needs of the region must be satisfied to maintain this growth trajectory.²²

INDIAN TRADE WITH THE ASEAN-5

The ASEAN-5's percentage of India's exports increased from -21% in 2015–2016 to 23.19% in 2016–2017. Thereafter after certain ups and downs, the major decline was observed in 2020-21 to -34.43%. But in 2021-2022 it has improved to some extent. In a similar vein, the ASEAN-5's proportion of India's overall imports increased from -6.66% in 2019–2020 to 43.57% in 2020–2021. However, India has observed a decline in imports in the year 2021-2022. What role did India play in ASEAN-5's overall global trade? The imports from the ASEAN-5 have, however, hardly increased. India was able to expand

¹⁸ Ambatkar, S, "India – ASEAN: Emerging Scenario in Economic Interaction" 57(1) *India Quarterly* 99-120 (2001)

¹⁹ Available at ASEAN feared to become multinational companies market only - ANTARA News (last visited on 12.06.2024)

²⁰ *Ibid*

²¹ Huff, K. M. and T. W. Hertel "Decomposing welfare changes in the GTAP Model", GTAP Technical Paper No. 5. Centre for Global Trade Analysis, Department of Agricultural Economics, Purdue University, Indiana, United States (2000).

²² Available at Energy Matters: Just and Inclusive Transition to Low Carbon Development - ASEAN Centre for Energy (aseanenergy.org) (last visited on 16.07.2024)



its imports throughout the time, although ASEAN-5 overall experienced favourable trade. Impact on India's commerce with ASEAN: The other side's reaction was only somewhat enthusiastic.²³

The following are the three main formal institutional frameworks being used to strengthen the economic ties between India and ASEAN:

Consultations between the economic ministers of ASEAN and India are facilitated through the ASEAN Economic Ministers (AEM), one of the key sectoral bodies. The AEM-India meetings are significant interactions, attended by the Commerce Minister. A major focus of recent AEM-India summits has been the review of the ASEAN-India Trade in Goods Agreement (AITIGA).

The ASEAN-India Framework Agreement on Comprehensive Economic Cooperation, finalized at the second summit in 2003, established the mandate for creating an ASEAN-India Free Trade Area. The AITIGA was signed in 2009 and took effect on January 1, 2010. Additionally, the Agreement on Investment, signed in 2014, and the Agreement on Trade in Services (AITISA), also signed in 2014 and ratified by all parties in 2018, have been completed and approved²⁴.

To foster Comprehensive Economic Cooperation between India and the ASEAN area, the ASEAN-India Business Council (AIBC) was established in 2003. It is intended to provide a vehicle for the private sector to offer authoritative input on the government's present policies and to suggest actions that governments should take to further the ASEAN-India economic cooperation. Meetings of the AIBC, which typically align with those of the ASEAN Business Advisory Council, are designed to offer Indian business leaders the opportunity to network with their ASEAN counterparts. The most recent gathering was in September 2021.²⁵

From April 2021 to February 2022, commodity trade between India and the ASEAN region amounted to \$98.39 billion. India's top five trading partners among the ten ASEAN members are Indonesia, Singapore, Malaysia, Vietnam, and Thailand, each with trade exceeding \$10 billion.

Investment: From 2000 to 2021, India attracted a total of \$117.88 billion in FDI from ASEAN, with the majority coming from Singapore, which invested \$115 billion. Additionally, between April 2019 and March 2022, India invested \$55.5 billion in the ASEAN region, of which \$51.5 billion was directed towards Singapore. Singapore and Malaysia will continue to be the region's top trading partners going forward and the other three nations will act similarly. It suggests that India must develop an export strategy for each nation, taking into account the current trajectory of its economic relations with each one.²⁶

INDIAN COMMODITY STRUCTURE COMPARED TO ASEAN-5

India's growing industrialisation in the 1980s and 1990s helped the nation grow its exports of manufactured goods to the ASEAN-5. Except for Indonesia and the Philippines, where India's manufactured exports are somewhat lower than its primary exports, the proportion of manufactured exports has increased substantially to almost all of the ASEAN-5 nations in recent years. Machines and

²³ Veeramani, C. and G. K. Saini, "Impact of ASEAN-India FTA on India's plantation commodities: A simulation analysis", IGIDR working paper 2010-004 *Indira Gandhi Institute of Development Research* (2010)

²⁴ *India- ASEAN Relations*, available at <https://www.mea.gov.in/Portal/ForeignRelation/India-ASEAN-Relations-August-2018.pdf> (last visited on 20.05.2024)

²⁵ *India-ASEAN: Trade in goods agreement available at India-ASEAN: Trade in goods agreement (smetimes.in)* (last visited on 24.06.2024)

²⁶ *Impact of India-ASEAN Free Trade Agreement: A cross-country analysis using applied general equilibrium modelling*, available at <https://www.unescap.org/sites/default/files/AWP%20No.%2010.pdf> (Last visited on 04.04.2024)



instruments, transportation gear, electronic products, metals makers, medications, and pharmaceuticals make up the majority of the produced export commodities. In addition to these commodities, diamonds, and jewellery are important exports from India to Thailand and Singapore. It is also notable that the exports of information technology from India are increasing as a result of the quick development of technology and engineering science.²⁷

The demand for manufactured goods increased and the need for basic products decreased as soon as the domestic import system was opened up. 16.59% of India's total imports from Singapore, 15.52 percent from Indonesia, and 11.19 percent from Malaysia from April 2021 to February 2022. Electronic products, professional instruments, artificial resins, organic chemicals, electrical equipment, textile yarn and textiles, and synthetic and regenerated fabrics are the main manufactured imports. Edible oils, vegetable oils, non-ferrous metals, wood and wood products, natural rubber, pulp, and waste paper are all on the list of main goods.²⁸

TOURIST FLOWS

Tourism is another sector of the services trade with room for growth. In the tourism industry, Malaysia, Indonesia, the Philippines, and Singapore have already accumulated a significant amount of experience and competitive advantage, with Vietnam recently emerging as a significant travel destination. However, India is moving to establish an integrated tourist business now that it has somewhat late realised the potential in this field. India wants to bring in much more foreign tourists than the 1.52 million who visited in 2021. It also wants to create a welcoming environment and provide services that are worth the money spent so that visitors stay longer and spend more money each day.²⁹

Despite the difficulties the epidemic presented, it is important to remember that Southeast Asia had remained a significant source market for inbound travel to India even before the outbreak. 33,864 tourists from ASEAN member nations travelled to India in 2021, making up about 2.40 percent of all tourist arrivals. In the year 2021, over 1.34 million Indians visited ASEAN nations.³⁰

With global immunisation campaigns gaining momentum, there is hope that international travel will eventually take up again. The Post-COVID-19 Recovery Plan for ASEAN Tourism has outlined a coordinated strategy to securely restart the sector in this respect. To accomplish this, key tourist recovery regions will be determined, and the Recovery Plan's connection with the ASEAN-India Tourism Work Plan 2021–2022 will be ensured. The percentage of business travellers from important ASEAN nations, including Singapore, has been rising. About 35% of tourists from Singapore to India entered the country on business visas in 2021. This suggests that ASEAN nations are poised to considerably benefit from the balance of trade in tourist services. India has to take greater initiative to attract tourists from the ASEAN region.³¹

Given India's immense geographical variety and cultural diversity, a lack of an appropriate integrated strategy has caused many foreign visitors to select alternate locations. India's foreign tourism is still heavily focused on a few numbers of states and circuits despite the country's immense cultural and

²⁷ S Ambatkar, "India – Asean : Emerging Scenario in Economic Interaction" *India Quarterly* 57(1) 99-120 (2001)

²⁸ Sanjay Ambatkar, "The Quest for Looking East: Case Study of Indo-ASEAN Economic Linkages" *Foreign Trade Review* 35 22-41 (2000)

²⁹ *Supra note 3*

³⁰ Nathan. K.S (ed.), *North America and the Asia-Pacific in the 21st Century: Challenges and Prospects for Cooperative Security and Prosperity* (ASEAN Academic Press Ltd. U.K, 2019).

³¹ *Ibid*



natural variety. Investments made by Singaporean businesses in the Indian tourism industry have the potential to be advantageous to both nations. While India can profit from the investment in the form of a portfolio investor, Singapore investors will find the opportunities to invest attractive (the investment could be relatively passive in the form of a minority share with some technical and know-how transfer or as a portfolio investor to participate in the growth of the relevant company). The Singapore Tourism Board (STB) and the government of India Tourism Office in Singapore have been working together to promote tourism between the two nations as an example of continuous efforts at economic cooperation in this field.

In support of its 2019-launched "Incredible India" campaign, the two organisations worked together to entice Singaporeans to go to India. The Indian Tourism Office is promoting India not just as a traditional vacation and business destination, but also as a destination for ecotourism, health tourism, and adventure tourism as part of its marketing strategies for Singaporean visitors. On their journey to the yearly Haj and Umrah pilgrimages, Muslim travellers from Singapore are the subject of plans to encourage them to stay in India³².

Operationally, there have been several significant recent advances in the ASEAN and Indian tourist industries. India proposed unilateral liberalisation of air transport for ASEAN airlines during the Bali Summit. Airlines from ASEAN are now able to fly directly to 21 Indian tourist sites. Additionally, during the hectic tourist seasons, ASEAN air carriers now have unlimited access to four Indian metropolises. The national carriers from Malaysia, Thailand, and Singapore stand to gain a lot from this. Malaysian, Thai, and perhaps Singaporean low-cost airlines all have flights scheduled to India. The ability for Indian domestic airlines to travel to locations on the Indian subcontinent has been granted, and the geographic reach may eventually be expanded. This offer ultimately increased connectivity between India and ASEAN, while there is still plenty of room to do so. Since they are now among the most expensive per mile, increased competition is anticipated to result in lower airfares between India and ASEAN. The aforementioned elements are likely to increase tourist arrivals and improve commercial relations. Additional steps that might improve these contacts include the provision of visa-on-arrival services for Indian travellers to Thailand and, more recently, Malaysia. Indian tourists may be a fresh supply of travellers for the ASEAN nations that are less developed. Although, unlike Thailand and Malaysia, their cost of visas will need to reflect their lesser competitiveness, they may also contemplate granting visas on arrival. Overall, India's tourist sector has the size to grow into a viable business if the right investments, infrastructure, people resources, and service-oriented culture are fostered.³³

INVESTMENT RELATIONS

Due to the COVID-19 epidemic, foreign direct investment (FDI) flows in ASEAN, a key driver of FDI growth globally over the previous ten years, decreased by 25% from an all-time high of \$182 billion in 2019 to \$137 billion in 2020. There were some encouraging signs: Some ASEAN members had an increase or stagnation in investment. Despite the fall, ASEAN was still a desirable location for investments, with its proportion of global FDI increasing from 11.9% in 2019 to 13.7% in 2020. The

³² Paribatra. Sukhumbhand (1998) Stephen Leong (eds., "A Peaceful ASEAN Community: Milestone for the future" in 'ASEAN Towards 2020: Strategic Goals and Future Directions) (ASEAN Academic Press Ltd., London)

³³ *Ibid*



intra-ASEAN proportion of FDI in the area increased from 12 to 17 percent thanks to resolute investment growth of 5% to \$23 billion.³⁴

The FDI environment and post-pandemic recovery are being shaped by significant events. They consist of the RCEP Agreement's (Regional Comprehensive Economic Partnership) signature in November 2020 and the Member States' demand for infrastructure spending.³⁵

The significance of foreign direct investment (FDI) in the region's transition to Industry 4.0 is highlighted in this year's ASEAN Investment Report, along with how Member States are luring Industry 4.0 technology to accelerate industrialization and economic growth. The Report emphasises the mutually beneficial interaction between the FDI climate and Industry 4.0. It offers policy alternatives for attracting FDI in the future to help the digital transition. On September 8, 2021, in Brunei Darussalam, the report was presented during the ASEAN Investment Area Ministerial Council Meeting (held virtually).³⁶

Additionally, Singapore-based multinational corporations (MNCs) and government-linked firms (GLCs) have invested in India, including Singapore Telecom, the Port of Singapore Authority, and Singapore Technologies Private sector businesses in Singapore have made modest investments in the fields of tourism, real estate, and healthcare. A favourable climate for Singaporean investments in India has been established by the successful operations and financial performance of Singapore's technology park in Bangalore.

One of the biggest foreign institutional investors in India is Singapore via its government holding company, the Government of Singapore Investment Corporation (SGIC). Due to Mauritius' advantageous double taxation agreement with India, the bulk of MNCs in Singapore have utilised it as a conduit for their investments into India. As a result, the official estimates of FDI inflows from Singapore to India are overstated since they do not include FDI that travels via Mauritius. It's hard to determine how much of an understatement there is, however.

Even though India has made a few small investments in ASEAN nations, some of which date back to the 1960s, their overall presence in the region remains negligible. The earlier investments were mostly driven by India's restrictive laws rather than by pull forces from ASEAN. Except in a few instances, these investments mainly failed as expected. Generally speaking, Singapore has drawn the majority of Indian FDI into ASEAN.³⁷

The Indian Diaspora in these nations hasn't been able to do much to fortify investment links with India, which is one of the reasons for the historically low levels of Indian investments in ASEAN nations. Additionally, until recently, Indian businesses had little ability and inclination to invest overseas, notably in ASEAN. Inflows of Indian investments into ASEAN are anticipated to rise as a result of growing

³⁴ Yogarajah, A (2001): 'Liberalisation and its Impact on Foreign Direct Investment in India', PhD Thesis, Nanyang Business School, Nanyang Technological University, Singapore.

³⁵ Kumar, Nagesh. "Towards An Asian Economic Community: Vision of Closer Economic Cooperation in Asia: An Overview". RIS Discussion Papers No. 32. Research and Information System for the Non-Aligned and Other Developing Countries, New Delhi, 2002.

³⁶ Wadhwa, Charan D. "Revitalizing India-ASEAN Economic Partnership: Recent Trends and Future Prospects". In *India and ASEAN: The Growing Partnership for the 21st Century*, edited by K. S. Nathan, pp. 51-73. Kuala Lumpur: Institute of Diplomacy and Foreign Relations, 2000

³⁷ *Improving the Investment Climate in India. An Investment Climate Assessment prepared by the World Bank Group in collaboration with the Confederation of Indian Industries, available at World Bank Document (last visited on 3.07.2024)*



liberalisation in India and better laws on outbound foreign investments by Indian enterprises, notably in the ICT, pharmaceutical, automotive, and engineering industries.³⁸

As opposed to before the introduction of economic reforms in India, the driving forces behind existing and prospective Indian investments overseas are economic efficiency and profitability requirements (pull factors), not the desire to escape the constrictive business climate at home. Indian businesses are also planning to invest in Thailand (auto components sector), Indonesia, and Vietnam (motor vehicles and energy sector), as well as the Philippines (ICT sector). These prospects result from the significant complementarities in factor endowments, economic structure, skills, and capacities between India and ASEAN. It should be emphasised that the services sector receives the bulk of FDI inflows into India. As a result, it does not directly compete with ASEAN when it comes to FDI in industrial sectors that need a lot of labour. The physical infrastructure requirements of India are complemented by Malaysia's and Singapore's expertise in developing infrastructure, notably in the areas of roadways, industrial parks, and housing complexes.

Press sources state that the Economic Development Board (EDB), which is the main organisation responsible for obtaining foreign investment into Singapore, opened an office in India in January 2004. It is the holding firm of the Singaporean government, to invest in Indian businesses with strong development prospects. Although these actions are to be applauded, much more can and ought to be done.

The government-sponsored union of several chambers of trade and industry known as the Singapore Business Federation (SBF) should also think about setting up an office in India. Individual SBF-affiliated chambers of business like the Chinese, Malaysian, and Indian Chambers of Commerce may think about setting up offices in India. These actions must be made to increase interaction between the private sector small and medium-sized businesses of the two sides. For their part, India now has the capability, resources, and competitiveness to contribute to ASEAN's inward FDI inflows. However, ASEAN nations will need to be proactive in luring Indian companies. Similarly, by establishing a physical presence in India, investment promotion agencies and government-holding corporations in Malaysia (like Khazzana Holdings) and Thailand should also think about investing in numerous successful and well-managed Indian enterprises.³⁹

MANPOWER FLOWS

Although statistics on the size of personnel flows between India and ASEAN are not yet available, this is one area where India's surplus supply and demand deficiency in several ASEAN countries (Singapore, Malaysia, and Thailand), especially among mid and high-skill levels, are comparable. India now has one of the greatest pools of globally competitive, scientific, and multi-culturally acclimated workforce, which might assist in addressing such shortages. For the last 20 years, skilled labour from India has been assisting in balancing off the low labour force ages in the United States of America, Britain, and several other Western European nations. Indians were estimated to have resided in North America in 2021 at a rate of roughly 1.3 million, compared to 0.25 million in Europe and 0.12 million in Australia and New Zealand in 2020, according to some estimates by the International Organization for Migration. In 2021,

³⁸ *Framework Agreement on Comprehensive Economic Cooperation Between Republic of India and The Association of Southeast Asian Nations*, available at <www.aseansec.org>, 2003 (last visited on 5.07.2024)

³⁹ *Supra note 10*



there were roughly 28 thousand Indian nationals living in Singapore and about 6,000 in Malaysia, both members of the ASEAN group of nations.⁴⁰

To maximise resource utilisation, there is already a greater demand for the migration of such trained labour across national boundaries as a result of MNC presence in both ASEAN and India. Indian professional and technical labour is significantly boosting the competitiveness of several ASEAN nations. The Economist went so far as to claim that the expansion of MNCs "looks likely to trigger the next significant event in the history of migration". Professionals from several ASEAN nations, such as Singapore and Malaysia, are also similarly contributing to the Indian economy. Individual ASEAN nations and India might expand their mutually beneficial collaboration via bilateral agreements.

FUTURE PROSPECTS FOR ASEAN AND INDIA'S ECONOMIC COOPERATION

According to the analysis in the preceding sections, there is a lot of room for ASEAN and India's economic ties to grow in a mutually advantageous way. It will be necessary for ASEAN as a whole and each ASEAN country to thoroughly investigate new business potential between ASEAN and India. Each ASEAN nation may think about pursuing some potential sectors of bilateral economic cooperation with India. These topics cover a broad spectrum, from infrastructure and human resource development to food and energy security (HRD). India wants to dramatically enhance oil and gas exploration on its soil and diversify its traditional energy sources. The three ASEAN nations of Indonesia, Malaysia, and Brunei have sufficient knowledge in this field, opening up a wide range of opportunities for energy cooperation. Companies in the energy industry from ASEAN and India may work together on upstream processing and oil and gas exploration projects. As an example, a joint venture to search for oil and natural gas in Vietnam is already active with the participation of India's national oil firm. As a result, there is already some cooperation between the two nations in the energy industry, but there is room to grow it. Cooperation is also possible and preferred in the civilian nuclear energy business. Another area that India and certain ASEAN nations should aggressively pursue is mineral discovery and processing.⁴¹ Food security is a significant issue of concern for India as well as the majority of ASEAN nations. Collaboration in increasing production and reducing waste is possible through the application of knowledge, especially biotechnology, to various parts of the agricultural and agro-processing value chain. More particular, Malaysia and Indonesia are significant producers of palm oil, providing prospects for cooperative relationships, whereas India often struggles with cooking oil shortages. Forest products are mostly exported from Indonesia and Myanmar, whereas India is a significant importer of these goods. This is another potential sector for bilateral trade growth. Another area where collaboration is expected to be beneficial is in the food processing business, namely in deep-sea fishing and other marine-related operations. The biggest grocery chain in Singapore, NTUC Fair Price, may think about utilising India as a source for a range of food-related and other items.⁴² This may help Singapore achieve its objective of food security and boost the supply chain for domestic products that aren't food-related needs.

⁴⁰*Plan Of Action To Implement The Asean-India Partnership For Peace, Progress And Shared Prosperity (2021-2025)*, available at <https://asean.org/wp-content/uploads/2020/09/ASEAN-India-POA-2021-2025-Final.pdf> (last visited on 2.05.2024)

⁴¹*India-ASEAN Economic Relations: Examining Future Possibilities*, available at https://www.orfonline.org/wp-content/uploads/2018/01/ORF_Issue_Brief_221_India_ASEAN.pdf (Last visited on 02.06.2024)

⁴² Available at Largest FairPrice Xtra supermarket opens at VivoCity | The Straits Times (last visited on 2.07.2024)



There are various areas where the scientists from India and ASEAN might productively collaborate, notably those connected to agricultural research and biotechnology, among the lower-income transition ASEAN nations such as Vietnam. They may also give serious thought to promoting investments and trade in fertilisers and agrochemicals. For instance, less complicated registration processes for pesticides and associated items should be explored in these nations. Cooperation in the realm of information and communication technology, especially in the areas of software development and human resource development, is expected to greatly benefit ASEAN countries. Singapore leads the way in innovation with a robust tech environment for talent and business success, despite its small size. This is due to the nation's emphasis on productivity and talent development.

The entertainment and multimedia industry is one area of collaboration that is connected to this. Companies from ASEAN and India may think about creating movies, TV shows, and online content together for both home and foreign audiences, especially those whose first language is Malay or Bahasa Indonesia⁴³. Bollywood films and certain Indian TV shows are presently somewhat well-liked. There has to be an examination of the ASEAN nations' restrictive policies in this area. India and ASEAN might collaborate in the pharmaceutical and medical services industries. The majority of ASEAN nations rely largely on imported medicines and medical supplies. In certain markets, notably those where generic medications are much less expensive than name-brand medications, Indian pharmaceutical businesses are globally competitive. There is potential in health care activities, generic and other medications, including sourcing for HIV-AIDS drugs, given the fast-growing health care expenditures in many ASEAN nations as a result of population and individual aging and sexually transmitted illnesses. Even if several Indian pharmaceutical and healthcare enterprises are already present in various ASEAN nations, there seems to be a lot of room for future collaboration.⁴⁴

India-ASEAN cooperation may be affected by a recent decision by four significant players in global funding and health care, namely the Global Fund, World Bank, UNICEF, and Clinton Foundation, that they will assist in locating and distributing generic drugs and diagnostics in developing countries at the "lowest prices." This is since some domestic pharmaceutical companies in India may want to think about negotiating with the aforementioned four institutions to obtain generic medications and kits as they may be able to realise sizable savings as a result of the low prices that these institutions have negotiated with their suppliers, some of which are Indian companies. The development of infrastructure, especially in the areas of highways, railroads, and aviation, is another crucial area of economic cooperation between India and ASEAN. Particularly well-performing Malaysian companies have won contracts for motorways and roads in India. India hopes to get security contracts in Malaysia's railway industry, where it has a strong track record. The Tuticorin Port in Tamil Nadu and the Pipavav Port in Gujarat have both been developed and managed by the Port of Singapore Authority (PSA). To support consumption for its rapidly aging population, Singapore plans to depend more and more on foreign investment money. There is a lot of room for Singapore to expand its entrepreneurship by offering venture capital to Indian businesses in a variety of sectors, including IT, biotechnology, life sciences, and others. Another possible area of collaboration between ASEAN and India is educational services. There are already two Indian schools functioning in Singapore (Global Indian International School and Delhi Public School). The latter is present in Indonesia as well.⁴⁵

⁴³*Ibid*

⁴⁴*Supra note 5*

⁴⁵ Available at Indiase-pg30-33-nov-07-Indian_school_in_spore.pdf (globalindianschool.org) (last visited on 5.08.2024)



Myanmar is the only member of ASEAN that has a border with India that spans 1,600 kilometers. Therefore, it plays a crucial strategic role in the broader ASEAN-India relationship. India's northeast, which it wants to develop for both economic and security reasons, might use Myanmar as a gateway to ASEAN. Several recent bilateral meetings between Myanmar and India have paved the way for greater commercial ties. Right now, the development of banking and road connections is the key focus. The Myanmar-India Friendship Centre for Remote Sensing and Data Processing was established in February 2001. The center can conduct groundwater surveys, determine forest cover and other land-use delineations, and predict the weather, among other tasks. In addition to these, there are several additional unusual sectors where collaboration might be advantageous to both India and the more recent ASEAN members. For instance, it is well known that many people have lost their limbs as a result of the protracted conflict in Cambodia and Vietnam, but many are unable to afford prosthetic surgery to replace them with artificial ones because it is too expensive.⁴⁶

More digital connections and e-commerce are required between India and ASEAN. One of the world's digital economy areas with the quickest growth is the ASEAN. Digital economies are flourishing in nations like Vietnam, Indonesia, Malaysia, and Thailand, with strong growth and home-grown innovation in fields like e-commerce, ride-sharing, mobile gaming, and financial technology. India also has a sizable and expanding startup industry with a human capital base that is technologically savvy. The Aadhaar system in India, for instance, may help Indian residents connect digitally. The same is what ASEAN aspires to achieve for its people.⁴⁷

ASEAN wants to establish a network of smart cities, while India wants to develop 100 smart cities. There is a lot of room for both collaborating and learning from one another while also using their different competitive sectoral advantages. For that purpose, some collaboration has already started. For instance, Surbana Jurong in Singapore is helping to construct a smart city in Maharashtra. To encourage new concepts, new technologies, and new businesses, the two parties may also create an ecosystem like that in Silicon Valley. The COVID-19 pandemic has expedited the development of the digital and e-commerce industries. India ought to take advantage of the chances. Sustainability and climate change have become two of India and ASEAN's most pressing problems. By combining their competitive advantages in fields like renewable energy, waste management, pollution control, and disaster mitigation, among others, they may collaborate on technology and approaches to address climate change. Last but not least, due to transnational crises like the Rohingya crisis, extremism, and the regularity of natural catastrophes in the area, both India and ASEAN are dealing with concerns related to human security. This is an area of collaboration that may strengthen current ties between the governments and the people on both sides and foster goodwill.⁴⁸

CONCLUSION

India and Southeast Asia have had long-standing diplomatic ties. India and the ASEAN nations have a lot of cultural, religious, and interpersonal ties. Since the Indian economy was opened up in the early 1990s, trade and investment links have also increased. Relationships are adequate but not ideal. There

⁴⁶ Available at [Soe.HtayHtay\(tubitak.gov.tr\)](http://Soe.HtayHtay(tubitak.gov.tr)) (last visited on 20.08.2024)

⁴⁷ 'ASEAN-India Strategic Partnership: Perspectives from the ASEAN-India Network of Think Tanks', 2012, Proceedings of the first roundtable on ASEAN-India Network of Think Tanks organized on 7-8 August 2012 in New Delhi.

⁴⁸ *Create value chains with nations getting US, EU sops: Government to companies*, available at <http://economictimes.indiatimes.com/news/economy/policy/create-value-chains-with-nations-getting-us-eu-sops-government-to-companies/articleshow/57382370.cms> (last visited on 05.06.2024)



is no question that the relationship between India and ASEAN will continue to improve. However, both parties must make an effort in this regard. India is an ASEAN summit partner alongside Japan, China, and South Korea. The ASEAN-India relationship has evolved since the beginning of India's "Look East" strategy in the early 1990s, which coincided with economic reforms and liberalisation, from a sectoral dialogue partnership in 1992 to a complete dialogue partnership in 1995 and ultimately to a summit-level engagement. The inaugural ASEAN-India summit took place in Phnom Penh, Cambodia, in 2002. The relationship between ASEAN and India has progressively been stronger since India joined the ASEAN Regional Forum (ARF) in 1996, bolstering not just their economic connections but also their political and security ties during the last two to three years.

As India advances its vision of becoming a developed country by 2030 through domestic reforms, opportunities for ASEAN and other economic partners to engage in mutually beneficial cooperation are likely to expand, facilitating further integration of India into the global economy. The ASEAN region is mindful of the need to further diversify its sources of development beyond the US, Japan, and more lately, China, and include India as well. If the area wants to lessen its vulnerability to the boom and bust cycles it has seen since the middle of the 1990s, a diversification of development engines and more integration among the members are essential.

Several current complementarities between ASEAN and India are still being completely used. With the creation of the Framework Agreement for creating an FTA, the foundation for a considerable expansion and deepening of economic links is now in place. It would be easier to negotiate an FTA between ASEAN and India if India were allowed to participate as an observer on several technical committees within ASEAN. Therefore, it is advised that both parties should consider taking concrete actions in this area for people. In addition, attempts should be made to convert the present ASEAN plus Three alliance—Korea, China, and Japan—to ASEAN plus Four by integrating India. This would also be a significant step towards realising the more audacious goal of creating a bigger Asian Economic Community. Following steps to enhance India-ASEAN relations:

1. The QUAD framework could be expanded to include ASEAN nations, creating a QUAD+ partnership.
2. Given the limited military connections ASEAN countries have with China due to maritime disputes, India could step in as a key military ally in the region.
3. Promoting tourism between India and ASEAN can be boosted through innovative branding initiatives from both sides.
4. Improving land, air, and sea connections will facilitate greater movement of people and increase business, investment, and tourism opportunities.
5. India and ASEAN countries can work together in international and regional forums, such as the UN, East Asia Summit, and ASEAN Regional Forum, to promote their mutual interests.