

25 years of ASEAN–India integration

eastasiaforum.org/2017/07/23/25-years-of-asean-india-integration

July 23, 2017

23 July 2017

Author: Prabir De, Research and Information System for Developing Countries (RIS)

2017 marks 25 years of ASEAN–India partnership. In 1992, India joined ASEAN as a sectoral partner, at a time when India was a relatively inward-looking economy. Today there are 30 dialogue mechanisms between India and ASEAN, including a summit and seven ministerial meetings in a wide range of sectors. In the last two years, the president, vice president and prime minister of India have visited nine out of 10 ASEAN countries. Such is the high order of importance that India attaches to ASEAN today.



The Free Trade Agreement (FTA) implemented between ASEAN and India in 2010, and the services, trade and investment agreement in 2015, both represent major achievements in [ASEAN–India integration](#). India completed its tariff liberalisation obligations in December 2016, barring those against the Philippines. Investment flows have been growing consistently and have contributed to the success of Indian Prime Minister Narendra Modi's 'Make in India' program. India is also a partner of the [Regional Comprehensive Economic Partnership \(RCEP\)](#), which is a comprehensive free trade agreement being negotiated between the 10 ASEAN members and ASEAN's six FTA partners.

After almost two years of slow growth, ASEAN–India trade is now back on track, with Indonesia, Malaysia and Singapore being India's top three trade partners in ASEAN. Total trade increased to US\$70 billion in 2016–17, from US\$65 billion in 2015–16. During this period, India's exports to ASEAN increased to US\$30 billion from US\$25 billion. While traditional import sources are yet to stabilise, India is gaining industrial, technological and digital production linkages with Malaysia, Thailand and Singapore.

Connectivity is a matter of strategic priority for both India and the ASEAN countries, as improved connectivity is a must for facilitating cross-regional production networks. India has announced a line of credit worth US\$1 billion to promote projects that support physical and

digital connectivity with ASEAN, and a Project Development Fund with a corpus of US\$77 million to develop manufacturing hubs in Cambodia, Laos, Myanmar and Vietnam. India contributes to three major cooperation funds with ASEAN, namely the ASEAN–India Fund, the ASEAN–India Science and Technology Development Fund and the ASEAN–India Green Fund.

In terms of infrastructure, India has made considerable progress in implementing the India–Myanmar–Thailand Trilateral Highway and the Kaladan Multimodal Transit Transport Project. But issues related to maritime and air connectivity, and the possible extension of the Trilateral Highway to Cambodia, Laos and Vietnam, remain under discussion. The India–Myanmar–Thailand Motor Vehicle Agreement will play another critical role in realising seamless movement along roads linking India, Myanmar and Thailand. India is also working towards an early conclusion of the Agreement on Maritime Transport and opening negotiation of the Regional Air Services Arrangement between ASEAN and India.

But a mere signing of the FTA is not enough. Regional integration can only be successful if it unleashes new competition that lowers prices, introduces new technology and promotes productivity. At the same time, FTAs may give rise to negative effects, including a rise in poverty and inequality. These effects should be identified and appropriate measures should be taken to address them. Coordinated efforts are necessary to realise sustainable growth and development in India and Southeast Asia.

Several barriers in the way, including those related to business visas, non-tariff barriers to trade, inefficient customs procedures or worse, apparently legitimate trade defence by way of anti-dumping or countervailing measures. On the issue of how to make the ASEAN–India FTA itself as effective as possible, the sensitive goods lists should be minimised. Liberal rules of origin need to be negotiated between the two partners. The harmonisation of standards, customs procedures and cooperation in transport infrastructure is very important.

Mutual recognition agreements have to be signed in services trade sectors. India is yet to receive greater market access to services trade in ASEAN, even though ASEAN can utilise India's IT and IT-enabled services, as well as education, health and tourism services in which India has global competitiveness. It would be worth undertaking a review of the ASEAN–India FTA to monitor problems and barriers relevant to both tariff and non-tariff measures. This liberalisation will contribute to strengthening the integration process even if all bilateral FTAs are eventually subsumed under RCEP.

Still, success will depend on how strongly ASEAN and India integrate with the world economy. Unless high external protection levels are dismantled across the board, regional tariff liberalisation at the ASEAN–India level (or for that matter within RCEP) could lead to substantial trade diversion, by pushing firms into less efficient production processes. As ASEAN celebrates its golden jubilee, and the silver anniversary of its partnership with India, the time is ripe for India to invest in a stronger economic partnership with ASEAN.

Prabir De is a Professor at the Research and Information System for Developing Countries (RIS) and Coordinator, ASEAN-India Centre (AIC), New Delhi. The views expressed in this article are his own and do not represent the AIC or RIS.

