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India-Asean ties hold the key to Indo-Pacific stability

Service is an important sector in which engagement between India and Asean is not going to be a one-sided interest as is popularly believed because almost across all Asean countries its share has multiplied

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Army personnel carrying national flags of Asean countries during a dress rehearsal for the Republic Day Parade, New Delhi, India, January 23, 2018(Mohd Zakir/HT)

As we celebrate the Silver Jubilee of the India-Asean partnership and 50 years of Asean, it makes sense to look at the new areas which could contribute to deeper ties in trade and investment between the 10-member grouping and India. These include: Global Production Networks (GPNs), new technologies, artificial intelligence and services.

This year marks 15 years of summit-level meetings between India and Asean and five years of strategic partnership. The latter received a thrust with India's Act East Policy. There are 30 sectoral dialogue mechanisms and seven ministerial-level initiatives to promote this partnership.

Asean accounted for 10% of India's total exports in 2001; this proportion declined to 8.7% in 2016. Imports in the same period expanded from 8.3% to 11%. India's exports to Singapore and Indonesia are the highest among Asean countries. In 2015, Asean accounted for 22% (\$18.4 billion) of the Outbound Foreign Direct Investment (OFDI) from India. India signed an FTA in goods in 2009 and an FTA in services and investment in 2014 with Asean countries that together account for approximately 12.5% of investment flows into India since 2000.

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India-Asean ties: An incremental relationship that's set to move ahead (<https://www.hindustantimes.com/opinion/india-asean-ties-an-incremental-relationship-that-s-set-to-move-ahead/story-cDDFznqnIHAPDYjYd0vCsO.html>)

Two agreements, the Asean Economic Community (AEC) and Regional Comprehensive Economic Partnership (RCEP), shape the contours of this economic engagement. There are four basic pillars of AEC engagement: a single market and production base; competitive economic regions; equitable economic development; and integration with the global economy.

Another important area of cooperation is the promotion of Global Production Networks (GPNs). India and Asean will have to work closely to promote their parts or components industries as also the assembled products ones for the emergence of the GPNs. Currently, this includes electrical machinery, road vehicles and professional and scientific equipments and photographic apparatus.

The India-Asean partnership should also be ready for the future as new technologies are reshaping the landscape. Technology plays an important role in trade facilitation.

Services is an important sector in which engagement between India and Asean is not going to be one-sided as is popularly believed. It ranged between 37% and 75% of GDP in Asean member countries in 2016. In Malaysia, its share in GDP is 56%, the Philippines, 62%, Thailand, 60% and Singapore, 75%. Trade in services has also expanded. Export of services from Asean expanded from \$113 billion in 2005 to \$306 billion in 2015; Imports from \$140 billion in 2005 to \$113 billion in 2015. The Asean Framework Agreement on Services (AFAS) may very well provide a reference point as more ratification from members comes in for the India-Asean agreement.

In this regard, the Mutual Recognition Agreement (MRA) provides the scope for reducing conflicts and actually helps in facilitating trade. Asean has evolved seven MRAs in the areas of engineering services, nursing services, architecture, medical practitioners, dental services and accounting. The greater understanding with Asean in the realm of services will also help us move forward with RCEP negotiations, where services are considered a major impediment. The quick starting point may be to commit at least what was already accepted by Asean countries at the General Agreement on Trade in Services (GATS) negotiations.

At the recently held Asean-India Network of Think Tanks at Jakarta, a paper explored the role of the Indian diaspora in Vietnam. It emerged that India is the largest FDI partner of Vietnam in central and west Asia, with 169 projects and total Indian investment is of \$757 million. Investments were in almost 15 different sectors ranging from manufacturing and processing (62%); production and distribution of electricity and gas, water and air conditioning (17.8%); and mining (12.7%). These also included health and education services. Out of 169 projects, 136 are fully owned by Indian enterprises, while the remaining ones are joint ventures. Tourism is another important sector in which both the regions identified priorities and the numbers have emerged increasingly well.

There are also specific lessons to learn from programmes such as Thailand's 'One Tambon (sub-district) One Product (OTOP). The OTOP has played an important role in rejuvenating the rural areas with greater tourist and economic activities. Specific efforts with Thailand with collaborations on ayurveda and traditional medicines and similar efforts in Bali are worth mentioning in terms of new areas of priority and push.

Prime Minister Narendra Modi has emphasised that connectivity plays an important role in economic partnership as the Act East Policy directly connects with the development of our Northeast. In this context, subregional cooperation through the Bay of Bengal Initiative for Multi-Sectoral Techno Economic Cooperation (BIMSTEC) would also be important. Manipur, Nagaland and Mizoram are keenly following the path of promoting this convergence. Greater partnership will give a fillip to land, water and air connectivity with Asean. Specific initiatives involving connectivity, such as the India-Myanmar-Thailand Trilateral Cooperation should be addressed on top priority.

Asean will also be an important connect as Japan and India work together for an open, peaceful and prosperous Indo-Pacific region, in which the Asia-Africa Growth Corridor (AAGC) has a major role to play.

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