CHAPTER - VI

CHALLENGES AND PROSPECTS

With the end of the Cold War, which had been a major barrier in India's relationship with the ASEAN countries, India's initiation of its 'Look East' policy and embarking upon economic reforms and opening up to the global economy, enabled ASEAN to invite India to become a full dialogue partner in December 1995. India became a member of the ARF the following summer. Annual summits between India and ASEAN also began from 2002. Making India a partner on the same footing as other major players was a decision consciously made by ASEAN as a balancing factor vis-a-vis China.

Prime Minister P.V. Narsimha Rao's speech delivered at annual Singapore Lecture on September 1994, is considered a milestone to define the parameters of Look East Policy. He referred to major challenges of common concern to India and ASEAN region in the new world order. The issues of concern in the words of Indian Prime Minister were the following:-

(a) Interpretations of sovereignty, whether over the oceans, in outer space, over territory, resources etc.
(b) Frictions arising out of differing cultural perceptions.
(c) Massive needs and demands of relatively underdeveloped populations and migratory tendencies, with no respect for national boundaries;
(d) Confrontational postures on a broad range of fundamental issues related to trade barriers, currency stabilization, international aid and investment flows;
(e) Intensification of the debate over linkages between issues such as human rights, labour laws, environmental protection and resource management, liberal information flows etc. in political and economic relationship.

In this chapter, an attempt is made to point out the challenges which are faced by India and AESAN and the prospects for India-ASEAN future cooperation. There are varied challenges which India and ASEAN have to focus in respect of the narrower aspect of relations between the two and in the wider international dimensions. The world is today integrating very fast and every country is forced to face the challenges emerging out of new social, economic and political developments. The major challenges before India and ASEAN relations can be summarised under three main heads (a) Security Challenges which comprise of the increasing threat arising out of Chinese encirclement of India, the rising Terrorist networking and the security threats from violent sea-piracy. (b) the economic challenges emerging out of the globalization in which the increasing free trade between India and ASEAN may harm the interests of marginal farmers and small businessmen on the two sides.(c) the non-security challenges constitute the third part. Here issues like drug trafficking, illegal migration, human trafficking and spread of HIV/AIDS and environment degradation etc. can pose some serious challenges before the two sides.

It has remained a point of debate whether the growing India-ASEAN partnership was guided by mutual interest to deal with China. ASEAN's interest to seek closer relationship with India as a counterweight to Beijing is primarily due to the unease within the
region about the growing strategic and economic clout of China. A rising China inevitably worries her neighbours. Besides, China is regarded as a challenge to the traditional strategic position of US in Asia. Some Asian nations also fear that China will rise to become an intimidating superpower and a challenging force to the status quo in the internal order.

Singapore's senior Minister Lee Kwan Yen on September 8, 1996, perceived in the great Chinese involvement in Myanmar during its long isolation, a threat to its own security. Such threat perceptions were heightened due to various incidents and developments.

Chinese opposition to India's participation in the EAS was neither an isolated event nor surprising. Beijing had been consistently resisting formal association of India with any important regional arrangement representing the Asia-Pacific. It was against India joining the ARF and the ASEAN+3 summits. China felt that ASEAN would become 'too crowded' if India was admitted to the summit. Hence, Chinese opposition kept India out of the ASEAN+3 for three years. However, finally India succeeded in gaining access to the ASEAN's annual summits at Phnom Penh in 2002.

The growing influence of China constitutes an important, if not the most important strategic development in East Asia. It represents a key driver of change in the dynamics of major power relations and will have significant impacts on regional politics in East Asia. Within the region, China has become an influential player in all aspects including the political, security, economic and military arenas. Indeed the rise of China has become a dominant
discourse in the region, both within and outside government circles.

China is a factor in the growing India-ASEAN relationship, it is becoming increasingly obvious that Southeast Asia desires India to play a "larger role" in region and emerge as the "stabilising factor or influence." It is common knowledge that China's presence in the Parcel and Sparely group of islands has already brought it on the doorstep of Southeast Asia. China views India as a future challenger for supremacy in Asia and has been engaged in the strategic encirclement of India through its proxies like Pakistan along land borders and its “string of pearls strategy” in the north Indian Ocean Region. However, till very recently India had not taken recourse to proactive measures to develop counter-leverages of its own. This is now changing gradually as India has begun to reach out to its friends in Southeast Asia and further east along the Asia-Pacific rim as part of a carefully thought strategy to develop some pressure points.

South China Sea has been a contentious issue for many countries in the region, including China and Vietnam. Hanoi is, in fact, trying to negotiate with China on Beibu Bay demarcation for maritime development near Hainan Island. China has also been taking initiatives for the joint development of the South China Sea. Should this turn out well, India might lose its stake in future energy cooperation with Vietnam. China already protested at India’s gas exploration activities near the Vietnamese coast and even warned Exxon Mobil against entering an agreement with Vietnam for exploration. However India has made it very clear that it will go ahead with its project.
Maritime piracy has implications for security in the economic sphere. With nearby 100 attacks reported annually, Southeast Asia is considered as the most pirate prone region in the world. This is the busiest Sea route in the world. Maritime piracy in the Malacca Straits is a common threat to India and the ASEAN region. As ninety seven per cent of the India’s global trade is dependent upon seaways, the safety of this particular sea-lane is of vital economic importance to India. Terrorists hijacking a huge oil or gas tanker and exploding it in mid-sea or in a major port in order to cause huge human, material and environmental damage is a serious challenge which needs to be tackled by India and ASEAN.

South and Southeast Asian waters have become prone to piracy attacks. As per the 2006 IMB report, out of 285 attacks since 1999, 113 took place in Indonesian waters, 18 in Malaysian, 13 in Singapore straits, 2 in Malacca straits, 23 in Bangladesh water, 14 in Indian and 6 in Sri Lanka waters. In 2002 total cases of piracy reported in this regional water were 200. As per the annual report of IMB the number of piratical attacks increased by 4 percent in 2002, and its quarterly report revealed that incident of piracy tripled in the last two decade. IMB also declared Indonesia waters as the most dangerous maritime area recording 28 cases in three months. The number of attacks reported in the first quarter of 2003 equaled the total number of piratical attacks in 1993. However these figures are largely underreported fearing that frequent reporting of attacks on ships might affect the commercial credibility of a particular shipping company and hence raise its insurance liability. More disturbingly pirate attacks since the
nineties have acquired violent character resulting in deaths and injuries.\textsuperscript{5}

The challenges before India and ASEAN in the case of coastal security can be identified as follows:

- How to promote and strengthen the ability of national governments.
- The possibility of “alliance” between maritime crimes and international terrorism need to further studied.
- The promotion of border cooperation between and among neighboring countries.
- Promote solution and agreement on maritime boundaries delimitation.
- Various effects at regional level to promote regional understanding and cooperation in this area of security.
- Coastal states of Southeast Asia should cooperate with the user states to formulate and take anti-piracy policies and activities and user states should extend support in this regard.

“\textit{The challenge is to build relationships in maritime domain; we must ensure awareness of who is where, our primary area of operation being the entire Indian Ocean rim, we are seized of the need to augment our present surveillance. As the area is too large to keep under our surveillance alone, we must build constructive partnerships and cooperation with other navels, while keeping a major part under our surveillance”}. [Admiral Suresh Mehta]\textsuperscript{6}

ASEAN members, such as Indonesia, Malaysia and Singapore, are able to counter piracy attacks with modern equipment, weaponry, and trained personnel but the CMLV states such as Vietnam suffer from a scarcity of resources in this area.\textsuperscript{7} Some countries/groups also indulge in clandestine trade in
sensitive technologies and materials and there is a growing network of proliferation of such lethal materials through State and non-State actors, a matter of concern to both India and ASEAN. Both are victims of cross border terrorism and face a serious challenge to adopt an effective strategy to overcome this.

There are a number of issues which need to be sorted out as far as economic co-operation between India and ASEAN is concerned. Comprehensive Economic Co-operation Agreement between the two ran into trouble in the beginning. India wanted to balance tariff concessions on goods with market access to ASEAN services sector where India has comparative advantage. Another problematic area was Rules of Origin (ROO) for different products, as India had been hesitant to adopt ASEAN (ROO). Then, there was India's long exclusion list 1400 which also included products of major export interest to ASEAN countries. For example, to protect Indian farmers, the Indian government proposed to impose tariff-rated quotas for the import of palm oil from Malaysia and Indonesia; tea, coffee, and pepper from Vietnam. There are differences between India and ASEAN to implement free trade Area. Small and medium farmers and businessmen will face the challenges thrown by ASEAN FTA. The business equation of Globalisation is “Compete or Die”.

The Indian domestic industry must be prepared to face the challenge of cheap imports from ASEAN flooding the Indian Market. Even without this FTA, India faces large trade deficits with Indonesia and other ASEAN countries. There are concerns that the FTA will adversely affect India’s trade balance with some of the ASEAN countries. A few countries like China will route their
products into India through ASEAN as the China-ASEAN FTA is operational.

ASEAN-India Free Trade Agreement (AIFTA) has many fallouts. The main problems relate to tariff reductions on some sensitive agriculture products. ASEAN has to bear in mind that because agriculture is a livelihood issue for millions of people in India there are limits beyond which India simply cannot go. Crucially, without an AIFTA, India’s engagement with ASEAN could lose momentum and its long-term vision of an Asian regional architecture will become less credible. A protracted delay could prompt India to focus its economic energies on other FTA negotiations such as those with Japan and Korea.

The export and production structures of Indonesia, the Philippines and Thailand do not definitely differ from those of India, and in many sectors these countries compete with India for markets. In some items, such as palm oil, the conflict of interest is with Malaysia and Indonesia. Owing to the expansive demand of bio-fuels particularly in developed countries, Malaysia and Indonesia are increasing their palm oil production that makes possible the more competitive price. The imports of palm oil have reduced the price of the major oil plants grown in India, particularly the price of coconut. The collapse of coconut price has had a negative impact on farmers in India; particularly in Karala. Differences over India’s higher duties on palm are a major sticky issue in the FTA talks. New Delhi implemented FTA with ASEAN countries—Vietnam and Myanmar remaining the benefits of FTA with the problems of slashing duties on bundles of products, including seafood, chemicals, apparel and tyres.
Indian negotiators were cautious as there were apprehensions that ASEAN countries are more competitive in sectors like agriculture, textiles, auto and auto components, and electronics, and that India will face negative consequences unless sensitive items in these sectors are protected.

FTA Challenges for India are particularly in the following fields:

- Leaders of Kerela (India) mainly fear the provisions having far-reaching adverse impact on Kerala’s agricultural economy.

- Import of sea food will throw more than a million people out of jobs in the fishery sector. The Fishes which shall come from Thailand are also produced in Kerala, thus exposing 20 lakh fishermen to the risk.

- The cheap palm oil is available from Indonesia and Malaysia and this has totally ruined coconut industry of Kerla. Since coconut is a livelihood crop for 3.5 million households and 6 million coconuts are produced in Kerla the Kerala economy has been worse affected by SAFTA in 2006.

- There is a question on productivity too. If pepper productivity is 380 kg per hectare in India, it is 1,000 kg per hectare in Vietnam and 30,000 kg per hectare in Indonesia.

- The prospects of Kerala’s pepper, tea, coffee, spices and rubber could be hurt when the markets are flooded with imports from other countries. Likewise, the import duty on tea and coffee, which is now 80 percent, would come
down to 45 percent and that on rubber would come down to 50 percent after 10 years. When the agreement is implemented the percent 70 percent import duty on pepper will come down by 2 per cent every year.

- Thus it is feared that Farmers and local governments will not be able to have control in determining the prices in the market, so farmers' interests will be ruined and this would cause the cash crop production to come to an end etc.

The financial crisis of 1997 and the developments in South Asia also affected the dialogue relations between ASEAN and India. However, ASEAN India dialogue relations endured these challenges and the relations went on the upswing. The Asian financial crisis in 1997 holds valuable lessons for the rest of the world. This crisis demonstrated that globalization can be faced more effectively through collective efforts, rather than singly, and it is in this context that evolution and India-ASEAN relations should be viewed.

It is not possible that security be viewed in military terms alone. Both India and ASEAN face the challenge of tackling new, non-military threats. Amongst others, like food or water, the major challenges are economic, environmental and energy security. Non-military threats have assumed greater dimension, as part of, and consequential upon globalization.

Drug Trafficking is one of the most serious challenges to the political, economic and social stability of our societies. The illicit narcotics trade is the world’s most profitable and most truly multinational activity, with annual turnover estimated between US $ 500 and US $ 700 billion surpassing even world oil revenues and
second only to that of the arms trade. The transnational drug cartels possessing enormous wealth and coercive capacities have emerged as a serious threat to national and regional security. According to an official report, Moreh—the gateway to India in the Southeast Asian countries, New Somdai in Ukhrul district of Manipur, and Champai in Mizoram bordering Myanmar have become the places of entry for smugglers. This again becomes one of the major challenges which needs to be addressed jointly by India and ASEAN.

The highest national of HIV/AIDS infection levels in Asia are found in the ASEAN region. In 2006, an estimated 1.6 million people were living with HIV in this area, and one third of them were woman. The total prevalence of HIV/AIDS among adults 15-49 years is 0.5 percent across the region, but exceeds 1 per cent in some countries. Such countries as Cambodia and Thailand has shown strong advocacy and leadership in addressing the problem of HIV/AIDS and have managed to bring down the rates of infection in the general population, though infection rates in some vulnerable groups in Thailand showed an increasing trend.

India is facing ‘non-traditional’ security risks emanating from Myanmar. These include illegal drug trafficking (opium and methamphetamines), human trafficking and refugees, the spread of HIV/AIDS and, more recently, avian influenza. Myanmar has become known as the world’s second-largest producer of methamphetamines in Southeast Asia. The State Peace Development Council (SPDC) lacks both the will and the ability to take on the major narcotics trafficking groups, and is not seriously committed to suppressing the money laundering activities that are
so essential to the drugs trade. Myanmar also has a lot of human trafficking; there is a steady flow of refugees into Thailand, China, Bangladesh and India; and the HIV virus is thought to be spreading. More than 1 per cent of the Burmese population is estimated to have been infected with HIV. Myanmar thus has one of the most serious AIDS epidemics in the region, and is reportedly an epicenter of new strains of drug-resistant HIV/AIDS.\textsuperscript{11}

Cyber Crime is the latest crime which is expected to grow at an enormous rate in the coming years. Cyber criminals and cyber terrorists will continue to keep on ingeniously using technology and Internet for their own vested criminal interests and benefits. Wikileaks revelation that “India is half in and half out of the ASEAN” has surprised many diplomatic circles. It has sent signal for India to have a cautious approach. India now faces a challenge in the expanded flagship organization of East Asia Summit in 2011. Each of the ASEAN countries nourishes an ambition to play a big power role in the region and in international arena. The sixteen member EAS which will become eighteen in 2011 is being envisioned as “leader led forum for strategic thinking in all major issues relating to East Asia.” US and Russia will Join in this year. China, Japan, India South Korea, Australia, New Zealand and the ten member ASEAN will be in the expanded EAS. There is another comment in Wiki Leaks which says that China has displayed intelligent diplomacy. Such remarks caution India to move about cautiously in the expanded international stage. Sino-Pak relationship is also important for India to deal with the EAS though Pakistan is not a member.\textsuperscript{12} Hacking of official websites and indulging in cyber crimes are the newer forms of challenges which
the countries will need to tackle. Here the technological knowhow needs to be put to best use through co-operation. India and ASEAN must work on strengthening their joint networks.

India and ASEAN can efforts to prevent Cyber Crimes:

- Regional cooperation is crucial to support national efforts,
- Raising public awareness of the nature of cyber crimes ,
- Strengthen international law to limit the spread of cyber crimes by the same criminals after their release from prison, and
- Law need to be amended to push the burden of proof to the accused side.

India and ASEAN have huge bio-diversity, but are also increasingly prone to the climate change and environmental disasters. Oil related disasters at sea are issues of not only environment but marine and national security as well. They create a havoc with the ecology in the maritime environment and have the potential to be affected maritime security.

India and ASEAN countries face similar environmental hazards, among which deforestation, soil erosion, loss of biodiversity, water and air pollution, loss of mangrove habitants, natural disasters etc., have deeply threatened the human safety and ecology of these regions. The natural disasters like earthquake, tsunami, volcanic eruption, snowstorms, forest fire, acid rain, ozone depletion, landslides, coal fires, flood etc. become serious challenges for both Indian and ASEAN countries.

The problem of Rohingyas refugees is another issue for both India and ASEAN. The Rohingyas are regarded as stateless people and they are taking refugee at Myanmar to Thailand, Indonesia and
Andaman and Nicobar Islands of India. Ill treatments of Rohingyas refugees have resulted in their increased migration into India. Illegal migration of cheap labour has become a security issue in Southeast Asia both for receiving countries like Malaysia, Singapore and Thailand as well as sending countries Cambodia, Indonesia, Laos and Myanmar. For the migrants themselves it is more of a human security issue, while for the sending countries the major problems is border security. As for the receiving countries the negative impact is felt on many fronts including community tensions, social problems, criminal activities, alienation and misplaced loyalty, law and order problems, border insecurity, corruption etc. It is believed that there are around one million Myanmar illegal migrants in Thailand as well as tens of thousands of Laotians and Cambodians. All these pose a burden to the state and the community as well as security threats.13

ASEAN countries are not free from human trafficking, especially children and woman for employment as sex workers or as quasi slave labour or bonded labour. The Chins from Myanmar migrated over the past centuries to Manipur and Meities of Manipur have ties for over 2000 years with the Burmans of Myanmar. Similar migration has also occurred to North- East from Yunan province of China.

Under the open sky policy, the Government of India has allowed ASEAN carriers to operate flights daily to the four metropolitan cities in India, apart from operating flights to 18 other tourist destinations in India. The ASEAN carriers will not require bilateral agreements between the two governments to bring flights into or out of India and do not need to pay any royalty to Indian
national carriers for flying in. In return, Air India (AI) and India Airlines (IA) will also be given the right to fly to the ASEAN region as and when airlines from ASEAN nations start operating flights to India. The number of flights permitted would be on “strict reciprocity” so as not to exceed what the foreign airline is providing, which would effectively mean that Indian carriers would get more flight frequency to ASEAN countries in exchange for more Indian destination for the ASEAN airlines. Despite the intended policy, such “strict reciprocity” and operational constraints as laid down in the Indian Civil aviation policy might prove to be a huge hurdle.

The role of Northeastern States in the ‘Look East’ policy has remained negligible till date. So far, it seems to be a dictated policy of central government. This is in sharp contrast to the role played by Yunnan province of China in search of closer relationship with its Southeast Asian neighbours. The Yunnan province plays a role in the institutions of the Greater Mekong sub-region. However, there is little room for India’s Northeastern states in the MGC or in BIMST-EC. It is through concerted efforts in various thrust area that Northeast India will be able to stand not only the challenges of the ‘Look East Policy but also to fully participate in the new milieu.\(^\text{14}\)

India has undertaken some bilateral and multilateral projects for boosting connectivity between the North-East and South-East Asia. The important ongoing and potential infrastructure projects in this regard Moreh-Tamu-Kalewa Road, India-Myanmar-Thailand Multi-model project, the Stilwell road, Myanmar-India-Bangladesh gas or Oil pipeline, Tamanthi Hydroelectricity project and optical fiber network between North East India and South-East Asia. But
certain obstacles like lack of infrastructural development, absence of enthusiastic response from local people, frequent insurgencies, poor governance in the state, the easy availability of arms and weapons from across the international border to be utilized in armed movements and criminal activities impede increased relations between North-East India and South-East Asia. Moreover, the geographic location of the North-Eastern region makes it more vulnerable to be the core of hostility with massive negative outcomes.

The other problem interlinked to this is the spread of small arms and light weapons. The black and grey markets for these weapons especially the Indo-China region and on the border of Thailand have principal source of supply for many insurgency movements in Southeast Asia, India and Sri Lanka. There have been several instance of the Indian Navy and coast guards intercepting the movement of weapons. In February 1998 in a combined operation involving the army, air force and navy, a huge consignment of light weapons was seized in a 48 hours operations, code named “Operation Lech” in the Andaman Sea, which would probably have landed up to northeast India. It was confirmed that the arms consignment had its origin somewhere in Southeast Asia.

In 1993, the Pak-ASEAN Sectoral Partnership was formed on the insistence of Malaysia, and Brunei which highlighted more than anything else the Muslim nations’ clustering. Though lately Indonesia has been cautious in taking sides between India or Pakistan on contentious issues, Pakistan would always be a factor in India-Indonesia relations due to religious and strategic concerns. Pakistan and Indonesia have also initiated talks on joint defence
production ventures and on increasing cooperation in personnel training, the exchange of visits and enhanced interaction between the two countries’ defence officials. In the recent past, Pakistan has sold arms to Indonesia.

It is important for both India and Southeast Asia to maintain strategic autonomy. ASEAN has become an important pole in East Asia’s strategic configuration. ASEAN countries and India are positioned to forge a true strategic partnership to enable both, to withstand pressures from the US and China to force sides in the looming Sino-US contest on the one hand and to act as a bridge between them on the other.\textsuperscript{15}

Creating an East Asian Community which PM Manmohan Singh called “Arc of advantage and prosperity” is another challenge before India and ASEAN. In the vision of Singh, this will bring together the largest Asian economies of ASEAN, Japan, China, South Korea and India at its core that would constitute a new driver of growth in the world economy. He envisaged an integrated market from the Himalayas to the Pacific Ocean linked by efficient road, rail, air and shipping services. This would be a community of nation, roughly the size of the EU in the terms of income and bigger than NAFTA in terms of trade.

**Prospects**

The ASEAN initiated ARF should be viewed as a model for conflict management and resolution. India’s role as a major key player should be strengthened in the regional balance of the 21\textsuperscript{st} century. Closer cooperation between India and ASEAN hinges to a considerable extent on the capacity of India to manage its immediate security environment in South Asia. ASEAN’s initiatives
to articulate the regional interests will contribute to recognition and reconciliation. Multilateral dialogue and cooperation are essential to enhance trust and reduce tension and hopefully stable, friendly and mutually beneficial relations between China, India and ASEAN will help to curb the resurgence of nationalism or neo-nationalism. India’s active participation in the ARF’s practice of preventive diplomacy will be important in India-ASEAN cooperation to reduce tension and enhance trust.\textsuperscript{16}

**India-ASEAN FTA**

Implementation of the India–ASEAN Free Trade agreement in services and investment would provide huge opportunities for domestic construction firms in the 10 nation bloc. The FTA with ASEAN countries have already implemented the free trade pact for goods. This will open up host of business opportunities and projects, especially in construction work for Indian industry. ASEAN countries would provide to India opportunities in service categories such as machinery, computers and supplies, industrial process control equipment, optical instruments. The FTA which was signed in Bangkok Aug 13, 2009, with Malaysia, Thailand and Singapore and came into effect from January 1, 2011 is expected to be in place with all member countries by 2016. Indian industries such as chemicals, pharmaceuticals, textiles, handicrafts and carpets enjoy greater competitive advantage as compared to their counterparts in the ASEAN.

The main economies in the ASEAN like Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam, have all benefited from the strong recovery in global trade and the strength of demand from China. Most of these countries have introduced
massive stimulus programme that are still supporting GDP growth. ASEAN countries also provided considerable number of opportunities in the following industry/services categories:

1. Machinery, equipment, appliance apparatus and associated Products.
2. Office equipment, computers and supplies.
4. Electrical Machinery, apparatus, equipment and consumable.
5. Pharmaceutical and Medical supplies.
6. Telecommunication Radio, Television and communication equipment and related apparatus.
7. Manufactured goods, furniture, handicrafts, and special purpose products and associated consumables.
11. Soft services.
12. Repair maintenance and installation services.
13. Sewage and refuse-disposal services, sanitation and environmental services.
14. Education services.
15. Health and Social Work services.

There is high possibility that Southeast Asia’s defence relations with India will increase in the coming years. These can evolve and expand along four main contours as follows:
• Intensification of bilateral defence cooperation between individual Southeast Asian states and India along the lines of the Singapore India defence relationship.

• Intensification of ASEAN-India defence relations between India, and Southeast Asian states particularly Singapore, Malaysia, Vietnam and Indonesia especially to protect and secure the sea lanes of communication in the Strait of Malacca and South China Sea.

• Deepening of ASEAN-India relations with third parties such as the United States, Australia and Japan will be selectively possible and likely, leading to expansion of the MILAN and Malabar series of exercises and new ones being launched.\textsuperscript{17}

China’s growing economic and military power will enhance its strategic influence in Southeast Asia, leading Southeast Asian states and India to further develop their security relationship to balance and contain China’s military power. India’s growing political, economic and military power creates a great incentive for Southeast Asian states to engage New Delhi to secure their diplomatic and security interests, as a hedge against reduced US strategic influence in Southeast Asia.

With the signing of the trade in goods Agreement of the ASEAN India Free Trade Agreement (FTA), which became effective on January 1, 2010, the opportunities have been clearly visible. Under the term of the FTA, tariffs on more than 4,000 product lines would be eliminated by 2016 and some sensitive products have been given a longer time frame to phase in tariff liberalization. Both India and ASEAN have expressed a keen interest in an open Skies
regime. The ASEAN-India Aviation Cooperation Framework has been laid down and the next logical step is to conclude the ASEAN-India Air Services Agreement as soon as possible. In 2008, two million Indian tourists visited ASEAN countries. After the open sky agreement these numbers will grow tremendously.

The ASEAN-India FTA is one the largest free trade areas in the world. It offers huge prospects for both the ASEAN and India. Through cooperation the Indian and ASEAN region will grow faster than the rest of the world.

India and ASEAN Free Trade agreement is likely to encourage border trade between the North East Region (NER) and its neighbouring countries. To be specific, the free trade agreement is likely to boost the trade between the NER and Myanmar. There are several reasons to believe that the FTA would facilitate large volume of border trade between the NER and Myanmar. Firstly Myanmar happens to be one of the neighboring countries. Second, Myanmar is a member of the ASEAN. Third, the border trade with Myanmar is already in place since the border trade agreement in 1994, which came into effect in 1995. Fourth, the FTA is likely to remove the restrictions imposed in terms of the number of tradable commodities as per the border trade agreement. As per the agreement, only 22 commodities were fixed for India-Myanmar border trade. Fifth, the cultural proximity of northeast region with Myanmar and other neighbouring South East Asia nations like Thailand.

India, with its huge consumer market and infrastructure requirement that is estimated to involve an investment of about 500 billion dollars over the future, presents a formidable
opportunity for companies of the ASEAN region. The ASEAN business and investment summit provides a great opportunity to build connectivity and relationship with high-level business representatives, government leaders and economic officials of the partner countries. It also presents a platform to showcase promising small and medium enterprises of India, which could be global player of the future.

India-ASEAN today has better prospects than ever before. There are a number of key areas of cooperation that ASEAN and India will push further.

Both ASEAN and India should do more to further explore ways and means of promoting trade and investment between the two sides. Both sides should seek to promote Indian investment in the ASEAN region.

**Maritime cooperation**

United Nations Convention of the Law of the Sea (UNCLOS-III) permits the coastal state to impose national development interests on the ocean arena and these could exacerbate the inter-regional tensions. Between India and ASEAN there is a lot of scope to increase maritime co-operation through transparency measures. Transparency measures include:

- Increasing visits by naval unit to other nations naval bases,
- Cooperation and sharing general information on doctrines, policies and force structures,
- Joint publication of tactical and operating doctrines, i.e., Replenishment of Sea (ROS).
- Exchange of personnel and officers at different levels.
• Exercise observations and share knowledge. These transparency measures further help the cooperation measures.

• SAR and humanitarian assistance help to improve greater sharing of maritime Search and Rescue (SAR) experience and expertise.

• Help to facilitate coordination and cooperation in SAR training and procedures.

• Positive consultations and discussions between India and ASEAN countries regarding ratification, implementation and participation in relevant conventions and instruments concerning maritime SAR.

• Agreements on regional concerns like surveillance, fisheries, anti-piracy, anti-narcotic and illegal migration traffic at bilateral multilateral levels.

• The security plan that should cover the use of surveillance equipment, crew response, and alarm procedures. Vessel survey, vessel classification, Navigational Aids, Training of seafarers, accident investigation Part State Control (PSC).

• Humanitarian Assistance: The prevention, mitigation and management of maritime natural disasters, including preparedness and early warning systems, the exchange of information, compilation of data bases, planning, disaster reduction and relief activities as well as training and education programs come under humanitarian assistance. It is slowly growing in proportions.¹⁸
**Agro-Products**

Export of agricultural products on a regular basis can have beneficial effect on farm production in both Myanmar and North East India. Market expansion will be incentive for farmers in Myanmar to adopt better technology and expand production. Receiving supply of staple food items from the neighbouring country, farmers in North East India will be able to concentrate more on production of high value horticultural and other commercial crops for which the region possesses suitable agro-climatic conditions. Development along such lines can boost farm income on both sides of the border. Forest based industrial units in the region including the plywood factories have virtually closed down. A new supply line from Myanmar can give a new lease of life to the forest based industries in the region.

**Science and Technology**

Given India’s strength in this area especially software development, India may wish to share its experience with ASEAN in the area of ICT as well as software development training. These are important areas in which ASEAN could work closely with India.

As part of India’s support for training program, especially in the IT-related courses, India should emphasize the needs of the new members of ASEAN in order to promote ASEAN integration. In the Initiative for ASEAN Integration (IAI) an important theme of ASEAN India can play an important role in supporting the implementation of the IAI flagship projects.

Another area in which ASEAN should encourage India to support is the building of transport and infrastructure network,
especially within the context of the Singapore-Kunming Rail-Links (SKRL) and Promotion of more air links between the two regions.

ASEAN and India should do more to promote joint tourism development by introducing joint promotions and other programs. There are great opportunities for both sides in terms of connecting ASEAN India destinations to attract more tourists. ASEAN and India should promote more people to people contacts such as academic exchanges, cultural programs and more linkages between the two sides.

**ASEAN Single Market**

A single market is one where barriers to the flow of goods and non-factors services in the product market and of capital and labor in the factor market have been removed. These barrier are at the border, beyond the border, and across borders. At the border, the most obvious barriers to the flow of goods in the product market are tariffs, import quotas and other import restrictions such as licensing. Removal of all these barriers at the border would make the community a FTA and a single market.

Barriers across derive from different national laws and regulations particularly those relating to meeting certain product standards for reasons of security, safety and health and to qualifications of professionals and skilled labour. Those laws and regulations must be harmonized and agreement to mutually recognize the results when the standards are applied must be forged to enable the community to function as a single market.

ASEAN leaders have declared the formation of AEC as a single market but not to the extent of forming a fiscal and monetary union, not even a customs union. ASEAN internal tariffs for most
traded goods are already between 0 to 5%. Removal of these barriers at the border, along with those beyond the border and across border, will be accelerated in 11 priority sectors through a Framework Agreement adopted at Vientiane Summit. India also implemented FTA with ASEAN countries in 2010.

Terrorism

The most destabilizing common threat to both India and ASEAN is terrorism and there is urgent need to act in co-operation in combating and countering extremism, fundamentalism and terrorism and its nexus with transnational crime. ASEAN, like India, is a victim of trans-border terror and criminal activities. India and ASEAN must intensify their cooperation both at the bilateral and regional levels to combat this menace which has the potential of shaking the very foundations of our polity. India’s partnership with ASEAN in combating global terrorism and promoting regional and bilateral defence and security synergies in the spirit of the Treaty of Amity and cooperation in South East Asia will be instrumental in addressing common political challenges and promoting much needed peace and security in the region.21

“As a major victim of terrorism herself, India fully supports ASEAN’s efforts to develop bilateral and regional co-operation to combat terrorism. India is ready to work together both bilaterally with ASEAN countries and in the India-ASEAN framework to develop practical programme of cooperation.”22

Biotechnology

The global biotech market in 2009 reached a value of US $ 201 billion and is expected to reach US $ 318 billion in 2014.23 In Asia and the pacific region, the biotech market has been growing at a
rate of around 16 per cent per year. Higher growth rates have been witnessed in emerging markets like India, Malaysia and Singapore. Biotech is one of the fastest growing knowledge based sector in India. It is expected to play a key role in reshaping India’s rapidly growing economy. Biotech market in Vietnam is still in early stage of formation. The market lacks leading players and this opens vast opportunity for biotech direct investment and joint ventures. Several Indian companies already have their presence in Vietnam, including Ranbaxy, Venky, Vinh Thinh–BIOSTADT JSC, etc. India is an appropriate partner of Vietnam in human resource capacity building.

Biofuels are just one form of bio-energy. Especially they are transportation fuel (ethanol and bio-diesel) made from renewable resources like corn and soyabeans. Due to the fast depleting fossil fuel resources and the increasing carbon levels in the atmosphere the research and initiatives were taken for increasing the use of biofuels. The increasing oil prices have also forced the high consumption countries in Asia to look for biofuel research and using it for energy production as well as for running vehicles.

Philippines had initiated a law known as the Bio Fuels Act of 2006. The law provides tax exemption, financial incentives to encourage investments in bio fuels. The law is in consistence with declaration on East Asia Energy security by the EAS heads of the state government of ASEAN and its dialogue partners during the second EAS Summit in Philippines. India can cooperate with ASEAN countries to fulfil the need for bio fuels demand. Indian weather does not provide proper conditions of bio fuels production plants. Some plants like Jatropha can be grown in areas with low
availability of water and then arid soil (lands). Countries like Thailand are seeking to provide Jatropha seeds to India to sustain their bio fuel production. India can gain advantage with regard to bio fuels sector. For this it has to develop infrastructure and transport in the mainland Southeast Asia and engage ASEAN countries to have greater economies of scale and also reap the benefits of advancement of technology in the bio fuel sector.

**Energy Sector**

The Minister of Petroleum & Natural Gas Shri Murli Deora has emphasized the need for greater cooperation between India and ASEAN countries in the hydrocarbon sector. Speaking at the 4th ASEAN Energy Ministers Summit at Dalat, Vietnam, he identified key areas to highlight the need for working together in energy sector. These areas include:

- Developing of coal bed Methanal under-ground coal gasification, gas hydrates and oil shale resources.
- Developing second generation bio-fuels.
- Harnessing energy saving technologies. Measures for the safety and security of the oil gas sector.24

India’s prospects in increasing exports of agricultural products to ASEAN are based on four factors: changes in ASEAN consumer habits, reductions in air transportation costs with the operation of private airlines, advances in the research field of India’s biotechnology and the liberalisation of global trade rules. Besides, India can boost up trade with ASEAN in the services sector with the advent of electronic commerce. Trade in services would overtake trade in goods the world over. In the case of some of the ASEAN countries such as Singapore, Thailand and Malaysia
the services sector is prominent and these countries are known for exporting quality services. The ASEAN countries always demand further opening up of India’s services sector and India must pay attention to ASEAN demand considering long-term benefits. Thus trade emerges as the engine for enhancing interaction between India and ASEAN and larger trade would lead to larger investment. Myanmar has an abundance of gas resources, waiting to be exploited. India’s energy needs are rising phenomenally as the country’s economic growth is rising rapidly. It would be logical for India to build better relations with Myanmar to get piece of the energy pie.

Energy security provides another fruitful area of cooperation against the background of high dependence of the region on imported sources of energy and fast growing demand. The cooperation could take the Forum of an Asian Energy Forum to discuss common problems, pooling resources for joint exploration, develop common infrastructure, a common strategic reserve, an Asian Energy market, and protection of sea-lane.

India and ASEAN have to seriously engage in cooperative ventures to add substance to their ‘dialogue partnership’ by moving beyond declarations or else it will remain a mere “dialogue” devoid of any meaningful ‘partnership’. The political leadership should strive to increase the regularity and intensity of interaction among the economic players to explore the Sectoral complementarities. Both sides should regularly launch new efforts to invigorate their economic engagement. Most important of all, public awareness has to be created about the potential avenues for cooperation. As there are clear limits to what governments alone can do, media has a
vital role to play in this regard. They should constructively generate greater public awareness about existing and emerging development opportunities.

Climate change cannot be effectively countered by national efforts alone. India and ASEAN are neighbours who share the same geographical space, common seas and face similar climate challenges. Unless the efforts of climate change are countered and controlled collectively, our very existence will be threatened. This should become an important part of our continuing discourse. India and ASEAN need to redouble efforts to tackle this problem through cooperation. Likewise, cooperation in dealing with natural and man made disasters is the only way to deal with issues like the Tsunami, earthquakes, oil spills etc.

To sum up the prospects of enhancing economic interaction between India and ASEAN lies in understanding significance of each other beyond their mutual economic interests. The “Look East” Policy provided an opportunity to both to move closer in more than one way and in a way created foundation for stronger ties in coming future.

India shared Maritime boundaries with three South Asian and four ASEAN neighbours. The existing irritants poaching, smuggling and illicit drugs movement of people can get magnified into major confrontations when the EEZ begins to be explored. On a larger plane, India is interested in the stability of the entire region because instabilities will have adverse impact on its vital national interest. The security of offshore areas of the ships that bring oil imports and of ports that handle them, are critical to India’s economic growth.
Both the regions have suffered from new threats of terrorism. Thus, to get rid of it, a global alliance to counter terrorism is need of the hour, where both India and ASEAN can play a major role. The Tsunami has brought the issue of Disaster Mitigation as another possible area of cooperation. Besides, other transnational crimes such as trafficking particularly in women and children, cyber crimes, international economic crimes, environmental crimes, sea piracy and money laundering need to be checked through effective institutional linkages and programmes of cooperation giving priority to information exchange and capacity building. Today, India has an important role to play in the political, economic and social development of ASEAN. There are, of course, reciprocal benefits if India plays that role to full extent, not the least of which are the profits of trade and returns on investments. Engagement with ASEAN can give substance to India’s “Look East” policy.

In the rapidly changing strategic landscape of the Asia-Pacific India is emerging as a critical balancer and the regional states are recognising New Delhi’s growing role. Both China and India are competitors in South-East Asia and have their own economic and strategic interests there. However both need to honour each others space in the region. At the latest ASEAN Summit (the 19th Summit at Bali in November 2011) both Wen Jiabo, the Chinese Premier and Mr. Manmohan Singh the Indian Prime Minister emphatically suggested that the two countries should co-operate for the development of peace and prosperity of the region as there was enough scope for each to grow. Yet the frictions between these Two Asian giants are very much real. India must be focused in cultivating good relations with ASEAN and make the most of the opportunities available in countering the challenges.
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