

INDIA AND THE PHILIPPINES

TIME TO GO BEYOND THE ASEAN FRAMEWORK

August 2019

RAHUL MISHRA

RSiS

Nanyang Technological University, Singapore

S. RAJARATNAM
SCHOOL OF
INTERNATIONAL
STUDIES



**NANYANG
TECHNOLOGICAL
UNIVERSITY**
SINGAPORE

INDIA AND THE PHILIPPINES: TIME TO GO BEYOND THE ASEAN FRAMEWORK

Rahul Mishra

TABLE OF CONTENTS

Executive Summary	2
1. From Look East to Act East	3
1.1 India's Look East policy in the post-Cold War era	3
1.2 ASEAN as the principal anchor	3
1.3 Act East policy	5
2. Main Elements of India-Philippines Cooperation	5
2.1 India-Philippines dialogue mechanisms	5
2.2 Strategic and defence cooperation	9
2.3 Combating insurgency, separatism, and terrorism	10
3. Current and Future Strategic Trends	11
3.1 Indo-pacific and the quadrilateral security dialogue (Quad)	11
3.2 Hedging strategy of the Philippines	12
4. The Way Forward	12
About the Author	14
About the Institute of Defence and Strategic Studies	15
About the S. Rajaratnam School of International Studies	15

EXECUTIVE SUMMARY

Through its Look East policy (1992-2014) and current Act East policy enacted in 2014, India has strived to build stronger ties with Southeast Asian countries, including the Philippines. With the Philippines, however, most linkages are through ASEAN-steered mechanisms and bilateral relations are still not as strong as what India has with countries such as Singapore and Vietnam.

Today, India-Philippines relations are on the right track although the pace of cooperation needs to be augmented. While ASEAN and its affiliate institutions have been effective in bringing Delhi and Manila closer, they have to devise ways and means to develop a long-term comprehensive agenda to bring the relationship to the next level.

FROM LOOK EAST TO ACT EAST

India's Look East policy in the post-Cold War era

With its Look East policy launched in 1992, India re-strengthened its eastward engagement which had weakened with most of the region due to the divisive Cold War politics. The Cold War had blighted the India-Philippines bilateral relations, and despite its efforts, India could not make much headway due to international systemic constraints.

India's structural economic reforms in 1991 opened up new avenues for foreign trade and investments, while strategic re-engagements led to wider and deeper ties with the region. Engagements with ASEAN also boosted India's region-wide presence. To promote exchange of ideas on matters of mutual interest, Delhi and Manila began regular Foreign Office Consultations in 1994. With his March 1997 visit, Fidel V. Ramos became the first-ever Filipino President to visit India, adding momentum to the relationship.

ASEAN as the principal anchor

India steadily built substantive engagement with ASEAN through various regional platforms such as the 1992 Sectoral Dialogue Partnership; 1996 Full Dialogue Partnership; 1994 ASEAN Regional Forum; 2002 Summit-level partnership; 2005 East Asia Summit (EAS); 2010 ASEAN Defence Ministers' Meeting (ADMM)-Plus; 2012 India-ASEAN Strategic Partnership; and the 2010 and 2015 India-ASEAN Free Trade Agreement (FTA) discussing goods and services respectively. These engagements worked as enabling factors in identifying and reaching common goals. Deepening India-ASEAN engagement played a key role in strengthening the India-Philippines ties. After the EAS was established, the two heads of government began their regular bilateral interactions, which facilitated systematic dialogues on politico-military and trade-investment issues.

Table 1 displays the role ASEAN-led mechanisms played in facilitating regular bilateral meetings on the Summit side-lines.

Table 1: Bilateral visits/meetings between top leaders

No.	Year	Purpose	Place	Visitor (IND)	Visitor (PH)
1.	1961	Official	Delhi		Vice President Diosdado Macapagal
2.	1981	Official	Manila	Prime Minister Indira Gandhi	
3.	1991	Official	Manila	President R. Venkatraman	
4.	1997	Official	Delhi		President Fidel Ramos
5.	2006	Official	Manila	President Abdul Kalam	
6.	2007	Official	Delhi		President Gloria Arroyo
7.	2007	ASEAN-India, EAS	Cebu	Prime Minister Manmohan Singh	
8.	2012	ASEAN-India Commemorative Summit Bilateral meeting on the side-lines	Delhi		Vice President Jejomar Binay
9.	2014	ASEAN-India Summit, EAS	Naypyidaw	PM Narendra Modi	President Benigno S. Aquino III
10.	2017	31st ASEAN Summit and EAS, Bilateral meeting on the side-lines	Manila	-do-	
11.	2018	India-ASEAN Commemorative Summit, Republic Day, Bilateral meeting on the side-lines	Delhi		President Rodrigo Duterte

Source: Author's compilation from reports and press releases by the Ministry of External Affairs, Government of India.

Act East policy

To provide more strategic depth to India's eastward engagement, the Narendra Modi administration transformed "Look East" into "Act East" in 2014. The proactive element, especially in the context of diplomatic interactions and visits, is evident in the new policy. The transition from Look East to Act East has been more quantitative than qualitative in nature.¹ For one, during his first term (2014-2019), Modi and former External Affairs Minister Sushma Swaraj visited all the Southeast Asian countries (including Timor Leste) except Brunei. Modi visited Manila in November 2017 to attend the 12th EAS, while President Duterte visited India in January 2018 to participate in the India-ASEAN commemorative summit.

MAIN ELEMENTS OF INDIA-PHILIPPINES COOPERATION

India-Philippines dialogue mechanisms

Regular consultations at senior officials' level between the two foreign ministries began in 1994. On 28 November, 2000, a memorandum of understanding (MoU) for Policy Consultations was signed, elevating the consultations to the Secretary level. The first Security Dialogue between the two countries was held on 11 and 12 March, 2004.

The first Joint Commission on Bilateral Cooperation (JCBC) meeting, the high-level institutionalised mechanism at the foreign ministers' level, took place in 2011. Three JCBCs have taken place since then. The Security Dialogue, operational since 2004, was upgraded to "Strategic Dialogue" at the 2nd JCBC. The 12th Policy Consultation and 3rd Strategic Dialogue were held at the senior officials' level in Delhi in February 2017. These regular dialogue mechanisms demonstrate the growing importance Delhi and Manila attach to each other.

Trade, Investment, and Economic Cooperation

During the Cold War years, the India-Philippines trade remained minuscule despite the signing of a trade agreement in 1979. Pharmaceuticals, vehicle parts and accessories, mineral oils, meat, electrical and electronics goods are major Indian exports, while organic and inorganic chemicals, fertilizers, paper products and mechanical appliances are major imports.

¹ For details see, SD Muni and Rahul Mishra (2019), *India's Eastward Engagement from Antiquity to Act East Policy*, SAGE: New Delhi.

Bilateral trade has improved over the past few years, even though it still falls short of expectations. Table 2 shows that in 2017-2018, trade reached US\$2.45 billion with exports amounting to US\$1.69 billion and imports to US\$0.76 billion.

Table 2: India-Philippines two-way trade (2013-2019) (US\$ billion)

Year	Export	Import	Total	Trade Balance
2018-19	1.74	0.58	2.32	(+) 1.16
2017-18	1.69	0.76	2.45	(+) 0.93
2016-17	1.48	0.49	1.97	(+)0.99
2015-16	1.35	0.54	1.89	(+) 0.81
2014-15	1.39	0.42	1.81	(+) 0.97
2013-14	1.49	0.39	1.88	(+) 1.1

Source: Author's compilation based on data from the Ministry of Commerce, Government of India

Table 3 shows that the Philippines does not figure in the list of India's top five regional trade partners. India-Thailand trade (ranked fifth with US\$11.88 billion) is four times that of India-Philippines (rank sixth with US\$2.32 billion).

Table 3: India's trade with the ASEAN countries (2018-2019) (US\$ billion)
(Countries ranked on the basis of total trade volume with India)

No.	Country	Export	Import	Total	Trade Balance
1.	Indonesia	5.27	15.84	21.11	(-) 10.57
2.	Singapore	11.57	16.28	27.85	(-) 4.71
3.	Malaysia	6.43	10.82	17.25	(-) 4.39
4.	Vietnam	6.5	7.19	13.69	(-) 0.69
5.	Thailand	4.44	7.44	11.88	(-) 3
6.	The Philippines	1.74	0.58	2.32	(+) 1.16
7.	Myanmar	1.2	0.52	1.72	(+) 0.68
8.	Brunei	0.056	0.59	0.646	(-) 0.534
9.	Cambodia	0.195	0.042	0.237	0.153
10.	Lao PDR	0.039	0.001	0.004	(-) 0.038

Source: Author's compilation based on data from the Ministry of Commerce, Government of India

That bilateral trade can substantially improve is also evident from the fact that overall the Philippine economy (World Bank gross domestic product (GDP) ranking 2017: 38th; US\$313,595) falls in-between that of Malaysia (World Bank GDP Rank: 37th; US\$314,500) and Vietnam (World Bank GDP Rank: 45th; US\$ 223,864).² Being the second most populous ASEAN country after Indonesia, it offers a big market and substantive trade opportunities. Strengthening people-to-people linkages and increasing mutual awareness is crucial in that regard. English as a common working language could serve as a contributing factor in promoting tourism and student exchanges. These factors may help India catch up with China (2016 total trade US\$21.937 billion; 15.5 per cent of Philippine total trade) and Japan (total trade US\$ 21.552 billion; 15.2 per cent of Philippine total trade) - Philippines' largest and second-largest trade partners respectively. Rising number of Philippines-bound Indian students is a recent positive development. Over 15,000 Indian

² World Development Indicators database, 2018, World Bank, September 21, 2018 <http://databank.worldbank.org/data/download/GDP.pdf>.

students are now in the Philippines, with majority studying medical courses. Nursing, management, Christian theology, and pilot training are also other fields of study that have attracted Indian students.

Investment from the Philippines to India has increased from US\$1.4 million in 2013-2014 to US\$10.45 million in 2018-2019. India's cumulative investments in the Philippines is US\$ 169.6 million from 2001-2012. Indian investments, which began in 1975 with Indo-Phil Textiles (yarn production)—the first joint venture between the two countries—has spread to several sectors today and are valued at more than US\$650 million. In 2014, India's GMR Group Ltd., in collaboration with Megawide (the Philippines), won a contract to upgrade and run the Mactan-Cebu airport for 25 years. The largest Philippine investment, worth US\$200 million, is a liquefied natural gas plant being set up in Kakinada, Andhra Pradesh, by AG&P.³

India can assist the Philippines in improving its infrastructure and domestic connectivity, particularly its road, rail, and air networks. The GMR project could set a benchmark in that regard. In line with their joint investment plans in Asia and Africa, India and Japan could jointly invest in infrastructure-related capacity-building projects in the Philippines.

Though India and the Philippines are internationally competitive in a number of services sub-sectors, especially IT and business process outsourcing, these challenges could be dealt with through “cooptition” (a portmanteau of competition and cooperation).⁴

India's contribution to capacity building in the Philippines is noteworthy, with the latter being one of the beneficiaries of India's Technical and Economic Cooperation (ITEC) programme. Started in 1964 as a bilateral assistance programme for the developing world, ITEC comprises training of nominated ITEC partners in India; projects and project-related activities viz., feasibility studies and consultancy services; deputation of Indian experts abroad; study tours; and disaster relief aid.⁵ The Colombo Plan's Technical Cooperation Scheme is another capacity-building programme under which India has trained 1,000 Filipino professionals so far.

³ “Bilateral Trade and Investment”, Embassy of India in The Philippines, February 2018, <http://www.indembassymanila.in/page/bilateral-trade-and-economic-relations/>.

⁴ A term coined by Dr Bernardo Villegas, a prominent Filipino intellectual.

⁵ Op. Cit. No. 5

Strategic and Defence Cooperation

Defence exchanges have augmented and gained salience in the bilateral relations lately. To bolster defence cooperation, the Joint Defence Cooperation Committee was constituted, which had its first meeting in Manila in January 2012, followed by a second in Delhi in March 2017. During Modi's Philippines visit, an MoU on Defence Industry and Logistics cooperation was signed which aims to provide a bilateral framework for strengthening mutual cooperation and coordination in logistics support and services, and also in the development, production, and procurement of defence materials.⁶

As per the Stockholm International Peace Research Institute (SIPRI) Arms register database, no records are available of the India-Philippines arms trade, but India does export low-cost non-combat items to the Philippine defence forces. India's Ministry of Defence Annual Report 2016-2017 states, "some of the major export destinations for defence products have been Kenya, Bhutan, Ethiopia, Israel, Taiwan, UK, Nepal, Belgium, Vietnam, and The Philippines. The major defence items being exported are Personal Protective Items, Turbo Chargers and Batteries, Electronic Systems (EOPOD ALH System), Light Engineering Mechanical Parts etc."⁷ Manila has expressed interest in procuring defence equipment from India. Other than key Philippine defence policymakers attending India's 2018 Def Expo, Duterte had also expressed interest in purchasing fast offshore patrol vessels during his India visit. Seemingly, Manila is considering the acquisition of defence equipment and warships from India, which would boost India's "Make in India" mission.⁸ To encourage swift defence acquisitions, India could consider replicating the Indo-Vietnam model of providing a line of credit to the Philippines for defence acquisitions, which would also be cost effective for the latter.

So far, bilateral defence relations have been confined to ship visits, humanitarian assistance and disaster relief operations, capacity-building and training of defence personnel, and defence delegation visits. Interestingly, joint defence exercises involving the two countries are predominantly multilateral rather than bilateral in nature. For instance, the Philippines was a part of the biennial Indian Navy-hosted "Milan" multilateral exercise in 2012 and 2014.⁹ Both participate in the multi-country "Cobra Gold" exercises held

⁶ For details see, Ministry of External Affairs, India, http://www.mea.gov.in/Images/attach/loksabha_1_new.pdf.

⁷ For details, see <https://mod.gov.in/sites/default/files/AnnualReport1617.pdf>

⁸ Florence Principe Gamboa, "The Philippines in the Indo-Pacific," Rappler, April 29, 2018, <https://www.rappler.com/views/imho/201327-philippines-indo-pacific>.

⁹ While some other Southeast Asian countries participated in the March 2018 exercise, the Philippines did not.

annually in Thailand, and also in the ADMM-Plus joint exercises involving 10 ASEAN countries and their eight dialogue partners including India. Among the Indian defence forces, the Indian Navy and Coast Guards have been actively engaging their Philippine counterparts. Since 2011, Indian ships have made regular visits to the Philippine ports. While ship visits are a useful tool in interacting and familiarising with the Philippine Navy and ports, these alone will not establish strong naval ties. It is time for the two naval forces to work together to strengthen domain awareness and also progress to bilateral naval exercises, bilateral anti-piracy and rescue drills. Regular and institutionalised exchange of defence delegations is another mechanism of interaction among the defence personnel.

Combating insurgency, separatism, and terrorism

Being perennial victims of insurgency and terrorism, it is logical for India and the Philippines to work together in combatting such transnational challenges. In 2015, the two countries agreed to hold Joint Working Group (JWG) meetings on counter-terrorism; the first meeting was held in April 2016. India provides training to the Philippine security personnel involved in running deradicalisation programmes for Filipino citizens. India runs community-based deradicalisation modules also.

The Intelligence Exchange Conference between the armed forces is also held regularly. Inaugurated in Manila in November 2002, the sixth edition was held in India on 13 July 2016.

In 2017, India supported the Philippines' fight against Abu Sayyaf, an IS-supported terrorist group based in Southern Philippines, by providing US\$500,000 aid for the rehabilitation of affected people from Marawi city. That was the first time India provided financial assistance to a country in combatting terrorism. It has opened new vistas of cooperation between the two countries, which needs to be systematically explored further.

CURRENT AND FUTURE STRATEGIC TRENDS

The Philippine foreign policy has taken several surprising twists and turns since Duterte assumed office in 2016. Duterte has been trying to steer the Philippines away from the US. While the two countries are still bound by the 1951 Mutual Defense Treaty, looming uncertainties over Trump's Southeast Asia policy have prompted Duterte to look for alternatives.

Much to the displeasure of Washington, Duterte strived to improve ties with China and Russia. He supports China's Belt and Road Initiative and has attended Belt and Road Forum meetings in 2017 and 2019. The Southeast Asian countries, particularly Indonesia and the Philippines, have openly embraced Beijing's infrastructure diplomacy, raising the potential for China to replace Japan as their major infrastructure and development partner.¹⁰ China is already the largest trade partner of the Philippines. Duterte's victory in the May 2019 mid-term elections has further boosted his China policy, signalling the continuation of the Philippines' pro-China stance.

Over the past two years, the Philippines has also improved defence and strategic ties with Japan and even Russia, thereby signalling that it no longer wants to be dependent on the US. Seemingly, Duterte's overtures towards China are making substantive headway. He has been able to attract enough Chinese investments to support his "build, build, build" campaign. In 2018, he secured US\$9.8 billion Chinese investment for infrastructure development. However, China is still pursuing its aggressive approach on the South China Sea. Despite softened stance on China, Duterte is not able to bring China to the table for meaningful negotiations. Furthermore, the recent sinking of Filipino boats by the Chinese has added to the quandary faced by Duterte.

Indo-pacific and the Quadrilateral Security Dialogue (Quad)

Seventy years ago, when the Philippines was an enthusiastic participant in US-led security mechanisms in Asia (manifested in the form of the Southeast Asia Treaty Organisation and bilateral treaties), India was against it. Today, when India sees virtue in stronger strategic and defence cooperation with the US and its Asian allies (i.e. Japan and Australia) with regards to the shaping up of Quad and the Indo-Pacific, Philippines is conspicuously missing in action.

¹⁰ Malcolm Cook et.al., "Japan Seeks Stronger Strategic Ties in Southeast Asia", ISEAS Perspective, January 25, 2017, no. 5 https://www.iseas.edu.sg/images/pdf/ISEASPerspective2017_5.pdf.

Duterte has neither endorsed the Indo-Pacific nor the Quad—a situation unimaginable in the Philippines until 2016. Notwithstanding Duterte’s policy shifts, Manila is still in alliance with Washington, though things are not quite the same as they were in the past. Hence, the potential channel of US and its allies contributing to strengthening of the India-Philippines strategic links is yet to open up.

Hedging strategy of the Philippines

Evidently, Manila has opted for hedging strategies vis-à-vis China and the US, while also strengthening strategic ties with India and Japan. By softening its stand on the South China Sea dispute, Duterte has successfully avoided irking China and also put significant diplomatic pressure on the US. Trump’s indifference towards Southeast Asia has somewhat vindicated Duterte’s approach of reducing dependence on the US and improving ties with Asian powers (India and Japan), and more importantly—managing relations with China. Duterte has expressed interest in bolstering cooperation with India. It is for New Delhi now to pick up the signals and forge closer ties with Manila.

THE WAY FORWARD

The India-Philippines relations have improved over the past three decades—particularly since the launch of the EAS and India-ASEAN Summits, as these platforms provide avenues for greater interactions. However, much needs to be done to elevate the bilateral relations to the next level.

First, defence procurements from India (possibly joint production also) could play a crucial role in boosting bilateral ties. Manila has already expressed interest in getting India’s assistance in military modernisation. It remains to be seen how India provides a systematic and expeditious follow-up. Since the Philippine economy cannot go for high-end defence purchases from India, India could replicate its “Vietnam model”, i.e. providing lines of credit for defence acquisitions. That will be a win-win situation enabling the Philippines to diversify defence-supply sources while contributing to the success of Modi’s “Make in India” campaign.

Second, so far, defence ties principally encompass ship visits, defence exchanges, and training etc. It is time Delhi and Manila mull over starting joint bilateral exercises at all levels, particularly for sturdier counter-insurgency and counter-terrorism preparedness.

Third, the Philippines has been looking for investments to boost its domestic infrastructure and connectivity. India could help by enhancing soft (digital) and hard (rail, road) connectivity. India and Japan could jointly invest in building infrastructure in the Philippines, which is in line with their Asia-Africa Growth Corridor initiative.

Fourth, India-Philippines trade falls short of expected levels despite the fact that the Philippines is amongst the top six ASEAN economies and the second most populous ASEAN state. New avenues of investment and joint ventures need to be explored in that regard.

Fifth, people-to-people linkages between the two countries need to be promoted through more student exchanges, direct flights and such to bring the bilateral relations to the next level.

ABOUT THE AUTHOR

Dr Rahul Mishra is a Senior Lecturer at the Asia-Europe Institute, University of Malaya, Kuala Lumpur. Prior to that he was a Consultant with the Ministry of External Affairs, Government of India. Dr Mishra worked with the Indian Council of World Affairs (ICWA), a Delhi-based think-tank as a Research Fellow for more than four years. Recipient of the 2015 Asia Fellowship of the East-West Center in Washington D.C., Dr Mishra was a Researcher at Institute for Defence Studies & Analyses (IDSA), New Delhi for more than four years. In 2012-13, Dr Mishra was a Visiting Research Fellow at S. Rajaratnam School of International Studies (RSIS), Nanyang Technological University (Singapore). Prior to that, he was affiliated with National University of Singapore. He has been a recipient of the Australian and Korean government fellowships also.

Dr Mishra specialises on politico-security affairs of the Southeast Asian region, and major power relations in Asia. His latest publications include India's Eastward Engagement - From Antiquity to Act East Policy (Co-authored with Prof. S.D. Muni, Sage Publications, 2019).

ABOUT THE INSTITUTE OF DEFENCE AND STRATEGIC STUDIES

The **Institute of Defence and Strategic Studies (IDSS)** is a key research component of the S. Rajaratnam School of International Studies (RSIS). It focuses on defence and security research to serve national needs. IDSS faculty and research staff conducts both academic and policy-oriented research on security-related issues and developments affecting Southeast Asia and the Asia Pacific. IDSS is divided into three research clusters: (i) The Asia Pacific cluster – comprising the China, South Asia, United States, and Regional Security Architecture programmes; (ii) The Malay Archipelago cluster – comprising the Indonesia and Malaysia programmes; and (iii) The Military and Security cluster – comprising the Military Transformations, Maritime Security, and Humanitarian Assistance and Disaster Relief (HADR) programmes. Finally, the Military Studies Programme, the wing that provides military education, is also a part of IDSS.

For more information about IDSS, please visit www.rsis.edu.sg/research/idss.

ABOUT THE S. RAJARATNAM SCHOOL OF INTERNATIONAL STUDIES

The **S. Rajaratnam School of International Studies (RSIS)** is a think tank and professional graduate school of international affairs at the Nanyang Technological University, Singapore. An autonomous school, RSIS' mission is to be a leading research and graduate teaching institution in strategic and international affairs in the Asia Pacific. With the core functions of research, graduate education and networking, it produces cutting-edge research on Asia Pacific Security, Multilateralism and Regionalism, Conflict Studies, Non-traditional Security, Cybersecurity, Maritime Security and Terrorism Studies.

For more details, please visit www.rsis.edu.sg. Follow us at www.facebook.com/RSIS.NTU or connect with us at www.linkedin.com/school/rsis-ntu.

