

# In Southeast Asia, India Works to Counter China

by Victoria Herczegh - October 22, 2024

India and the Association of Southeast Asian Nations (ASEAN) held their 21st summit on Oct. 10. Until a couple of years ago, China appeared to have an economic stranglehold on the region, and so India primarily focused on building security ties with ASEAN members – either individually or in small groups. Now, however, Beijing is increasingly preoccupied with China’s protracted economic crisis, creating an opening for New Delhi to make headway with ASEAN on the trade front. This more intense phase of Indian economic engagement with ASEAN is in its early days and will need to be tailored to its members’ different needs, but it has a good chance of strengthening India’s bonds with the bloc.

## Exploiting China’s Missteps

Amid its fitful domestic economic recovery from the pandemic, China canceled several Belt and Road megaprojects in Southeast Asia. Others have fallen behind schedule and may never be finished, giving rise in the region to the perception of Beijing as an unreliable partner. Among the ill-fated projects are two major railways and a bridge in the Philippines, pipelines in Malaysia and Brunei, and a railway between Thailand and China.

China’s growing assertiveness in making and enforcing its territorial claims in the South China Sea has further damaged its reputation with key ASEAN members. The highest-profile dispute is with the Philippines, which has a defense treaty with the United States. But even countries more predisposed to working with China, such as Vietnam and Malaysia, have **sparred with Chinese coast guard and maritime militia vessels**, not to mention Beijing’s diplomats.

Unsettled by China’s maritime moves in the Indo-Pacific, India joined Australia, Japan and the U.S. in reviving the Quad – effectively, if unofficially, a framework for the soft containment of China. It has also acted on its own. Rhetorically and financially, New Delhi has backed ASEAN members against China in their South China Sea territorial disputes and is pursuing stronger defense cooperation with individual ASEAN nations. Indian submarines are making more frequent calls at ASEAN members’ ports, and the Indian military is conducting more drills with ASEAN nations (including bilateral exercises with Singapore and Malaysia, trilaterally with Singapore and Thailand, and last year for the first time ever with ASEAN as a whole). From the standpoint of Southeast Asian governments that

have territorial disputes with China, India's offers of support carry additional weight because of New Delhi's own border disagreements with Beijing.

Indian defense exports are also becoming a bigger part of New Delhi's engagement with ASEAN members. Achieving self-sufficiency in defense manufacturing is a major Indian security priority, and boosting weapons sales to Southeast Asia is an important step toward that goal. India is nearing an agreement to sell its homemade BrahMos medium-range cruise missiles to Indonesia, having already sold the anti-ship variant to the Philippines. It also gifted a decommissioned missile corvette to Vietnam. (India and Vietnam also signed a defense cooperation deal that includes more training for Vietnamese fighter pilots and submariners and coordination on cybersecurity and electronic warfare.)

However, India still has a ways to go before it can truly say it has broken into the regional arms market. Negotiations on BrahMos sales have been slower than New Delhi would like. Potential buyers from ASEAN (including Thailand and Vietnam, which are in talks with India on purchasing the missiles) want to see more demonstrations of the effectiveness of Indian-made weapons. They are also wary of making deals that might draw China's wrath.

## **Trade Battleground**

China is still ASEAN's top trade partner. Trade between them has steadily climbed since the China-led Regional Comprehensive Economic Partnership (RCEP) took effect in 2022. Meanwhile, India, which pulled out of RCEP negotiations in 2019 over concerns about rising imports from China, has seen its trade deficit with ASEAN grow, particularly since RCEP's implementation. Indian officials attribute this to Chinese goods being rerouted through ASEAN under RCEP and lament the harm being done to their domestic steel and electronics sectors. Consequently, New Delhi is reviewing its own trade agreement with ASEAN.



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At the ASEAN-India summit, Indian Prime Minister Narendra Modi presented a 10-point plan to upgrade the agreement. Priorities include not only eliminating trade barriers but also preventing the deal’s “misuse,” a reference to China’s alleged dumping of goods in India via ASEAN. The bloc accounts for about 11 percent of India’s trade and provides critical inputs for Indian industry, such as natural gas and palm oil from Malaysia and Indonesia or rubber from Thailand. Both India and ASEAN could benefit from deeper cooperation in the production of textiles, and India also sees potential opportunities to increase its exports to the bloc of aluminum and copper pipes and tubes. Similar to its defense approach, India is focusing on making progress with individual ASEAN members – specifically the Philippines, Thailand and Vietnam, whose proximity to major sea routes could compound the benefits India would accrue from greater trade.

India’s slow and steady approach in the defense sphere is yielding results, particularly with those ASEAN countries that are already wary of China and seeking diversification. In trade, however, the situation is more complex. India’s trade deal with ASEAN involves the entire bloc, and so any amendments require consensus – a difficult ask for a group with such divergent interests, alliances and goals. (At the recent summit, the bloc failed to agree on responses to the Myanmar crisis or China’s borderline aggression in the South China Sea.) Despite ASEAN’s economic dependence on China, which won’t diminish quickly, India’s long-term strategy could gradually shift trade dynamics. By maintaining its gradual approach, especially as a close U.S. security ally, India can continue to build trust and expand its influence in Southeast Asia. ASEAN’s lack of cohesion, particularly on

defense, has so far worked to India's advantage.

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