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## India-Philippines Relations

AN OVERVIEW

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# INDIA-PHILIPPINES RELATIONS

## An Overview

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While the Look East policy has brought India closer to next-door ASEAN countries during the last fifteen years, the ASEAN-led East Asian summit and the subsequent visit of the President A P J Abdul Kalam to the Philippines in February 2006 have finally brought India and the Philippines to greater prominence on their respective foreign policy radars. Although the Look East policy led to the identification of areas of bilateral cooperation and signing of several agreements on those issues, the effective implementation of these agreements has begun only during the last four years. With the Cebu meeting of the East Asian Summit in February 2007, India and the Philippines find themselves becoming a part of a larger geopolitical grouping and as key players in the process of pan-East Asian integration.

During the visit of Abdul Kalam to the Philippines in February 2006, India and the Philippines signed four major agreements covering conventional issues such as defence and trade to new emerging areas of cooperation such as biotechnology, pharmaceuticals, and tourism. Bilateral relations have remained conspicuously devoid of both any major issue of discord or of any significant scale of engagement during the last six decades or so. The trade volume further increased from US\$339 million in 2002 to US\$730 million in 2006. As an expression of the growing relationship between the two countries, India relinquished its candidature for non-permanent membership of the UN Security Council for 2004-05 in support for the Philippines' candidature. Being members of G-20, both India and the Philippines, known as 'hardliners,' have worked together in WTO meetings in forcing the rich nations to cut their farm subsidies before making any commitment and in pushing the agenda and concerns of the developing countries.

Riding on the waves of Nehru's Asianism and anti-colonialism, the two countries had established their diplomatic relationship in 1949 immediately after their independence and subsequently signed various treaties and agreements, highlighting several areas of cooperation such as the Agreement on Air Services (1949), Cultural Agreement (1969) and Agreement on the Peaceful Use of Nuclear Energy (1969). However, many of these agreements remained on paper only as the two countries began to drift towards separate and hostile groupings with the setting in of Cold War politics in Southeast Asia. The Philippines remained closely attached to the US while India rejected any alliance system, even as it enjoyed comprehensive military, economic and political support from the USSR. Their compartmentalised and bloc-centric world-view and subsequent lack of interaction created a sense of ignorance among the communities of the two countries, which was further perpetuated by the inward-looking approach of the Indian economy. As a result, the nature and scope of bilateral cooperation remained minimal despite the non-existence of any major points of difference, a trend, which has continued during the post-Cold War era and even after the announcement of India's Look East policy. As evident from the volume of bilateral trade, India-Philippines relations have not figured prominently for either country or for India as a part of its Look East policy. The bilateral Air Services Agreement, signed in 1949, remained a non-starter until it was revised in 2005.

### **POLITICO-STRATEGIC AND SECURITY RELATIONSHIP**

The political cooperation between India and the Philippines has been sustained

over the years through various high-level visits, though on a limited scale. In 1961, Philippine Vice-President Diosdado Macapagal visited India while Indian Prime Minister, Indira Gandhi made a stopover at Manila while returning from Australia in 1981. Indian President R. Venkataraman went on a state visit to Manila in 1991 and in a first ever visit by a Philippines President to India, Fidel V. Ramos came to India on a state visit in 1997 along with an 80-member high-level business delegation. Three MoUs on Science and Technology cooperation in the pharmaceuticals and renewable energy sector, small and medium scale industries and transportation and communication were signed. India and the Philippines have meanwhile, been engaged in regular secretary-level foreign office consultations since 1994 and more than five such meetings have taken place. During the visit of Abdul Kalam to the Philippines in 2006, India and the Philippines signed four agreements including an Agreement on Defence Cooperation, which called for enhanced level of interaction between the defence personnel of two countries, exchange of information on the air force planes and naval ships and greater military training of the Philippine military personnel in India. Defence cooperation has also been sustained through secretary-level dialogues and the participation of the Philippine Secretaries to the Indian DEFEXPO. Orlando Mercado, Secretary of National Defence visited New Delhi in October 1999 and. Angelo Reyes visited India in February 2002.

Counterterrorism forms an important area of bilateral defence cooperation between India and the Philippines. Both countries have suffered from years of insurgency and terrorist violence and have agreed in principle to work together on counterterrorist operations and intelligence sharing and to contribute to ASEAN counterterrorist initiatives. India and the Philippines have also cooperated in promoting maritime security capacity and have conducted joint naval exercises since 1999. Indian ships have been paying

goodwill visits to Philippine ports since 1996. One frigate and two destroyers paid a goodwill visit to Manila in 2004 and India offers one slot annually to the Philippine armed forces for training in India.

## **TRADE AND ECONOMIC RELATIONSHIP**

India's total trade with the Philippines stood at US\$730 million in 2006 with total Indian exports at US\$490 million and imports of US\$235 million. The major items of Indian exports to the Philippines are iron and steel manufactures and tools, frozen buffalo meat, rice and wheat, electrical machinery, pharmaceutical products and transport equipment. India's main items of import from the Philippines are semiconductors, inorganic chemicals, newsprint, auto parts and minerals. Despite the large size of their economies and immense potential in bilateral trade and investment, trade relations have remained marginal, which can be attributed to the lack of knowledge of opportunities among the investors, the competitive nature of the Indian and Philippine economies and the growing infamy of the Indian moneylenders in and around Manila and who are known as 'Bombay 5-6.' Both countries have been competing against each other in sectors such as business process outsourcing (BPO), medical care, agro-products and private businesses interaction has not improved given the prevailing antipathy against migrant Indians in the Philippines. In one BBC poll conducted in 2006, more than 55 per cent of Filipinos considered India as a negative influence in the world. Taking these factors into account, both countries have agreed not only to diversify their trade basket, but also develop joint economic initiatives and inform traders about business opportunities in both the countries. According to the President of the Federation of Indian Chambers of Commerce and Industry (FICCI), the bilateral trade can increase to US\$2 billion by 2010 if the two countries expand their trade relations. In this sense, areas such as

manufacturing, real estate development, food processing, and agribusiness offer huge benefits to the Filipino business community whereas pharmaceuticals, automotive and IT sectors can be highly beneficial for Indian businessmen.

In order to further facilitate bilateral economic cooperation, various institutional mechanisms have been set up, which conduct regular meetings in both the countries. A Joint Working Group facilitates dialogues between the businesses and the governments of the two countries on various issues related to trade and looks at ways to further expand and diversify the bilateral trade basket. The 6<sup>th</sup> meeting of the JWG took place in New Delhi in September 2000. The India-Philippine Joint Business Council enables commercial interactions between the private businesses of the two countries and has, so far, held five meetings, with the last meeting being held in New Delhi in 2003. FICCI acts as the coordinating agency from the Indian side and the chambers of commerce and industries of both the countries have signed a MoU to further develop bilateral economic ties, identify business opportunities and increase investments and technology transfer.

Bilateral investments in each other's market have till date remained abysmally low. Indian investment in the Philippines is concentrated mainly in the fields of textiles (Indo-Phil Textiles and Kewalram Philippines), chemicals and in IT (APTECH, India-Ascent Network Solutions and NIIT Mind Streams Limited). The Philippine investment in India is confined to the sectors of telecom, reprocessing of waste materials and human resources development. However, as the economic engagement between the two countries, both at the level of private businesses grows and governmental initiatives expand further, more and more investment is expected to follow. The two countries are also trying to expand the areas of investment in biotechnology, IT, health care, human resources development and energy sector. The Philippine government has called for

greater Indian investment in the IT and BPO sectors either through joint ventures, partnerships or mergers.

Taking into consideration the marginal level of people-to-people contacts and in order to facilitate better connectivity, the two countries have signed agreements and MoUs to enable greater tourist inflow into the two countries, and easy and quick connectivity for the traders and businessmen of the two countries. The MoU on Tourism, signed in February 2006, aims at joint marketing and promotion of each other's tourist spots and increase the bilateral flow of tourists. India and the Philippines have also revived the dormant Air Services agreement and the national air-carriers of both countries have agreed to operate daily flights to four major cities in each country. The Philippine Airlines Inc. (PAL), which had discontinued its flight to India in 1954, will be providing services to New Delhi, Kolkata, Chennai and Mumbai but Air India is yet to choose the four destinations in the Philippines for its regular flight services. Philippine Railways signed a MoU in March 1997 with RITES to repair six existing railway lines in the Philippines.

## **SCIENTIFIC AND TECHNOLOGICAL COOPERATION**

S&T cooperation has emerged an important area in bilateral ties between India and the Philippines and has been very pronounced in four important sectors – IT, health care, agricultural science and biotechnology, and energy. The bilateral cooperation in these sectors has been further facilitated by several treaties and agreements. The Agreement on Scientific and Technological Cooperation, signed in 1987, provides the basic framework for the bilateral cooperation in this sector. Some Indian companies, such as Java Softech, Polaris Software, Tata Consultancy Services and Larsen and Toubro Infotech are involved in software projects in the Philippines. The major areas for IT

cooperation include IT education, training, animation, graphics and designing.

The pharmaceutical sector constitutes an important area for bilateral cooperation given the extremely high pricing of generic drugs in the Philippines. Laying special emphasis on cooperation in this sector, the two countries signed a separate MoU for cooperation in 1997. The launch of 'Pharma 50' programme by the Philippine government, which called for the reduction of drug prices by up to 50 per cent, has further enhanced this cooperation. India exported drugs worth US\$31 million in 2005-06, which further highlights the existing potential for cooperation. India and the Philippines also signed an agreement in February 2006 which would give the Philippines access to Indian drugs at reasonable prices, develop capacity building in nursing and health care education and create a joint pool of qualified nurses to meet demands in another country. During his visit, Indian President Abdul Kalam also proposed the establishment of a joint venture pharmaceutical plant in the Philippines.

Bilateral cooperation in the agriculture sector goes back to as early as 1976 when the two countries signed a MoU for cooperation in the agriculture sector. The bilateral cooperation in the agriculture sector for the period of 1991-2001 was carried out as per the guidelines prescribed by the MoU for cooperation in agricultural science and technology, signed in 1991. In order to boost their cooperation in the agricultural sector, India and the Philippines signed another MoU in February 2006 to promote the exchange of agro-products and agricultural sciences and enable the Philippines to utilize Indian expertise in dairy farming and buffalo breeding.

India and the Philippines have signed various agreements and MoUs for cooperation in the energy sector, highlighting its importance for economic and technological progress in the two countries. An agreement for cooperation in

the peaceful uses of nuclear energy was signed in 1969 and in 1996, a MoU for enhanced cooperation in the field of renewable energy. Cooperation in the energy sector has also occurred between autonomous government agencies of the two countries, as evident from the MoU between the Gas Authority of India Limited (GAIL) and the Philippine National Oil Company and the MoU between the GAIL and the Department of Energy of the Philippines government, both in 2003. Impressed by the successful conversion of the transport sector in New Delhi to the less polluting and cheaper compressed natural gas (CNG), the Philippines government is also considering taking the help of the Indian government to apply such a scheme in Manila.

## **CULTURAL RELATIONS**

According to archaeological evidence, cultural relations between the people of two countries date back to the early centuries of the Christian era, a connection which was further sustained through the spread of Malay culture to the Philippines. A large number of Sanskrit words is used in the local languages and the Hindu epic story of Ramayana is very popular in the Philippines. In order to further sustain and consolidate their cultural relationship and facilitate people-to-people contacts, the two countries signed a cultural agreement in September 1969, which aimed at regular exchange of academic resources, arts and exhibitions, cultural troupes, performances, scholars, scientists, and artists and sports competitions between the two countries. Indian film festivals have also been held regularly in the Philippines. So far, more than 36 Indian citizens have received the Ramon Magsaysay award, known as the 'Nobel prize of Asia,' instituted in memory of the former Philippine President. India has the largest number of recipients of this award, which further indicates the appreciation of Indians in the Philippines. The Indian Council of Cultural Relations also offers two

scholarships to the Filipino students for higher studies in India.

### **CHALLENGES AND OPPORTUNITIES**

While the large number of agreements, treaties and MoUs between India and the Philippines reflects the existing potential and wide range of probable areas for enhanced bilateral cooperation, their minimal implementation highlights prevailing popular ignorance about the opportunities and incentives available in both the countries and the lack of proactive initiatives by policymakers in the implementation of agreements. Spurred by India's Look East policy, its economic

liberalisation and deregulation, and growing political willingness in India for developing greater ties with all ASEAN countries, some initiatives have been taken during the last fifteen years to ensure greater people-to-people contacts and implementation of policies. Both countries have taken a few initiatives to address problem areas such as limited trade and investment relations and the growing hostility between the migrant Indian community and local Filipinos, in the form of proposals such as granting dual citizenship to migrant Indians in the Philippines. The proposed ASEAN-India FTA meanwhile, holds still greater promise for wider and deeper economic linkages between the two countries.

**BILATERAL TREATIES AND AGREEMENTS**

Air Services Agreement (Dormant status) The bilateral air-services pact signed in 1949 was revised in July 2005 enabling direct flight between the two countries.	1949
Cultural Agreement	1969
MOU for Scientific and Technical Cooperation in Agriculture between ICAR and PCCARD	1976
Trade Agreement	1979
Basic Agreement on Scientific & Technological Cooperation	1987
Basic Agreement on Economic and Technical Cooperation	1990
Convention for Avoidance of Double Taxation and the Prevention of Fiscal Evasion	1990
Agreement for Cooperation for the Utilization of Atomic Energy for Peaceful Purposes	1991
MOU on Enhanced Cooperation in the field of Renewable Energy	1996
MOU on Scientific and Technological Cooperation with focus on Pharmaceutical	1997
MOU between the National Small Scale Industries Cooperation Limited and the Bureau of Small and Medium Business Development	1997
MOU on Holding of Annual Policy Level Foreign Office Consultations	2000
Agreement for Promotion and Protection of Investments	2000
MOU between the Gas Authority of India Limited (GAIL) and the Philippine National Oil Company	2003
MOU between the GAIL and the Department of Energy	2003
Extradition Treaty	2004
Agreement on Defence Cooperation	February 2006
Agreement on Cooperation in the Field of Tourism	February 2006
MOU on Cooperation in the Field of Agriculture and Related Fields	February 2006