

## Taking Stock of India's 'Act East Policy'

ASHOK SAJJANHAR

**ABSTRACT** In the past two years, India has been working not only to *Look* to its eastern neighbours but to *Act* with them, too. Indeed, the government's 'Act East Policy' has taken positive steps towards building closer relationships with India's partners. But how different has the policy been from its predecessor, the Look East Policy? This paper examines the motivations for launching the Act East Policy and what it has accomplished so far. It also describes the imperatives of the future, if the policy is to deliver the desired results in promoting India's interests in the strategic, security, economic and cultural spheres, in the region and beyond.

### INTRODUCTION

The National Democratic Alliance (NDA) government has reason perhaps to be satisfied with the progress of the 'Act East Policy' launched by Prime Minister Narendra Modi at the East Asia and India-Association of Southeast Asian Nations (ASEAN) summits at Nay Pyi Taw, Myanmar, in November 2014. The Act East Policy is the successor to the Look East Policy, which was launched in 1992 by the then PM Narasimha Rao under radically different geopolitical and economic circumstances.

The Look East Policy was focused on strengthening ties between India and the ASEAN countries. At that time, six ASEAN economies were growing at a rapid pace, earning them the sobriquet, "Asian Tigers". In India, meanwhile, the license permit raj put in place after Independence and the oil shocks of the 1970s and 1980s had resulted in a situation which reduced the country's import cover to a mere 10 days against the normally acceptable period of three months. The end of the Cold

Observer Research Foundation (ORF) is a public policy think-tank that aims to influence formulation of policies for building a strong and prosperous India. ORF pursues these goals by providing informed and productive inputs, in-depth research and stimulating discussions. The Foundation is supported in its mission by a cross-section of India's leading public figures, academics and business leaders.



To know more about  
ORF scan this code

War and disintegration of the Soviet Union in the 1990s provided a welcome opportunity for India to reach out to Southeast Asia and capitalise on its historical, cultural and civilisational linkages with the region.

The Look East Policy registered impressive gains for 20 years after its inception. India became a sectoral partner of ASEAN in 1992 and a dialogue partner and member of the ASEAN Regional Forum in 1996. India and ASEAN entered into a summit partnership in 2002 on the 10th anniversary of the Look East Policy, and launched negotiations for a free trade agreement (FTA) in goods in 2003. These discussions culminated in a bilateral deal in 2009, which took effect the next year. Bilateral trade and investment showed impressive gains in the first decade of the century. While bilateral trade increased from \$2 billion in 1992 to \$12 billion in 2002, registering annual growth of 12 percent, it increased to \$72 billion in 2012, with a cumulative annual growth rate of around 22 percent over the preceding decade.

In the past few years, however, the relationship has not been able to maintain the same momentum. Even Hillary Clinton, the then US Secretary of State, during her visit to India in 2011 said that India should not merely "look" towards the East, but more importantly, "act" and "engage" with the East.

The NDA government outlined the Act East Policy in November 2014, within six months of assuming power in May 2014. The policy seeks to revive and reinvigorate India's relations with ASEAN as well as expand the country's engagement beyond the region to encompass the Koreas in the North to Australia and New Zealand in the South, and from neighbouring Bangladesh to Fiji and Pacific Island countries in the Far East. During Bangladesh President Abdul Hamid's visit to India in December 2014—the first, after a gap of 40 years—Modi said that India's Act East Policy would begin from Bangladesh.

## **INDIA AND ASEAN: A STEP IN THE RIGHT DIRECTION**

ASEAN continues to form the central pillar of India's Act East Policy. This is evident from the active mutual visits in the region over the past 24 months. Modi travelled to Singapore to attend the State funeral of Lee Kuan Yew, Singapore's first Prime Minister, in March 2015. He went back in November 2015 to mark the 50th anniversary of the establishment of bilateral relations and establish a strategic partnership. Before that, Modi had gone to Myanmar to participate in the East Asia Summit and the India-ASEAN Summit in November 2014. He also travelled to Malaysia in November 2015 for a bilateral visit as well as to attend the East Asia and the India ASEAN summits. External Affairs Minister Sushma Swaraj has also visited Indonesia, Vietnam, Singapore, Thailand and Myanmar during the same period. ASEAN leaders, too, have visited India, such as Vietnam Prime Minister Nguyễn Tấn Dũng in October 2014 and Singapore's President Tony Tan, who joined celebrations marking the 50th anniversary of diplomatic relations in India.

Myanmar, in particular, occupies a special position in India's matrix of ties with ASEAN states. After all, it is contiguous to India's Northeast region, sharing a land boundary of 1,700 km with four states including Manipur, Mizoram, Nagaland and Arunachal Pradesh. Major infrastructure projects such as the India-Myanmar-Thailand Trilateral Highway can prove to be a game-changer to connect India's Northeast with ASEAN. India is also party to the ambitious Trans-Asian railway project, though progress has been less than satisfactory because of the weak political will of the stakeholders and differences in alignment of the rail network among participating countries. Without adequate cross-border connectivity, it would be highly difficult for India's Northeastern states to reap the full potential of the Act East Policy.

Besides the Northeastern states, West Bengal is ideally poised to play a significant role in becoming a major beneficiary of the policy. The Kaladan Multimodal Transport Project, for instance, seeks to connect Kolkata with Sittwe port in Myanmar, going farther to Lashio via Kaladan river and to Mizoram in India by road. Originally, the project, which started in 2008, was scheduled for completion in 2014. It is likely to be completed and become operational in 2016. The project presents a huge opportunity to both India and ASEAN to significantly upgrade their ties.

Thailand also occupies a unique place in promoting India's Act East Policy. In addition to the ancient and historical cultural, maritime, business, religious and linguistic ties between the two countries, the large Indian diaspora which has settled in Thailand since the end of the 19th century presents a unique opportunity to nurture a rapidly expanding mutual relationship. After the highly successful visit of Vice President Hamid Ansari to Bangkok and Chiang Mai in early February 2016, several other high-level visits to India are scheduled in the coming days. Much anticipated is the maiden visit of Prime Minister General Prayut Chan-o-cha as well as those by Crown Prince Maha Vajiralongkorn, heir to the Thai throne, and Princess Maha Chakri Sirindhorn, to receive the first International Sanskrit Prize. These visits are expected to further India's bilateral engagement and strengthen ties, providing greater substance to India's Act East Policy.

Singapore, for one, has strong and vibrant trade and economic relations with India and is the second-largest source of foreign direct investment. It is also the first ASEAN nation to establish a Comprehensive Economic Partnership Agreement (CEPA) with India. Singapore has always been supportive of stronger ties between India and ASEAN. In 2004, the then prime minister of Singapore, Goh Chok Thong, metaphorically described ASEAN as the body of a large airliner, with China

as one of the wings and the second, ASEAN's strong relations with India.

Relations with Indonesia present significant possibilities, with new dynamic and popular leaders in both the countries. Modi had a fruitful meeting with Indonesian President Joko Widodo in Myanmar in November 2014 on the sidelines of the East Asia Summit. Relations were further advanced by Swaraj's visit in April 2015 and Ansari's, a few months later in November. Indonesia has in fact emerged as India's second-largest trading partner among the ASEAN. Although cultural and literary interaction between the two countries is advancing at a rapid pace, it is essential to actively engage Indonesian entrepreneurs to look closely at India to further enhance bilateral commercial and economic ties.

Then there is Vietnam, which stands as a significant trade, strategic and defence partner of India. India's outreach to the region has grown considerably on account of the growing assertiveness of China on the South China Sea issue, with the latter having declared it as one of the core issues of its foreign policy.

The allocation of \$1 billion to promote connectivity between India and ASEAN, announced by Modi during his visit to Malaysia in November 2015, will go a long way in bringing India and ASEAN closer together. Connectivity forms an indispensable element of the 3Cs of "culture, commerce and connectivity", which will promote economic engagement and strengthen people-to-people, cultural and civilisational contacts between the two regions.

## **INDIA, ASEAN AND THE CHINA CONUNDRUM**

The issue of ownership, control, use and exploitation of oil, gas, mineral and fishery resources in the South China Sea has emerged as a major dispute between China and several ASEAN countries like Vietnam, the Philippines, Brunei and Malaysia. There is, however, no unanimity among ASEAN on how to deal with

China on the issue. India is concerned because more than 40 percent of its trade passes through the South China Sea. It is also interested in harnessing fossil resources in the region for meeting its energy needs. ONGC Videsh Limited (OVL) entered into an agreement with Vietnam to prospect in oil blocks 127 and 128 off the Paracel islands, which fall within the exclusive economic zone of Vietnam. In recent discussions, including at the East Asia Summit in Kuala Lumpur in November 2015, India along with several others supported freedom of navigation, ensuring maritime security, expeditious resolution of disputes under international law (UN Convention on the Law of the Seas 1982 for example), developing a code of conduct and settlement of disputes through dialogue and peaceful means.

PM Modi has made determined efforts to reach out to other countries in East Asia to get greater manoeuvrability and strategic space, and provide an impetus to the several initiatives launched by the government for rapid economic development of the country. These initiatives include 'Make in India', 'Skill India', 'Digital India', promoting energy security, creating infrastructure, and building smart cities. These endeavours are designed to generate greater flexibility and political space to contend with the increasing assertiveness and unilateralist approach of China. Its adversarial behaviour is not limited to its lack of interest in settling the border dispute with India, or ignoring India's concerns and sensitivities on supplying nuclear and missile technology and material to Pakistan, or aggressively pursuing the construction of the \$46-billion China-Pakistan economic corridor passing through Indian territory under illegal occupation of Pakistan. There is also concern over China's reluctance in discussing difficult questions such as sharing of river waters and issuing stapled visas to residents of Jammu and Kashmir.

China's increasing intemperance and intractability over the past many years has added to the anxieties and concerns of

Southeast Asian countries and they would like India to play a more active countervailing role in the region. This meshes with India's efforts to reach out proactively to countries of the region for mutually beneficial engagements.

## **BUILDING A TRADE PARTNERSHIP**

Negotiations on the Regional Comprehensive Economic Partnership (RCEP) Agreement, which commenced in 2012, are due to be concluded this year. This agreement, which groups the ASEAN 10 and China, Japan, South Korea, Australia, New Zealand and India, represents 40 percent of the world population and 23 percent of the world gross domestic product (GDP, pegged at \$17 trillion). With the signing of the Trans-Pacific Partnership Agreement in New Zealand in February 2016, it has become imperative for RCEP members to urgently conclude negotiations for an ambitious, far-reaching, balanced and equitable deal. India needs to ensure that the final text safeguards and promotes its interests, unlike the India-ASEAN FTA in goods. The India-ASEAN FTA in services and investment though, which was signed in 2014 and which is expected to come into force this year, is expected to significantly enhance India's exports to the market because of the country's inherent strength in the services sector.

## **INDIA-JAPAN PARTNERSHIP**

Japan is the other nation in India's 'east' with which it is working to build stronger relations. These ties have been on a momentous upswing since the NDA government assumed power; Indeed, Japan was Modi's first bilateral visit outside the South Asian neighbourhood. Both Modi and Japanese Prime Minister Shinzo Abe were able to build on the close rapport that they had developed during Modi's tenure as Gujarat's chief minister. The visit resulted in Japan's commitment to invest \$35 billion in India over the next five years, including in some

flagship initiatives such as smart cities, Delhi-Mumbai Industrial Corridor and Shinkansen bullet train between Mumbai and Ahmedabad. All these initiatives witnessed a pronounced push during the reciprocal visit by Abe to India in December 2015.

The crowning achievement of Abe's visit was the decision to enter into a civilian nuclear deal with India, over which discussions had been ongoing for several years. Japan is the latest country to come on board on the issue, as it is an extremely sensitive issue for the country domestically.

The past 24 months have also seen progress in the ties between India and Australia. In September 2014 the then Australian Prime Minister Tony Abbott visited India and signed the civilian nuclear deal, whose significance lies in the fact that Australia is home to the world's largest reserves of uranium. The agreement will prove to be immensely beneficial as India seeks to enhance its energy generation from nuclear reactors from the current 5,000 MW to 20,000 MW by 2022, and 62,000 MW by 2032. Modi's bilateral visit to Australia, following his participation in the Group of Twenty (G-20) Meeting in Brisbane in November 2014, was the first by an Indian prime minister in 28 years.

Modi used the opportunity to travel to Fiji and interact with the 12 leaders and representatives of the Pacific Island nations. It was the first visit by an Indian prime minister in 33 years. The visit was followed by a conference in India with 14 Pacific Island countries in August 2015. Going forward, these contacts will stand India in good stead in providing it with critical support on issues of global concern and interest such as reform and expansion of the UN Security Council and progress on India's proposal for concluding a Comprehensive Convention on International Terrorism.

While perhaps not in the popular imagination, Mongolia is another country with which the current Indian government is working to strengthen economic relations.

Indeed, Modi was the first Indian prime minister to reach out to Mongolia, with which the country already shares strong cultural, spiritual and historical ties. The presence of vast reserves of uranium and the inking of a civilian nuclear deal adds further substance to the partnership.

Following his visit to China and Mongolia in May 2015, Modi also travelled to South Korea to deepen bilateral commercial and economic partnership with the rapidly expanding economy. Discussions on upgrading the bilateral FTA in goods to a balanced and equitable Comprehensive Economic Partnership Agreement have been initiated.

A continuing partnership, of course, is that with the US. During President Barack Obama's visit to India as the chief guest at the country's Republic Day celebrations in January 2015, Modi in his remarks at the US-India Business Summit said, "For too long India and the US have looked at each other across Europe and the Atlantic. When I look towards the East, I see the Western shores of the United States." The joint statement, "Shared Effort: Progress for All", issued during Obama's visit read: "Noting that India's Act East Policy and US' Rebalance to Asia provide opportunities for India and the US and other Asia Pacific countries to work closely to strengthen ties, the Leaders announced a Joint Strategic Vision to guide their engagement in the Region."

## CONCLUSION

India's Act East Policy must continue to focus on strengthening collaboration with the ASEAN. Partnerships must aim at promoting economic revival through implementation of India-ASEAN FTA in services and investment and strategic cooperation to fight terrorism, freedom of navigation, maritime security and defence cooperation. Modi's use of soft power such as Buddhism, tourism, people-to-people contacts, and cultural ties with the region must also be harnessed.

The Act East Policy should also improve Indian connectivity with ASEAN, particularly between Northeast India and Myanmar. These projects—including the Trilateral Highway and Kaladan Multi-modal Trade Transit Project, and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC)—are projected to not only increase mutual economic productivity but also promote peace and prosperity in the Northeast region.

Beyond ASEAN, India must work to strengthen ties with East Asia, particularly Japan and Republic of Korea and Australia, which are both relevant for India's strategic and

economic interests. Technology transfer, civilian nuclear cooperation, defence, and innovation are important sectors that need to be targeted.

Continuous engagement with China too is necessary to expand cooperation, particularly on the economic front. With India being the second largest shareholder of the Asian Infrastructure Investment Bank (AIIB) and an equal partner in the National Development Bank (NDB), the forthcoming decades must ensure that areas of conflict are minimised and economic integration for the benefit of both nations are fully leveraged. 

#### ABOUT THE AUTHOR

Ashok Sajjanhar is former Ambassador of India to Kazakhstan, Sweden, and Latvia. He has served in senior positions in various Indian Missions including Washington DC, Moscow, Brussels, Tehran, Geneva, Dhaka, and Bangkok.



**Ideas • Forums • Leadership • Impact**

---

20, Rouse Avenue Institutional Area, New Delhi - 110 002, INDIA  
Ph. : +91-11-43520020, 30220020. Fax : +91-11-43520003, 23210773  
E-mail: [contactus@orfonline.org](mailto:contactus@orfonline.org)  
Website: [www.orfonline.org](http://www.orfonline.org)