

India's Look East Policy: From Economic Integration to Strategic Stakeholder in the Asia Pacific Region

IISIS Malaysia held an International Affairs Forum entitled 'India's Look East Policy: From Economic Integration to Strategic Stakeholder in the Asia Pacific Region,' on 18 July 2012. The speaker was Professor **Baladas Ghoshal**, Distinguished Fellow, Institute of Peace and Conflict Studies, New Delhi, India. The Forum was introduced by **Dato' Dr Mahani Zainal Abidin**, CE, ISIS Malaysia, and moderated by **Dr Tang Siew Mun**, Director, Foreign Policy and Security Studies, ISIS Malaysia. ISIS Analyst **Zarina Zainuddin** reports.

Professor Baladas Ghoshal said that India's Look East Policy (LEP) started in 1992, when then Prime Minister Narasimha Rao started economic reforms, and began engagement with Southeast Asia. The LEP was not a new policy. It was merely a continuation of a policy that India had put in place since independence. Back then, Southeast Asia was an important component of India's foreign policy. India was also quite active in the international and domestic political development of the region. The nation played an important role in Indonesia's struggle for independence in terms of ideological support (anti colonialism, anti racism, etc) and at times, it also extended financial support.

The difference between the earlier 'LEP' and the current one, said Ghoshal, is that the former focused on bilateral relations while the latter focused on multilateral relations. Ghoshal highlighted India becoming Asean's full dialogue partner in 1995 as an example of the former's multilateral engagement. India continues to participate in Asean-initiated processes such as the Asean Regional Forum (ARF) and the East Asia Forum (EAS).

The second difference between the earlier and later periods was that India's involvement in the region was mostly political, particularly in terms of ideology such as anti-colonialism, etc. Economic ties did exist but were very minimal. From 1992, the nature of engagement changed,



Baladas Ghoshal

turning more towards economics, followed by strategic interactions.

In 1991, the Indian economy was at the crossroads. Prime Minister Rao embarked upon economic reforms; he tried to push India away from the socialist economic system that it was practicing at the time and towards the global economic scene.

Why Southeast Asia? Prime Minister Rao's speech in 1994 in Singapore gave a clue — Southeast Asia could be a spring board for India's entry into the global market. Southeast Asia was already part of the global economy and its economies were quite open. Besides, some of its economies, such as Malaysia, Thailand, etc, were being referred to as the tiger economies; many of these countries are considered models of economic development for other Third World countries.

There is also a strategic content to India's relations with Southeast Asia, although it was not stated clearly at the time. The strategic content was Myanmar or Burma. In 1988, India finding the Junta, the ruling regime in Myanmar despicable, and deploring the actions taken by the regime in repressing its citizens and elections, etc, chose to break contact with the nation.

But by 1991-92, India discovered that non-engagement did not affect the regime's way of doing things. India, in essence implementing an extension of US policy, had not brought about any major change in Myanmar's military regime. By 1992, India discovered that China had entrenched itself both economically and strategically in Myanmar. India realized that despite Myanmar's despicable human rights record, it needed to engage and to do business with that nation.

Ghoshal characterized 1992 to 2003 as the 'first phase' of India's LEP, 2003 to 2010 as the second phase and 2010 to the present as the third.

The first phase involved India's mainly economic engagement with Asean, through dialogue partnership, annual meetings, and through the ARF. Outside of the United Nations, Asean was the only organization that India engaged with. India gained experience in strategic as well as economic engagement. It learned to share its thoughts with the leaders of Southeast Asia. During this period, India's engagement was fairly low-profile. Economically, India did not gain

much; there was a slight increase in trade. Strategically too, Ghoshal felt India was not much on the radar of Southeast Asia.

In 2003, India signed the Treaty of Amity and Cooperation (TAC). TAC is a precondition for membership in the East Asian Summit. India was getting closer to Southeast Asia because as Ghoshal put it, 'it almost became part of the club.' During this period, there was a shift from the political-economic to the strategic, and a number of strategic agreements were signed with members of Asean — Indonesia, Thailand, Singapore and Malaysia.

Another shift was that India expanded its area of engagement from Southeast Asia to East Asia, specifically South Korea and Japan. Thus, India's LEP was no longer only about Southeast Asia but also East Asia.

There was also a shift in the concept of Asia. Previously, India was not considered part of Asia (Ghoshal thinks this is an American perception). Asia Pacific stopped at the border of India and Myanmar. In 2003, Asean began to accept India as part of Asia and Southeast Asia. Prime Minister Rao did not only consider India as part of Asia but also part of Asia Pacific. As such India, during this period, was also looking to extend its engagement further to cover the Western Pacific. The year 2003 was the turning point in India's Look East Policy.

Between 2003 and 2005, India became a member of the East Asian Summit. The Indian government began modern diplomacy in the region and started participating in military

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exercises with the US and Japan, among others. India expanded its ties beyond just Asean and begun to engage with other countries within the Asia Pacific region.

In 2005, India joined the EAS as one of the founding members. Initially, Asean was divided on India's entry (as well as that of others). Malaysia, South Korea and China opposed while Indonesia, Singapore, Thailand and Japan — strong allies of the US — pushed for the inclusion of India (and Australia and New Zealand). Ghoshal thinks that during this period, China's 'peaceful' rise as a powerhouse in the region made some Asean members a bit uneasy. India was thought of as a counterbalance to China's influence. Its rising power was noted globally. Its economic growth, technological advancements, and IT prowess, Ghoshal believes, influenced the thinking of some countries in the region and that led to the inclusion of India as a member of the EAS.

While India cannot join Asean due to geographic factors, it has become part of the group, and almost part of the region by joining EAS.

According to Ghoshal, in the phase between 2003 and 2010, another defining moment would be 2009, when India signed the Free Trade Agreement (FTA) in goods (not services) with Asean. Initial talks on the FTA started in 2001, but India's domestic politics interfered — the southern states were against the FTA and the nature of India's coalition style government made it hard for the FTA to be pushed through. China seized the situation and used it as ground to reject more active participation by India in many of the forums in the region.

During the Asean Summit in Singapore in 2007, Japan and some other Southeast Asian countries suggested that India join in the Asean economic community but China vehemently opposed the suggestion, just as it opposed India's participation in the East Asian Summit in 2005. In

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2007, there was another intense debate between China and countries such as Japan and Indonesia, on India's participation in the Asean economic community. China was able to argue that India's minimal economic interaction with the region did not justify its participation in the Asean economic community.

For years India was unable to sign the FTA with Asean due to internal political opposition. It was only in 2009 that the current Prime Minister Manmohan Singh who had begun to master domestic political moves was able to argue with his cabinet that the India-Asean Free Trade Agreement (FTA) was not about economics but about politics. Unless India signed the FTA, it would be left behind or left out of the region.

India signed the FTA in Bangkok in 2009, and interestingly, this restarted cooperation in the economic sphere between India and Southeast Asia. Ghoshal pointed out that the FTA is on goods and not on services and investment; in the trade of goods, Asean has the advantage over India. On the FTA on services and investment, in which India has the economic advantage, negotiations are still ongoing and this time, the laggard is Asean, but Ghoshal expects the matter to be resolved in a year's time. Regardless, he thinks that India should do more to further increase economic interaction, so as to be 'really' part of this region. And the signing of the FTA in services and investment would bring economic integration between India and Southeast Asia even closer.

The year 2010 brought about another shift in India's LEP. In March 2010, during the annual Delhi Dialogue aimed at fostering closer relations between India and Asean, the Thai Foreign Minister had asked why India was not playing a

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bigger role in Southeast Asia. This is because even as India is increasing integration into the region in the economic, political and strategic spheres, India-China relations are always at the back of India's mind.

China is both the determinant and constraint in India's Look East Policy: determinant because relations between India and China are not easy — there are times when relations are good and times when they are not. Factors such as common borders, emerging power status and the rivalry that entails, as well as historical rivalry and conflict have all led to China acting as the determinant in India's interactions with the region. Constraint because India feels its interactions with Southeast Asian countries might be interpreted in China as anti-China. India has always been cautious about strategic interactions with the Southeast Asian region. So until about 2010, though countries like Thailand, Indonesia and Singapore were demanding that India play a bigger role in this region, India's role was very moderate.

The turning point came in 2010. China began to talk of its interest in the South China Sea and as claimed by some, referred to the area as China's core interest. It is a claim that China has denied. Regardless, Ghoshal said, he began to see commentaries in some countries in Southeast Asia registering concern over China's activities in the South China Sea and their potential destabilizing impact. Prior to this, China's peaceful rise, aided by its charm diplomacy, was seen as mostly positive by most countries in Southeast Asia.

The tension heightened when, in July 2010, US Secretary of State Hilary Clinton proclaimed that 'America has a stake in freedom of navigation in the South China Sea.' Ghoshal said this development opened a new chapter in the strategic relationship between the countries in the region. He thinks that at this point, India underwent a change in its regional perspective: it felt that it should engage strategically with some of the 'key countries' in Asean, one of which was Vietnam. Prior to the strengthening of relations, India and Vietnam had 'traditional relations', much like in the case with Indonesia.

The decision to increase engagement with Asean countries can also be seen as India's response to the development by China of its 'string of pearls.' By 2010, China had begun to develop relationships with some of India's neighbours. Most notable was China's development or building of ports around South Asia: Gwadar in Pakistan, the upgrading of Chittagong in Bangladesh, Hambantota in Sri Lanka, as well the previously mentioned cooperation with Myanmar.

From India's perspective, China's actions appeared to be aimed at encircling India. Whether this was intentional or not is immaterial. Ghoshal said, 'In international relations and politics, perceptions play a much more important role than reality.' Hence, in a tit-for-tat reaction, India increased cooperation with countries in Asean.

There was one controversial incident involving both nations in the South China Sea. India had engaged in oil exploration off the shores of Vietnam, in an area of overlapping claims by Vietnam and China, where for years there had not been a lot of activity; in 2010, Blocks 127 and 128 saw some activity. China threatened India, claiming the latter had encroached into Chinese territory and warned that this could lead to a deterioration of relations. In June 2012, India withdrew its oil exploration off Vietnam. The official explanation was that the oil potential of the blocks was not commercially viable. However,



Discussion time

said Ghoshal, 'certain developments' that took place subsequently gave one the idea that an 'understanding' had been arrived at with China.

Ghoshal described US-India relations during the Bush (Jr) era as 'glorious,' as evidenced by the various types of cooperation, including the resumption of nuclear trade with India, and cooperation in energy and satellite technology. However relations changed when President Obama took office. America wanted India to play a bigger role in the region, and for the first time, actually referred to India as a stabilizing factor in the South and Southeast Asia region. The president wanted India to sign the Comprehensive Nuclear-Test Ban Treaty (CTBT), which potentially could limit India's nuclear programme. At the same time, he wanted to concentrate on building US-China relations.

However, despite the talk of a Sino-US Condominium G-2, tensions begun to creep into US-China relations. The US begun to look to India again, as highlighted by US Secretary of Defence Leon Panetta's statement — 'India lynchpin US strategy in Asia.' China also changed its tune, with

the Chinese leadership proclaiming that Sino-Indian ties would constitute the most 'important bilateral partnership of the century.'

India found itself being courted by both the US and China. However, India had no interest in being the 'swing state' or in being closely aligned with either side. While India agreed on the concept of free navigation, it did not want the US to be too closely involved in the region. It felt that any future security architecture should be 'multilateral' in nature, and not a bilateral alliance system. As regards China, India wanted it to work on the lingering problems that had beset both countries, ranging from common borders, to trade, to the betterment of bilateral relations.

In conclusion, the picture of India that now emerges is that of a nation that is an active and important player in the region, said Ghoshal. India has two advantages: it has no historical baggage, and it has no territorial claims in the region. Hence, India can emerge as a factor for the region's peace and stability and its participation in regional arrangements is bound to be positive.