

Modi Acts East: The Emerging Contours of India's Foreign Policy

By

Kishan S Rana

*Former ambassador, author and teacher
Honorary Fellow, Institute of Chinese Studies, New Delhi*

The following article comprises two parts. First is the full text of Ambassador Rana's presentation. Second, a comprehensive summary of the various issues raised in the lively discussion that followed.

Part I: Full text of Ambassador Rana's presentation

Few had imagined before May 2014 that Narendra Modi, as India's plebeian prime minister (PM), the first Indian prime minister to be born in post-Independence era and rooted so firmly in his 12-year term as a provincial chief minister, might give such salience to foreign affairs. His marathon election campaign had commenced in mid-



From left: Kishan S Rana and Steven Wong

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Participants pose questions

2013, when he struggled to shed the legacy of the 2002 riots in Gujarat, first to win what then seemed an improbable nomination as his party's candidate, and then to persuade the people of India to buy into his dream, that development is the nation's biggest challenge.

I would like to set out for you five propositions. These are ideas that are still developing hence I greatly value your reaction and criticism, so as to deepen my understanding.

Proposition 1: Foreign affairs now receive high priority, a trend that will continue

No Indian leader has committed so much time and attention to improving relations with foreign countries — neighbours as well as middle and great powers — within the first year of assuming office. The brilliant decision to invite the South Asian Association for Regional Cooperation (SAARC) states plus Mauritius to his swearing in ceremony was a first for India, and also in terms of neighbourhood practices. One might wonder, why did no one think of this before?

Salience to neighbours continued with PM Modi's first visits, starting with Bhutan and then to Nepal. It may seem hard to believe but it was 23 years ago that an Indian prime minister made a bilateral visit to Kathmandu. No other predecessor had undertaken a full-scale bilateral tour to Sri Lanka since 1987 either.

How India prioritises its outbound bilateral visits, its options in terms of its available palette of high dignitaries and special representatives, connects with a much wider question. Simply put, India has limited options, since designations such as 'deputy PM' are not customary, and there is no practice of designating a permanent set of special emissaries, say unlike Japan. But the obligations of foreign engagement are inexorable.

Now, 10 months into his job, PM Modi has been to nine countries on bilateral journeys (Bhutan, Nepal, Japan, the United States, Australia, Fiji, three Indian Ocean island states, Sri Lanka, Seychelles and Mauritius). In the next two months, he is to go to Germany, France, Canada and China. PM Modi will have to keep on delivering on this and maintain momentum. I hope this can be done.

Proposition 2: Delivering value for India is the highest priority

It is a truism that the foreign policy of countries is predicated on their self-interest, even while this is framed in broad and enlightened terms. So what is different?

In Gujarat, Narendra Modi practiced performance accountability, which one might say is relatively straightforward in relation to development programme delivery, more so at a ground or provincial level. Delhi, however, is a different ball game.

For the first time in its history, the Ministry of External Affairs (MEA) announced in mid-December 2014 that it was preparing its annual plan for 2015, and that this was in conformity with the PM's emphasis on forward planning. I wish I could have witnessed the annual conference of Indian ambassadors which was held in February 2015. My impression is that it conveyed to Indian envoys a renewed sense of purpose in Indian diplomacy.

Embassies are now being tasked more closely, with improved supervision over their performance. A great deal can be done through performance management tools that are well known, practiced by many foreign ministries.

The appointment of a new Foreign Service head of the MEA at the end of January was part of this process of rejuvenation. The appointment of a career professional — not a retired diplomat — as the new envoy in Washington, DC, was another indicator of a shift in the direction of transparent action, and reward for good work.

Foreign ministry work techniques and human resource management are subjects I study, and I have the expectation that we are going to witness a series of actions that will improve MEA's work style. A good system holds promise of getting better.

Proposition 3: Reframing East Policy — changing the active verb from 'Look' to 'Act' is a qualitative change

Even one word can carry heavy meaning. PM PV Narasimha Rao came up with the 'Look East' slogan in 1993. Did we act sufficiently on that? During the Asian Economic Crisis of 1997–1998, I asked a senior official why we did not offer even a small amount of \$5 billion as our contribution in support of an Asian reserve, at a time when our forex reserves were at \$300 billion. He gave a dismissive response.

Since then, things have evolved and India's commitment to ASEAN is stronger than it has ever seen. Notwithstanding that, PM Modi's 'Act East' deserves applause, but it also raises expectations that it will lead to new actions. India's bilateral relations with countries in Southeast Asia evolve well and we need further forward movement on that.

Economics is the driver of political relations, even while convergence of views on global issues and maintenance of a tranquil environment of peace and security are our permanent objectives. We have to adapt our actions to fit ASEAN's Economic Community vision and view this in a long-term perspective.

Proposition 4: India needs to work harder to transform regional links with Southeast Asia

The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) should be a focus of real action but we still await concrete actions via that mechanism, even while a secretariat has been established in Dhaka.



Participants at the discussion

India's North East states are the bridgehead to Southeast Asia. After a delay of many years, work on internal transport infrastructure within the North East states is moving forward but we have to move from paper plans to fully completed road, rail and other communication links. Without those actions, we cannot fully take advantage of economic opportunities in this dynamic ASEAN region.

Myanmar and Bangladesh are the contiguous immediate neighbours and offer the pathways to the rest of Southeast Asia. Both these relationships have seen qualitative improvement, which leads the way to better connectivity. New Asian rail routes are gaining traction, including a Kunming to Singapore railway line. There is a vision for an East to West rail link from India to Southeast Asia. All this needs work.

The Bangladesh-China-India-Myanmar Forum for Regional Cooperation (BCIM) is a sub-regional group that connects Bangladesh and Myanmar with adjoining parts of India and China. In 2013, this group decided to establish an 'Economic Corridor' for the benefit of all the four. We have not seen concrete action on this.

In India, we need to have a holistic vision of regional diplomacy and to take better advantage of existing and evolving groupings.

Proposition 5: Transforming India's relationship across Asia is a major challenge

Indian elite opinion, including academics, think tank scholars and columnists, remain divided in their assessment of China, whether it is mainly a competitor and a potential threat, or whether India should move forward in closer engagement with it, while keeping up its guard.

The Indian business world takes a different perspective, convinced that China's growth dynamics offers major economic opportunities that India should grasp for its own benefit. The public, especially the youth, are not traumatised by past history, and that is an important positive feature in this fraught relationship.

Narendra Modi steers a path through these perspectives, focused on maximising opportunities for India, viewing China as a market, source of investment and a contributor to our needs for infrastructure.

Even while the territorial issue is not resolved, the two countries have maintained tranquillity on the border, notwithstanding minor incidents that result from a line of

control, which is neither delineated on the ground nor demarcated on agreed maps. I expect that the Modi government will work for forward movement on the border dispute.

Japan, South Korea and Australia are other major Indian targets for deeper engagement. We see this as integral to our wider engagement with Asia and other major powers.

PM Modi has met the leaders of two of these countries in recent months and I am sure closer dialogue with South Korea is a high priority. We see each of these countries as important contributors to India's economic growth. For instance, Japan plans to invest in India's North East states, which would surely facilitate other foreign investments in this region.

Part II: Comprehensive Summary of the Discussion

The importance of Pakistan, Afghanistan and Iran

The three countries remain critical to Indian foreign engagement for obvious reasons. For Pakistan, while there is tremendous geostrategic importance, perhaps India should stand back for a time and let the Pakistanis sort out their own issues. India will not profit from any of its neighbours' internal troubles and there should not be any *Schadenfreude* on India's part. It is important to keep multiple avenues of communication open and there should not be any kind of freeze whatsoever.

At the same time, India also has tremendous interest in developments in Afghanistan and Iran. India has invested significantly in the former and should continue to actively support all efforts to achieve peace, security and tranquillity in that country. Iran is also very important to India, which does not fully buy into the Western narrative of Iran's intentions. In Iran's case, India prefers to engage it as a neighbour, trade partner and important regional player.

The neglect of North East India

There have been many in India who have highlighted the importance of the North East region as a strategic connector to East Asia and criticised its neglect. There is a need for the central and state governments to get their acts together and work towards infrastructure development. This will allow for not just better land trade connectivity to Southeast Asia but also to China. Even Myanmar has better infrastructure than North East India. Old myths, feuds and fears have kept infrastructure, particularly roads and other forms of connectivity, extremely underdeveloped. If matters are not addressed quickly and planned development does not happen soon, there is a real risk of a huge region of India losing out on investment and remaining stagnant, while the rest of the region surges forward.

The 'containment' of China

India is not and should not be party to any encirclement of China, just as ASEAN is not. Countries in this region should be alert to any attempts to be drawn in geopolitical games by large powers. India has neither the desire nor capacity to engage in any kind of encirclement of China and will continue to follow a policy of strategic autonomy. India intends to pursue friendly relations with everyone as long as it conforms to India's strategic interest and the enlightened interest of others in the region.

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Trade, foreign policy and reform in the Indian Foreign Service

India needs to be much more forward looking and bold when it comes to Free Trade Agreements (FTAs). For too long they have been viewed defensively, in terms of what interests need to be protected at home. Instead, they should be viewed in terms of the opportunities that they bring for new markets and economic advancement.

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Trade and commerce are major features of modern day external relations. Nevertheless, various interest groups — companies that enjoy monopolies and certain government ministries and bodies — maintain a very strong protectionist outlook. This has always hamstrung Indian diplomatic, economic and trade efforts. More often than not, the MEA is often left out of the loop by their trade and industry counterparts leading to many complications. Perhaps the time has come for the combination of the external affairs and trade ministries. More than 30 countries have already implemented such an approach leading to better coordination of diplomatic, economic and trade efforts.

Historically, the legacy of the Indian Foreign Service is one that focuses on specialists. Diplomats are identified and trained to focus on key regions or states, to understand the language, history and culture with an aim of becoming area specialists. This is not necessarily a bad thing but in a globalised world, diplomats must be flexible and adaptable. Hence the need to ensure that diplomats, whether area specialists or not, are given the opportunity to serve in multiple capacities and areas, broadening their experience.

Ultimately though, India needs to move beyond the rhetoric and become more engaged with the wider region, especially with Southeast Asia. The signs so far look good; internal shakeups are taking place within the MEA, with more detailed policy objectives and plans being developed. Perhaps PM Modi will be able to deliver the political backing, as he has indicated so far, to really get the ball rolling. Such changes will take time but must be implemented.

Defence cooperation and the South China Sea

India is looking at significantly increasing defence cooperation with neighbouring countries, not just in South Asia but also in Southeast Asia. A vital aspect in this is the expansion of the 'Make in India' concept to the defence sector. India is looking at making more defence and security assets and exporting them. A key focus that is important to both India and its prospective partners in Southeast Asia is the maritime sector. Such developments will not only be to the interest of India but also Southeast Asia. Indeed, the region needs more options and avenues for cooperation.

As with all regional powers, India does have an interest in the South China Sea. Additionally, India has been invited by Vietnam to play a bigger role there, especially in oil exploration. India does not intend to instruct others how to run their affairs in the South China Sea. Neither does it want to provoke China or retaliate in any way because of perceived Chinese activity in the Indian Ocean. India looks forward to working with the littoral states in economic development, security and other mutually beneficial activities in the maritime sector. India has somewhat neglected its interest in the maritime sector for quite long and is only now attempting to make progress on that.

India's intention in 'looking' and 'acting' East

India, like many countries, was caught up in the rubric of the Cold War. Thus Cold War thinking was applied in its foreign policy analysis of Southeast Asia and ASEAN on the basis of which country and organisation was thought to be allied with either the United States or the Soviet Union. India looked at foreign policy as a matter of strategic defence rather than an opportunity for external trade and economic development. This led to several lost opportunities to build up a more positive framework for relations between the larger East Asia and India.

Now, however, India is working actively to make up for lost ground. The economic achievements of Southeast and East Asia serve as an inspiration for India to better organise its own economic strategies. However, India does not come empty handed. India has both the interest and capacity to engage with East and Southeast Asia. It offers its own technical and technological expertise, unavailable to countries in Southeast Asia from China, Japan or the West for various reasons.

While some of these actions might look like attempts to play a containing role against China, they are most assuredly not. Despite what others might think or want, India neither has the interest, ambition nor capacity to confront China. What India wants to do is to build positive relations and connections with Southeast and East Asia and beyond.

*On 13 March 2015, ISIS Malaysia hosted an ISIS International Affairs Forum featuring **Ambassador Kishan S Rana** — former Indian Ambassador, Professor Emeritus of DiploFoundation, Malta & Geneva, and Honorary Fellow at the Institute of Chinese Studies in New Delhi. The Ambassador spoke on the emerging contours of Indian foreign policy under Prime Minister Modi, focusing on the new 'Act East' policy. ISIS Malaysia Analyst **Thomas Daniel** reported.*

US Pivot (or Rebalancing) Towards Asia

When President Barack Obama took office nearly seven years ago, he articulated his vision for America by introducing a number of agendas. Most notable among them was the Affordable Health Care Act, also known as 'ObamaCare', that requires most people to have health insurance as of 1 January 2014. In the international arena, it was the pivot or rebalancing towards Asia.

Under Obama's 'Pivot to Asia' agenda, there is a visible shift towards Asia. At the heart of the pivot is the belief that America's economic and security future is tied to Asia. Since Asia is the world's largest consumer market and engine for global economic growth, there is a desire to forge closer links with the region to tap the opportunities available for commercial success, which in turn would translate into job creation in the United States.

The pivot

At the heart of the pivot is the belief that America's economic and security future is tied to Asia.

The pivot towards Asia called for a comprehensive approach from multiple angles — economic, security, diplomatic, people to people and military. For instance, the Young Southeast Asian Leaders Initiative (YSEALI) — an Obama-initiated programme — was launched in 2013 with the aim of bolstering leadership development and, more importantly, establishing networking among American and Southeast Asian youth.

Another notable aspect of America's pivot is its focus towards Southeast Asia. The United States is keen to support Southeast Asia as a whole through ASEAN and build ties with individual states such as Indonesia, Malaysia and Vietnam. Indeed much effort has gone into strengthening bilateral relations between the United States and Malaysia.

The United States is looking to draw lessons from Malaysia's development strategies in creating a conducive ecosystem — institutions, policies and regulations — and together help transplant these processes to less developed ASEAN members. Utilising resources from government and private sectors, infrastructure development is another area of cooperation for the betterment of ASEAN infrastructure as a whole.

The pivot towards Asia 'coincides' with the rise of China not just as an economic power but as an increasingly assertive military power. While the pivot agenda is often interpreted as America's effort to contain China, Washington has reiterated its desire to engage and cooperate with Beijing to ensure continued peace and prosperity in the region. A strong ASEAN is one way to balance the power in the region, hence the constant emphasis on strengthening ASEAN and its processes. The United States, on its part, has been very open to assist in areas such as human capital development and closing the development gaps among ASEAN countries.

At the heart of Obama's pivot to Asia is the Trans Pacific Partnership (TPP) Agreement. The TPP originated from an initiative nearly a decade ago by four members of the Asia Pacific Economic Cooperation (APEC) forum — New Zealand, Singapore, Brunei and Chile. The TPP momentum gained strength once Obama adopted it and made it one of the key features of his Asian agenda. As of 2014, eight Asia Pacific countries have joined the original four to participate in the TPP negotiations, namely Australia, Canada, Japan, Malaysia, Mexico, Peru, the United States, and Vietnam.

The most significant feature of the TPP, which sets it apart from other regional agreements, is its ambitious 'high quality' inclusive agreement. Provisions of the TPP



From left: Marc Mealy and Steven Wong

agreement will be binding rather than voluntary as in the case of other regional trade agreements. The goal of the TPP is 'to create a platform for economic integration across the Asia Pacific region' and eventually pave the way for the future Free Trade Area of the Asia-Pacific (FTAAP).

The Obama administration believes that the TPP provides a 'new and meaningful market access for American goods and services exports'. The TPP would also, according to the Obama administration, 'set high-standard rules for trade, and address vital 21st century issues within the global economy'.

While businesses in the United States are generally 'Pro-TPP', many Americans are sceptical of its claimed benefits. Previous experience in Free Trade Agreements (FTAs), the North American Free Trade Agreement (NAFTA) for example, has not only failed at job creation but was partly blamed for the loss of American jobs to offshoring. Others are critical of the lack of transparency in the ongoing negotiations. The apprehension is not limited to the United States alone; citizens of the other 11 nations have also voiced opposition in some form or other. The ambitious agreement which covers goods and services, even with exclusions, will lock these sectors in a binding agreement. Some of the discussions include opening access to sensitive areas, which could include government procurement processes, agriculture, labour rules and regulation, and the health industry. There are also questions concerning the effectiveness of the TPP without the involvement of the world's second largest economy, China.

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Nonetheless, there are benefits to the TPP and FTA in general. By lowering tariff and other barriers, the cost of goods and services would become lower, allowing consumers to enjoy them at cheaper prices. In addition, there will be increased protection for producers and the work force. There is then potential to establish and strengthen basic labour laws and intellectual property rights, particularly in countries where such protection is lacking. The increase in competition will hopefully push governments to be more competitive; to allocate their resources more efficiently. Due to the unimpeded market access, the TPP also presents commercial opportunities and growth. In the short run, the TPP is not likely to present a win-win scenario. The strategy, however, is to ensure that one's 'win' column will be bigger than that of the 'loss'.

Yes we can?

The success of Obama's agenda hinges on several factors. On the domestic front, the prevailing economic situation in the United States affects public sentiment. Undeniably, an improving economy with an optimistic populace will likely be more receptive towards the idea of an FTA. On the other hand, worsening racial ties, if not managed properly, could divert the government's attention and energy away from aggressively pursuing its international agenda.

... Obama may have a better chance of passing the TPP bill with the Republicans in control of the Congress.

Additionally, the Middle East could potentially occupy Obama's administration at the expense of the TPP. The rise of the Islamic State (IS) and its potential security threat on American soil would naturally take precedence over any FTAs. Other global hot spots that could potentially occupy Washington's attention include the Russia-Ukraine conflict, Iran and the North Korean nuclear threat.

At the last US midterm election — held on 4 November 2014 — the Republican Party made sweeping gains in the Senate and House of Representatives. How will the Republican-controlled Congress exercise its power? Will it oppose Obama in order to strengthen its position for the 2016 election or choose to demonstrate its ability to govern via cooperating with the president? The Republicans are traditionally pro-business and are more open towards the free trade agenda; hence Obama may have a better chance of passing the TPP bill with the Republicans in control of the Congress.

Time is of the essence where the TPP negotiations are concerned. 2015 is seen as the best year for the negotiations to be concluded as the United States will be preoccupied with the presidential election in 2016. Currently, there are concerns about delays in obtaining congressional approval for bills pertaining to the TPP. Renewal of the Trade Promotion Authority (TPA) — which grants the president authority to enter into trade agreements — and the Congress' desire for more control over trade negotiations, have become points of contention, largely in Obama's own party. Intensity must increase in negotiation efforts for the TPP to meet its deadline.

Every president aims to leave with a positive and lasting legacy that would define his time in office. More often than not, a one word moniker sets one's impression of the presidential administration — 'Camelot' for the golden era of President Kennedy, 'Reaganomics' for the US economic revival under President Reagan, 'Watergate' for the scandal that tainted President Nixon despite his many successes, and 'Bush-wacked' for President George W Bush. For Obama to leave office with his agenda in place, be it via ObamaCare or the successful conclusion of the TPP Agreement, gives real meaning to his famous rallying cry of 'Yes we can!'

*On 5 December 2014, we were privileged to host **Mr Marc Mealy** at our ISIS International Affairs Forum. He is currently the Vice President-Policy at the US-ASEAN Business Council. The points highlighted in this article were taken from Mealy's talk on 'US Mid-Term Election and Implications for the Asia-Pacific and Malaysia'. ISIS Malaysia Analyst **Zarina Zainuddin** reported.*



INSTITUTE OF STRATEGIC AND INTERNATIONAL STUDIES (ISIS) MALAYSIA

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ISIS Malaysia engages actively in Track Two diplomacy, and promotes the exchange of views and opinions at both the national and international levels. The Institute has also played a role in fostering closer regional integration and international cooperation through forums such as the Asia-Pacific Roundtable, the ASEAN Institutes of Strategic and International Studies (ASEAN-ISIS), the Pacific Economic Cooperation Council (PECC) and the Network of East Asian Think-Tanks (NEAT). ISIS Malaysia is a founding member of the Council for Security Cooperation in the Asia-Pacific (CSCAP) and manages the Council's Secretariat.

As the country's premier think-tank, ISIS Malaysia has been at the forefront of some of the most significant nation-building initiatives in the nation's history. It was a contributor to the Vision 2020 concept and was consultant to the Knowledge-Based Economy Master Plan initiative.

Editorial Team

Dato' Steven Wong
Susan Teoh
Joann Saw

Design

Razak Ismail
Jefri Hambali

Photography

Jefri Hambali
Halil Musa

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Institute of Strategic and International Studies (ISIS) Malaysia
No 1, Persiaran Sultan Salahuddin
PO Box 12424, 50778 Kuala Lumpur, Malaysia

T: +603 2693 9366

F: +603 2691 5435

E: info@isis.org.my

W: www.isis.org.my



Institute of Strategic and International Studies (ISIS) Malaysia



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