

INDIA'S ACT EAST POLICY AND IMPLICATIONS FOR SOUTHEAST ASIA

Author(s): Amitendu Palit

Source: *Southeast Asian Affairs*, 2016, (2016), pp. 81-92

Published by: ISEAS - Yusof Ishak Institute

Stable URL: <http://www.jstor.com/stable/26466920>

JSTOR is a not-for-profit service that helps scholars, researchers, and students discover, use, and build upon a wide range of content in a trusted digital archive. We use information technology and tools to increase productivity and facilitate new forms of scholarship. For more information about JSTOR, please contact support@jstor.org.

Your use of the JSTOR archive indicates your acceptance of the Terms & Conditions of Use, available at <https://about.jstor.org/terms>



ISEAS - Yusof Ishak Institute is collaborating with JSTOR to digitize, preserve and extend access to *Southeast Asian Affairs*

JSTOR

INDIA'S ACT EAST POLICY AND IMPLICATIONS FOR SOUTHEAST ASIA

Amitendu Palit

The Indian Prime Minister Narendra Modi announced the upgrading of India's erstwhile "Look East Policy" (LEP) to a more action-oriented "Act East" strategy at the India–ASEAN summit in Myanmar in November 2014. Since then, much debate and discussion has taken place on the nature and content of the strategy. A large part of the debate has been speculative, since India is yet to come out with an official vision statement for it. However, various pronouncements by India, as well as the shifting pattern of its engagement with countries to its East, are beginning to throw greater light on the strategy. This chapter discusses the features of the strategy as discernible till now and emphasizes its geographic scope and strategic depth. It discusses the specific relevance and implications of the Act East strategy for Southeast Asia. While India's engagement with ASEAN is likely to become more comprehensive and strategic over time, the region would need to be prepared for the implications of India playing a more active role in regional affairs.

Act East: What it Means

One of the noticeable aspects of the Act East strategy has been the lack of any specific articulation about it from the Indian establishment. This could well be due to the strategy being an evolving one. Apart from its own evolution through the Indian strategic prism, Act East, clearly, is trying to take note of the rapid and complex developments in the region, particularly changes in the economic and security dynamics.

AMITENDU PALIT is Senior Research Fellow and Research Lead (Trade and Economic Policy) at the Institute of South Asian Studies (ISAS) in the National University of Singapore (NUS). He can be reached at isasap@nus.edu.sg.

An analytical understanding of Act East, since its announcement a year ago, has been largely gleaned from a number of official statements emphasizing India's eagerness to play a proactive role to its East. Most of these statements are attributable to Prime Minister Modi, who has contextually alluded to Act East on several occasions. As mentioned earlier, the first of these was at the ASEAN Summit in November 2014 in Myanmar, when he announced the upgrading of the LEP to the action-oriented Act East policy.¹ He mentioned Act East again during his visit to South Korea in May 2014, emphasizing the country's importance as a partner in the policy.² Soon after, External Affairs Minister Sushma Swaraj underlined India's efforts to engage more deeply with Southeast Asia through the Act East policy and described Thailand as a significant partner in this respect during her visit to Bangkok in June 2015.³ The Indian President Pranab Mukherjee also mentioned the policy during his address to the Heads of States of the Pacific Island countries in Delhi in August 2015.⁴ Prime Minister Modi provided the most emphatic conceptual illustration of the strategy to date during his visit to Singapore in November 2015, more on which will be discussed later.

Notwithstanding these various utterances, some confusion continues to prevail over the precise scope and content of the policy. The main reason for the confusion could be the absence of an official vision statement from India outlining the policy. Nonetheless, a few aspects of the policy since its first mention by Prime Minister Modi a year ago are becoming increasingly evident and can be pieced together as part of a broader regional construct to be adopted within the larger rubric of future Indian foreign policy. The most distinct among these aspects are the far greater geographic scope of the policy and its strategic depth compared with the LEP. It is clear that the policy aims to posit India as a prominent regional actor — an objective consistent with the Modi government's ambition of achieving greater global and regional geostrategic influence. While the specific dimensions of the policy would become clearer over a period of time through its contextual mentions, the shifting pattern of India's engagement with its Eastern neighbours and the Asia-Pacific region would increasingly reveal greater insights into the policy.

Geographic Scope

A conspicuous feature of Narendra Modi's foreign policy has been his almost equal robust engagement of the East and the West. During his first one and a half years in office, apart from the immediate neighbourhood of South Asia, Modi has travelled more than once to the United States and Europe, visited the Middle East, and several countries of East Asia, Southeast Asia and the Asia-Pacific. In this respect he has not discriminated in attention towards regions, and has

combined “Act East” with “Link West”.⁵ This approach results from his vision of India becoming more closely integrated with global production networks and supply chains to both the East and West and therefore devoting equal emphasis to actors in both regions.⁶

A more robust foreign policy driven by the conviction that geostrategic influence is a function of the length and depth of economic success achieved by India makes the Act East strategy a different instrument from its predecessor, the LEP. As India looks to deepen economic ties with countries to its East, it is also enlarging the domain of the “East” to move beyond Southeast Asia and create a strategic vision for the greater Asia-Pacific. This was hardly the objective of the LEP, which had confined itself almost entirely to the architecture of ASEAN and focused on relationships with individual Southeast Asian countries. While not neglecting Southeast Asia in any respect, the Act East approach is expected to intensify India's strategic engagement with Japan, China, South Korea, Australia, New Zealand and the Pacific Islands as part of a broader strategy for engaging the Asia-Pacific region. In this respect, Act East could be an attempt to correct India's historical neglect and lack of a strategic vision for the Asia-Pacific.⁷

Indeed, in terms of scope, geography is an integral characteristic of the Act East strategy. The geographical delineation is critical since India's Act East vision is taking shape at a time when China is pushing hard to “Look West” through the ambitious regional connectivity plan of the “One Belt, One Road” (OBOR) initiative. While the nature of interface between India's Act East and China's OBOR is yet to be discerned, there is little doubt over engagement with China being an integral part of the Act East policy.⁸ Similarly, there is little doubt over the importance of Japan and Australia in the strategic vision, given the significant expectations of the Modi government from both countries as economic, nuclear and strategic partners. In this regard it is also important to note that China, Japan and Australia are not only major Asia-Pacific actors but also members of APEC (Asia-Pacific Economic Cooperation), a grouping that India is keen to become a member of. At the same time, Australia, New Zealand and the Pacific Islands, as well as Japan and China, are increasingly becoming large locations of the Indian diaspora, an important economic and strategic component of the Modi government's external outreach policy.

Strategic Depth

Notwithstanding the understanding of the Act East strategy as India's strategic vision for the Asia-Pacific region, there is obvious curiosity over how India plans to execute the vision. The anticipation in this regard is that, in addition to deeper

economic engagement, India would be playing a greater geostrategic role by being proactive in areas where its role had previously been limited. These include not only humanitarian assistance and disaster relief, but might also extend to maritime security initiatives, including joint naval exercises.⁹ These expectations, however, need to take note of the implications of India playing a vigorous and energetic role in the region on its strategic dynamics — a thought that no doubt would be preoccupying Indian strategic thinkers as well.

There are distinct glimpses of India aspiring to play a more strategically meaningful role in the region. This was evident from Prime Minister Modi's address in Singapore on 23 November 2015 during his latest visit to Southeast Asia. Against the backdrop of India and Singapore elevating their partnership to a "strategic" level, Modi focused on the strong engagement of his government with the Asia-Pacific region, with specific mention of ASEAN, China, Japan, South Korea, Australia, Mongolia and the Pacific Islands. Elaborating on India's expanding engagement with China, he lauded Japan as a country that has made a great contribution to India's modernization and as a strategic partner in Asia, the Pacific and the Indian Ocean regions. On the same occasion, he also referred to ASEAN as the "anchor of our Act East Policy".¹⁰ While he iterated the importance India attaches to economic engagement with ASEAN and the early conclusion of the Regional Comprehensive Economic Partnership (RCEP), he also referred to India's "deepening political, security, defence" links with ASEAN countries.

In what could be construed as a distinct reflection of India's broader and future strategic aspirations in the Asia-Pacific and the embodiment of the same in the Act East strategy, Modi underscored the importance of upholding "rules and norms" of collective behaviour in the region. More significantly, he emphasized that "India will work with countries in the region and beyond, including the United States and Russia, our East Asia Summit partners, to ensure that our commons — ocean, space and cyber — remain avenues of shared prosperity, not become new *theatres of contests*."¹¹ This was sufficient indication of India's ambitions to play a greater strategic role in the region, which Modi further alluded to when he said, "India will lend its strength to keep the seas safe, secure and free for the benefit of all."¹²

Since it was initially articulated it has been anticipated that the Act East strategy would enhance India's security cooperation in the region, along with the possibility that India might emphasize resolution of the disputes in the South China Sea.¹³ Prime Minister Modi's latest comments regarding the strategy leave little doubt in this regard. A greater strategic role with a more pronounced security dimension is not an unusual aspiration for India given its ambition of maturing

into a major regional actor with geostrategic influence. It is also not unusual if seen in the light of the region looking at India with two distinct expectations: providing momentum to regional economic growth due to strong macroeconomic fundamentals and economic policies steered by a hands-on pro-business Prime Minister; and counterbalancing the strategic influence of China. Both factors have been important in determining India's proactive engagement with the region that now encompasses an "economics plus" dimension.

Southeast Asia in Act East

Three specific nuances are increasingly becoming visible in India's engagement with Southeast Asia. These are also expected to characterize India's approach towards the region through the Act East policy. The three features are:

1. Respecting the salience of ASEAN as the core of the regional economic architecture;
2. Engaging the CLMV (Cambodia, Laos, Myanmar and Vietnam) members of ASEAN as a strategic priority; and
3. Connecting to the rest of the Southeast Asian countries on bilateral terms.

Modi's emphasis on ASEAN being the "anchor" in Act East is explained by the strategic significance attached by India to existing regional architecture. Growing engagement with ASEAN since the early 1990s has not only resulted in India becoming more integrated with the regional architecture in Southeast Asia, but the country is also figuring more prominently in other regional constructs that have ASEAN at its core, such as the East Asia Summit (EAS). Nowhere is the salience of the regional architecture more prominent than in RCEP. RCEP's coming together as a group on the basis of the ASEAN+1 principle (i.e., as a collection of countries connected to ASEAN through bilateral free trade agreements [FTA]) and India's inclusion in the group along with major Asia-Pacific economies like Australia, China, Japan, South Korea and New Zealand — all of whom, like India, are FTA partners of ASEAN — plants India firmly in an upcoming trade and economic regional architecture encompassing the Asia-Pacific. From both geostrategic and economic perspectives, the EAS and RCEP, regional constructs with ASEAN at their core, make ASEAN a vital entity; the "anchor" in India's Act East vision.

The significance of ASEAN as an anchor does not necessarily presuppose India's engagement with all ASEAN members with equal intensity and in similar

spheres. For quite some time now, the CLMV group has emerged as a priority for India. India has deepened its cooperation with the CLMV countries through the Mekong Ganga Cooperation (MGC) and the BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral and Technical Economic Cooperation) initiatives.¹⁴ The CLMV and Thailand encompassing the Indochina region are geographically closest to India and enjoy considerable strategic priority in India's neighbourhood policies. These countries are important for India from an economic perspective, which is evident from their featuring prominently in regional connectivity plans between India and Southeast Asia (e.g., the Kaladan multi-modal transport project connecting India to Myanmar through land and sea, the India–Myanmar–Thailand trilateral highway and the Delhi–Hanoi rail link), as well as India's efforts to build manufacturing hubs in these countries by channelling private investments. India is expected to continue focusing attention on these countries for economic benefits, particularly in the context of regional value chains that can connect Indian industries, particularly in its Northeast, to Southeast Asian markets. On the other hand, it is also conscious of the importance of the CLMV as a strategic turf for competition with China, which has been investing heavily in these countries. On strategic grounds the CLMV is split in its posturing towards China, with Vietnam's chariness in marked contrast to the affinity displayed by Cambodia and Laos. India would be following developments closely in this regard, given that the countries are part of its proximate neighbourhood.

As far as the rest of the region is concerned, India's relations with individual countries have been shaped by country-specific factors. Its relationships with Singapore, Malaysia, Indonesia and Thailand have flourished and matured over the years due to a variety of reasons, including trade and investment, movement of people, financial and educational exchanges, historical links and the presence in these countries of large Indian diasporas. These countries are among India's most significant trade partners in the region. India has bilateral FTAs with Singapore, Malaysia and Thailand and has moved ahead on one with Indonesia. Given their current levels of economic development, geostrategic significance, and involvement in regional value chains and production networks, the Act East policy is expected to deepen relations and enhance strategic partnerships with each of these countries. The deepening is likely to be conditioned by individual country-specific determinants, such as greater collaboration in skills development and urban infrastructure with Singapore; student and cultural exchanges and cyber security cooperation with Malaysia;¹⁵ and cultural, religious and commercial cooperation with Thailand. Geostrategic characteristics would also condition India's engagement with Indonesia, which is one of the most significant actors in the Indian Ocean

region — an area that is increasingly witnessing greater strategic competition between China and India. A defining characteristic of the Act East policy, however, might be the emphasis on security and defence, as well as greater cooperation on combating terrorism, which is expected to become a part of India's strategic engagement with all the major countries of Southeast Asia.

Act East: Potential Implications

As the Act East policy takes shape, India–Southeast Asia relations stand poised to shift to a new trajectory. The Modi government's plans to constructively engage the Asia-Pacific and play a greater role in regional affairs are expected to significantly influence regional dynamics. Some of the potential spheres of influence are discussed here.

Regional Economic Architecture

Several upcoming sets of architecture are going to dominate the economic landscape of Southeast Asia and the Asia-Pacific in the years to come. The Trans-Pacific Partnership (TPP) — an ambitious FTA aiming to achieve seamless movement of goods and services through deep domestic regulatory convergence and new trade governance systems — has been signed by twelve APEC members, including four from Southeast Asia, and is awaiting ratification.¹⁶ The TPP will have a significant impact on Southeast Asia by drawing parts of it into tighter and binding U.S.-style FTA trade compacts, as opposed to ASEAN-style trade agreements that allow for greater special and differential treatment to members.¹⁷ The TPP has been accompanied by the RCEP, which, while having much moderate trade liberalization ambitions, is modelled on the ASEAN-style FTAs. The RCEP negotiations are at an advanced stage. Alongside the TPP and RCEP, trade discourse in the Asia-Pacific has been increasingly dominated by the vision of a Free Trade Area for the Asia-Pacific (FTAAP).

While India is not a member of APEC or the TPP, it is negotiating the RCEP. If the FTAAP proceeds on the assumption of drawing together the TPP and the RCEP, then India would also become a part of the FTAAP process. It would be the only non-APEC member — other than Cambodia, Laos and Myanmar — to come under the FTAAP umbrella. For India, this would imply a deepening toehold in the economic architecture of the Asia-Pacific; building on the access it has obtained from RCEP. The outcome would be consistent with the economic and geostrategic ambitions of the Act East strategy. From a Southeast Asian regional

perspective, however, the prospect of having India as a negotiating member in the FTAAP process might send conflicting signals. While India might provide the much-desired strategic counterbalance to the regional economic framework, its defensive attitude on trade liberalization might be construed as obstructive to Southeast Asia's plans of integrating into a pan-regional trade framework.

Territorial Disputes

India's increasing posturing over the tensions in the South China Sea can be taken as an example of the "multi-alignment" likely to characterize its Act East policy. While not subscribing to the formation of an anti-China alliance on the South China Sea, India is clearly keen on multi-alignment in the region through deeper engagement with various actors.¹⁸ Many signs are visible in this regard. These include extending diplomatic support to the Philippines in its decision to approach the Permanent Court of Arbitration in its dispute with China over claims to islands in the South China Sea¹⁹ — reiterating the importance of settling maritime territorial disputes through established multilateral processes²⁰ — and cooperating with Vietnam in exploring offshore oil production possibilities. Prime Minister Modi's exhortation on securing the seas at his recent address in Singapore reflects India's intentions of playing a major role in the regional maritime space, both in the Indian Ocean and in the South China Sea.

A more active India in the South China Sea will likely add greater complexity to the already fragile strategic dynamics of the region. India is unlikely to play a non-committal role as it had previously, given the economic importance of the South China Sea in expanding the country's trade and business with Southeast and East Asia, particularly Japan and South Korea, but also China. Strategically, a more proactive role in the South China Sea might also be a response to the similarly proactive role of China in the Indian Ocean manifesting through the proposed Maritime Silk Road Initiative (MSRI; as part of the OBOR initiative), connecting the Chinese coast to Europe through the South China Sea, Indian Ocean and the Persian Gulf. The articulation of concerns over disputes in the South China Sea marks a significant departure from past Indian policy and displays the regionally proactive dimension of the Act East strategy.

ASEAN and India

It is uncertain whether ASEAN will be entirely comfortable with India making its presence felt more forcefully in Southeast Asia and the Asia-Pacific. Many opinions within ASEAN though have been keen on a more proactive India in the region,

primarily with the objective of counterbalancing the powerful strategic influence of China. China's strategic clout has led to the emergence of major divisions of opinion within ASEAN, with members failing to agree as to whether to mention China and the South China Sea disputes in official ASEAN statements.²¹ While India's larger say in regional affairs might see it contributing more to major regional matters — like natural disaster management and healthcare — it might also see Southeast Asia becoming a more tense region, with some countries beginning to engage India more actively to pressure China. This might test the cohesiveness of ASEAN further.

As long as India was content to play a role limited to peripheral issues of the region, Southeast Asia did not have to worry much about its strategic impact. The Act East policy may introduce major shifts in this respect. Greater strategic proactivity by India would require ASEAN to study carefully the impact of such proactivity. The key imperative in this regard would be to arrive at a regional consensus on engaging a more proactive India — a consensus that might be rather difficult to arrive at.

Concluding Thoughts

The Act East strategy is becoming increasingly distinct from the LEP in its larger geographic scope and greater strategic depth. The wider geographic scope of the strategy and its extension beyond Southeast Asia has probably been motivated by the realization on the part of India that a strategic vision for Southeast Asia is not exclusive of a similar vision for East Asia and the Asia-Pacific. Similarly, strategic views of the latter cannot be constructed without corresponding visions of Southeast Asia. The non-exclusivity is a result of the character of the regional dynamics that is intricately connected between countries and sub-regions. For India, it makes eminent sense to have a holistic strategic vision of the Asia-Pacific rather than confining itself to limited parcel views.

Taken together with the expansive geography, the greater strategic content of the Act East approach, particularly the security component, leaves little doubt about India's seriousness in working hard on its ambition to become a major regional actor. There are significant implications of India's ambition as far as regional dynamics are concerned. The most significant implications are expected to be on the political and economic balance of power in the region. The nature of these implications will become visible over time as strategic complications unravel.

The Act East strategy is expected to deepen India's engagement with Southeast Asia on a variety of issues. In this respect, the partnership with ASEAN is likely

to graduate to that of a comprehensive strategic relationship, similar to those that India has already begun striking with various countries in the region. While bilateral issues might condition the character of many of these relationships, ASEAN as a whole needs to be prepared to adjust to India as a strategic partner.

Notes

1. “‘Look East’ Has Become ‘Act East Policy’, Says PM Modi at ASEAN Summit”, *Indian Express*, 13 November 2014 <<http://indianexpress.com/article/india/india-others/look-east-has-become-act-east-policy-pm-modi-at-asean/#sthash.rf8RyyCN.dpuf>>.
2. “It’s Now Act East Policy”, *The Hindu*, 19 May 2015 <<http://www.thehindu.com/todays-paper/tp-international/its-now-act-east-policy-modi/article7221072.ece>>.
3. “Act East Policy: India Envisages More Vigorous Engagement with SE Asia, Says Sushma Swaraj”, *Economic Times*, 28 June 2015 <http://articles.economictimes.indiatimes.com/2015-06-28/news/63907451_1_act-east-policy-thailand-india-today>.
4. “Pacific Island Countries Key to India’s Act-East Policy”, *NDTV*, 20 August 2015 <<http://www.ndtv.com/india-news/pacific-island-countries-key-to-indias-act-east-policy-president-pranab-mukherjee-1209210>>.
5. “Complementing ‘Act East’: PM Modi’s visit to Europe & Canada an Opportunity to Push ‘Link West’ Agenda”, *Economic Times*, 12 April 2015 <http://articles.economictimes.indiatimes.com/2015-04-12/news/61066324_1_pm-modi-act-east-narendra-modi>.
6. Amitendu Palit, “Economics in Narendra Modi’s Foreign Policy”, *Asie Visions* 77, Center for Asian Studies, Institut Francais des Relations Internationales (Ifri), August 2015 <https://www.ifri.org/sites/default/files/atoms/files/asie_visions77_0.pdf>.
7. Danielle Rajendram, “India’s New Asia-Pacific Strategy: Modi Acts East”, *Analysis*, Lowy Institute, Sydney, December 2014 <<http://www.lowyinstitute.org/files/indias-new-asia-pacific-strategy-modi-acts-east.pdf>>.
8. Zhong Zhenming and Walter Anderson, “Modi’s China Trip Marks His ‘Act East’ Policy”, *China Daily*, 19 May 2015 <http://www.chinadaily.com.cn/opinion/2015-05/19/content_20755574.htm>.
9. Rajendram, “India’s New Asia-Pacific Strategy”.
10. Text of 37th Singapore Lecture, “India’s Singapore Story”, by Prime Minister during his visit to Singapore, Press Information Bureau, Government of India, Prime Minister’s Office, 23 November 2015 <http://www.iseas.edu.sg/images/event_highlights/37thsingaporelecture/Textof37thSingaporeLecture.pdf>.
11. Ibid.
12. Ibid.
13. See Amitendu Palit, *India–Southeast Asia Relations: Enhancing Mutual Benefits*, Brookings India Impact Series (Brookings Institution India Center, May 2015) <<http://www.brookings.in/wp-content/uploads/2015/06/India-Southeast-Asia-Relations>>.

- Amitendu.pdf>; and Manish Chand, "Act East: India's ASEAN Journey", 10 November 2015, Ministry of External Affairs, Government of India.
14. The MGC includes India, Cambodia, Laos, Myanmar, Thailand and Vietnam. It was initiated in 2000 to facilitate greater contact and cooperation between the Mekong and Ganga river basins. The BIMSTEC, a cross-regional initiative between a group of countries from South and Southeast Asia, began in 1997. Its membership includes Bangladesh, India, Myanmar, Sri Lanka and Thailand.
 15. "India and Malaysia Sign 3 Agreements to Strengthen Bilateral Partnership", NDTV, 23 November 2015 <<http://www.ndtv.com/india-news/india-and-malaysia-sign-3-agreements-to-strengthen-bilateral-partnership-1246569>>.
 16. The TPP has been negotiated by Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Vietnam.
 17. Amitendu Palit, *The Trans-Pacific Partnership, China and India* (New York: Routledge, 2014).
 18. Alex Calvo, "On India's 'Looking East' Policy and the South China Sea", *Issue Briefings* 3, South China Sea Think Tank, 2015 <<http://scstt.org/issue-briefings/2015/184/>>.
 19. "India Backs Philippines on South China Sea Row", *Times of India*, 15 October 2015 <<http://timesofindia.indiatimes.com/india/India-backs-Philippines-on-South-China-Sea-row/articleshow/49363556.cms>>.
 20. "India Once Again Ticks Off China over South China Sea Issue", *Firstpost.com*, 8 August 2015 <<http://www.firstpost.com/world/india-ticks-china-south-china-sea-issue-2384358.html>>.
 21. "Asean Defence Chiefs Fail to Agree on South China Sea Statement", Reuters, 4 November 2015 <<http://www.reuters.com/article/us-asean-malaysia-statement-idUSKCN0ST07G20151104>>.

