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## India's Asia Policy: A Late Look East

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### Abstract

*Since the early 1990s, under the thrust of its 'Look East' policy, India's ties with its Asian neighbours to the East have expanded significantly. After briefly describing India's historical connections with East and Southeast Asia and their place in India's foreign policy thinking until the 1990s, this report details India's economic, political, geo-strategic, and 'soft-power' ties with the region since the end of the Cold War. Although India's concerted thrust eastward has resulted in a thicker web of interactions, its medium and long-term strategy towards the region and its individual countries remains tentative and is still evolving. Silent competition with China is often present. India has not yet made the best of its soft-power assets in the region and can do much more on this front.*

### Introduction

India's ties with countries in Asia date back many centuries. Indeed, India's civilisational influence in the region through the spread of Hinduism and Buddhism, and later the influence of its Islamic kingdoms and the Mughal Empire have marked many of the nations in the immediate South Asian region and well beyond to the east. During the colonial period, India's long

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established autonomous ties with Asia were weakened (while others were forged by Britain) although many Indians migrated to various British Asian colonies. And in spite of an early thrust of Nehruvian foreign policy seeking close ties with some other independent Asian states, notably Indonesia, India's attention to Asia became episodic and was overwhelmed by its preoccupation with its immediate neighbourhood. The Cold War years and India's alliance with Moscow as of 1971 resulted in a further distancing of India from most Asian nations, particularly Southeast Asian nations.

However, events such as the collapse of the Soviet system, as well as the economic success of the 'Asian Tigers' forced a re-think of Indian foreign policy and refocused India's attention on the East, at least in principle. New Delhi newly remembered again Jawaharlal Nehru's reference to Southeast Asia as 'Greater India'.<sup>2</sup>

This essay examines India's foreign policy towards Asia, east of India (encompassing the Southeast Asian nations, Japan, South Korea, Australia and New Zealand, and also China as a regional actor rather than the neighbour with which it entertains an often contentious, if rapidly expanding economic relationship). India's immediate neighbourhood is excluded from our purview here, with the exception of Myanmar, which appears as a member of the Association of Southeast Asian Nations (ASEAN).

This essay begins with a brief discussion of India's historical connections with Asia and the place of Asia in India's foreign policy thinking until the 1990s. Following this, India's economic, political, geo-strategic, and 'soft power' ties with the region since the end of the Cold War are detailed before offering some conclusions.

### **India's Historical Ties in Asia**

India's influence on East and Southeast Asia, as well as some of the Asia Pacific region, has been extensive. Hinduism and Buddhism spread throughout Asia from India, initially along trading routes. While Hinduism found its way across much of Indonesia, Malaysia and Thailand, Buddhism reached Japan and Vietnam through China and Korea, and also flourished in countries closer to India, such as Burma, Cambodia and Thailand.

As Indian trading patterns expanded and religious ties spread throughout Asia, so did cultural elements including language (particularly Sanskrit), social customs, styles of art and architecture.

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<sup>2</sup> Jawaharlal Nehru, *The Discovery of India* (New Delhi, Penguin Books, 2004), p.213.

Great Indianised kingdoms arose over the centuries throughout Asia and particularly in Southeast Asia.<sup>3</sup> Aside from the solitary instance of invasion of the Srivijaya kingdom in Sumatra by the Indian King, Rajendra Chola, in the eleventh century AD to protect Indian commercial interests, India did not show any imperialist ambitions in Southeast Asia.<sup>4</sup> As one non-Indian, the former Prime Minister of Singapore, Minister Mentor Lee Kuan Yew noted, ‘Historically India has had an enormous influence on Southeast Asia; economically and culturally too. The Ramayana story is present all over Southeast Asia in different versions. The civilisations in the region were really Indian in origin...’<sup>5</sup>

The earliest Indianised kingdoms of Southeast Asia (founded early in the Christian era) were located in the Malay Peninsula, Cambodia and Annam, and on the islands of Java, Sumatra, Borneo and Bali.<sup>6</sup> Along with the traders that traversed the region, Brahmans (priests) from India introduced Indian rituals, scriptures and literature among the elite in Southeast Asia. They introduced Indian court customs, administrative organisation on the Indian pattern and laws based on the Code of Manu, the Indian lawgiver.<sup>7</sup> Indianisation also included the alphabetical basis of Southeast Asian scripts, the incorporation of Sanskrit in vocabularies along with the adoption of the Hindu-Buddhist religious beliefs and the Indian concept of royalty.<sup>8</sup>

Three of the largest Indianised and Hindu kingdoms in the mainland of Southeast Asia were Funan (Cambodia), Kambuja (which succeeded Funan) and Champa (modern Vietnam), which existed roughly between the first to sixth centuries AD, sixth to fifteenth centuries AD, and the seventh to eighteenth centuries AD respectively.

In maritime Southeast Asia, Sri Vijaya, on Sumatra between the seventh and thirteenth centuries, was a centre for Buddhist studies and of Sanskrit learning.<sup>9</sup> Moreover, the renowned maritime Southeast Asian dynasty of Sailendra, which became the dominant maritime and land power in Malaysia by the eighth century,<sup>10</sup> is believed to have originated in the Indian state of Orissa.<sup>11</sup> The last Hindu kingdom in the Southeast Asian region was Majapahit, which flourished between the thirteenth and fifteenth centuries on Java.<sup>12</sup> From the fifteenth century onwards, with the rise

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<sup>3</sup> See G. Coedès, *The Indianized States of Southeast Asia*, Walter F. Vella (ed.), Translated by Susan Brown Cowling, (Honolulu: East-West Center Press, 1968).

<sup>4</sup> D.R. Sardesai, *Southeast Asia: Past and Present* (6<sup>th</sup> ed.) (Boulder CO, Westview Press, 2010), p.17.

<sup>5</sup> Sunanda K. Datta-Ray, *Looking East to Look West: Lee Kuan Yew's Mission India* (New Delhi, Penguin Books India, 2009), p.13.

<sup>6</sup> R.C. Majumdar, *India and South East Asia* (Delhi: B.R. Publishing Corporation, 1979), pp.16-17.

<sup>7</sup> Sardesai, p.17.

<sup>8</sup> Coedès, pp.15-16.

<sup>9</sup> Prabodh Chandra Bagchi, *India and China: A Thousand Years of Cultural Relations* (2<sup>nd</sup> ed.) (Westport, Connecticut: Greenwood Press, 1971), 24; Majumdar, pp.19-20.

<sup>10</sup> Majumdar, p.18

<sup>11</sup> Nehru, p.216.

<sup>12</sup> Sardesai, pp.53-54.

of the kingdom of Malacca, Islam spread throughout the region. For their part, Indian traders from Gujarat, Malabar, Tamil Nadu and Bengal helped the spread of Islam in Southeast Asia.<sup>13</sup>

India's connections with Southeast Asia more recently flowed from British colonial expansion in the region. Sir Stamford Raffles arrived in Singapore in 1819 to establish a trading station, ideally located by the Straits of Malacca, as a base from which to protect and resupply East India Company ships carrying cargoes between India and the region, and beyond to China.<sup>14</sup> Later, given this connection, Singapore was governed from Calcutta.

India's interaction with Malaya (today Malaysia) encouraged large-scale migration of Indian (particularly Tamil) labour to Malayan plantations. 'More than 1.5 million ethnic Tamils from South India were enumerated in 1931 in other British colonies.'<sup>15</sup> Today, with over 2 million persons of Indian origin, Malaysia is home to one of the largest Indian Diaspora communities abroad.<sup>16</sup>

Beyond Southeast Asia, India's interface with China dates back to the second century BC. Even before the advent of Buddhism in China, trade flourished between the two countries via the famous Silk Routes, and later by sea routes.<sup>17</sup> The Silk Routes also carried ideas, culture and religion. The transmission of Buddhism from India to China encouraged the travel of Chinese pilgrims to India and vice versa, but it also allowed for Indian cultural influence on art, architecture, music, astronomy, mathematics and medicine in China.<sup>18</sup> However, the British Empire weakened the exchange of more traditional trade and ideas between the two countries, while, as of the nineteenth century, promoting the opium trade from India to China.<sup>19</sup>

Buddhism entered Korea from China, during the fourth century AD. Korean Buddhist monks visiting India became conduits for cultural currents and not only for Buddhist tenets. Here also, the translation of Buddhist texts resulted in the absorption of many Sanskrit words and concepts

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<sup>13</sup> Prakash Nanda, *Rediscovering Asia: Evolution of India's Look-East Policy* (New Delhi: Lancer Publishers & Distributors, 2003), p.59; See also, Howard M. Federspiel, *Sultans, Shamans, and Saints: Islam and Muslims in Southeast Asia*, (Honolulu: University of Hawai'i Press, 2007), pp.33-39.

<sup>14</sup> C. Mary Turnbull, *A History of Malaysia, Singapore and Brunei* (Sydney; Boston: Allen & Unwin, 1989), Turnbull, pp.96-97.

<sup>15</sup> Rajsekhar Basu, 'Search for Pasture: Tamil Migration to Malayan Plantations in the 19<sup>th</sup> and Early 20<sup>th</sup> Centuries', in Lipi Ghosh and Ramkrishna Chatterjee (eds.), *Indian Diaspora in Asian and Pacific Regions* (Jaipur, Rawat Publications, 2004), p.165.

<sup>16</sup> Indian High Commission in Malaysia, 'Cultural Relations', available at [http://indianhighcommission.com.my/cult\\_hfj.php](http://indianhighcommission.com.my/cult_hfj.php).

<sup>17</sup> B.R. Deepak, *India-China Relations in the First Half of the 20<sup>th</sup> Century* (New Delhi: APH Publishing Corporation, 2001), pp.2-3.

<sup>18</sup> See Bagchi, pp.145-173 ; Deepak, pp.8-11

<sup>19</sup> Deepak, p.12.

into the local language.<sup>20</sup> During the medieval period, close cultural interaction between both countries declined due to the ascendance of Confucianism in Korea and the withdrawal of royal patronage from Buddhism during the Choson dynasty in Korea. During the early twentieth century, Koreans nevertheless became aware of Indian personalities such as Rabindranath Tagore and Mahatma Gandhi.<sup>21</sup>

Japan has also shared ties with India (or *Tenjiku*, as it was called in Japan) since ancient times. Buddhism travelled into Japan as a gift from the king of Korea in 552 AD.<sup>22</sup> The convert prince of Japan constructed Buddhist temples, monasteries, hospitals and homes, and sent Japanese students to China for the study of Buddhism, who returned with Sanskrit works in Chinese script.<sup>23</sup> A range of Gods from the Hindu pantheon such as *Lakshmi* and *Saraswati* became a part of Japanese Buddhism as guardian-deities.<sup>24</sup> Indo-Japanese commercial activities were initiated in the late nineteenth century with a number of Indians immigrating to Japan as temporary servants of the trading relationship.<sup>25</sup>

Although the British colonial period facilitated migration of Indians to the Asian region and the development of commercial exchanges, cultural and civilisational ties between India and the East and Southeast Asian countries with India were greatly weakened as European interests, values and methods were promoted by the Raj over local or regional ones. Indeed, '[t]he conquest of India by Europe started a process that disrupted the links between the sub-continent and the rest of Asia. The bountiful sub-continental economy and its prosperous trade was disconnected from ancient and long-standing links with West and Central Asia, China and Indo-China and linked to Europe and to the wider British Empire.'<sup>26</sup> Furthermore, as Indians were frequently the agents for their British colonial masters, they became associated with colonial exploitation and unequal relationships in the minds of many other Asians.<sup>27</sup> This remained unchanged until after India's independence in 1947.

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<sup>20</sup> Nanda, pp.81-83.

<sup>21</sup> N.M. Pankaj, 'Indo-Korean Cultural Relations: A Survey', in R.C. Sharma (ed.) *Korea, India and the Third World* (New Delhi: Rajesh Publications, 1989), pp.31-35.

<sup>22</sup> Dwijendra Nath Bakshi, 'Japanese Indianness without the Indian Diaspora in Pre-modern Japan', in Lipi Ghosh and Ramkrishna Chatterjee (eds.), *Indian Diaspora in Asian and Pacific Regions*, p.103.

<sup>23</sup> Utpal K. Banerjee, 'Role of Cultural Diplomacy', in *Indian Foreign Policy Agenda for the 21<sup>st</sup> Century, Vol. I* (New Delhi: Foreign Service Institute in association with Konark Publishers, 1997), pp.400-401.

<sup>24</sup> Bakshi, pp.107-108.

<sup>25</sup> Mimi Banerjee Dhar, 'Indians in Japan: History and Dimensions of Relations', in Lipi Ghosh and Ramkrishna Chatterjee (eds.), *Indian Diaspora in Asian and Pacific Regions*, pp.116-117

<sup>26</sup> Sanajaya Baru, 'How Asian is India?' in *Strategic Consequences of India's Economic Performance* (London: Routledge, 2006), p.223.

<sup>27</sup> Ibid.

## Asia in India's Foreign Policy Thinking After Independence

At the time of independence, the leaders of the national movement viewed Asia as 'their' own region, and a region in which Nehru thought that India's new status should endow it with leadership.<sup>28</sup> In the post independence period, Indian leaders considered the anti-colonial struggles in Southeast Asia (those of Indonesia, Burma, Malaysia and Vietnam) as indivisible from their own. In March 1947, New Delhi organised a conference on Asian Relations, bringing together delegates from 29 countries, some of which were still under colonial rule, in an attempt to express solidarity with the freedom struggles in other parts of Asia and foster cooperation amongst Asian people.<sup>29</sup> Soon, India proclaimed itself the leader of Asia's march towards independence and confirmed this ambition during both the special Conference on Indonesia which was organised in Delhi in January 1949 and the 1955 Bandung Conference.<sup>30</sup>

New Delhi also recognised the strategic importance of Southeast Asia and the Indian Ocean for the defence of the Indian Peninsula. Several of India's island territories in the Bay of Bengal lay barely 90 miles from the Straits of Malacca.<sup>31</sup> Indeed, K.M. Panikkar argued: 'The Gulf of Malacca is like the mouth of a crocodile, the Peninsula of Malaya being the upper and the jutting end of Sumatra being the lower jaw. The entry to the Gulf can be controlled by the [Indian] Nicobars and the narrow end is dominated by the island of Singapore.'<sup>32</sup>

Nevertheless, this Asian 'rediscovery' ground to a halt as India failed to fully convince other Asians of its non-aligned bona fides and as New Delhi became embroiled in Cold War politics. India's interest in Southeast Asia also largely evaporated due to challenges closer to home – the traumatic border war with China in 1962 and conflicts with Pakistan in 1965 and 1971, all of which undermined non-alignment in Indian foreign policy.<sup>33</sup> The signing of the Treaty of Friendship between India and the Soviet Union in 1971 naturally diminished India's credibility as an independent force in the eyes of several key Southeast Asian nations. And in the aftermath of the oil shock of the 1970s, India became more concerned about its energy security and consequently the West-Asian region became more central to its designs.<sup>34</sup>

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<sup>28</sup> T.A. Keenleyside, 'Nationalist Indian Attitudes towards Asia: A Troublesome Legacy for Post-Independence Indian Foreign Policy', in *Pacific Affairs* Vol.5, no.2, (Summer 1982), pp.210-230.

<sup>29</sup> A. Appadorai, 'The Asian Relations Conference in Perspective', in *International Studies*, Vol.18 (1979), pp.276-278.

<sup>30</sup> Christophe Jaffrelot, 'India's Look East Policy: an Asianist strategy in perspective', in *India Review*, Vol.2, no.2 (April 2003), p.42.

<sup>31</sup> Mohammed Ayoob, *India and Southeast Asia: Indian Perception and Policies* (London: Routledge, 1990), p.9.

<sup>32</sup> K.M. Pannikkar, *India and the Indian Ocean: an Essay on the Influence of Sea Power on Indian History* (London: George Allen & Unwin, 1945), p.21. The Nicobars refers to the Nicobar Islands.

<sup>33</sup> G.V.C. Naidu, 'Wither the Look East Policy: India and Southeast Asia,' in *Strategic Analysis*, Vol.28, no.2 (April-June 2004), p.334.

<sup>34</sup> Ibid.

In the late 1970s and early 1980s, India's attention began to be drawn towards Southeast Asia again. India had developed a strong relationship with North Vietnam, due to Indian sympathy for the Vietnamese anti-colonial struggle. However, Vietnam's isolation within its own region following its invasion of Cambodia in late 1978 negatively impacted India's aspirations in the region. Several nations including Indonesia, Singapore and Thailand remained profoundly suspicious of communism and friendly towards the United States (US), with which India continued to entertain strained ties.<sup>35</sup> Likewise, India was the only non-Communist country to diplomatically recognise the Heng Samrin government in 1980, and even though ASEAN offered 'dialogue partnership' to India in the mid-1980s to dissuade it from continuing to extend diplomatic recognition to the sitting government in Cambodia, India did not alter its stance (influenced perhaps by its alliance with Moscow and as rebuff to Beijing which had favoured the earlier Khmer Rouge leadership in Cambodia).<sup>36</sup> Japan, a close ally of the US during the Cold War, also kept some distance from India beyond its budding commercial opportunities as of the 1980s. In short, from the mid 1950s to the late 1980s, India was largely isolated from Southeast Asian nations except for Vietnam, and distant from East Asian ones.

Beyond the collapse of the Soviet bloc, the Indian domestic economic liberalisation in 1991 prompted a rethink of its dormant Asian relationships. India had not been indifferent to the startling economic success of the so-called Asian tigers (South Korea and several ASEAN members) during the late 1970s and 1980s, which stood in stark contrast to the more sluggish pace of its own economic development.<sup>37</sup> Hence, 'Indian leaders eagerly invoked their cultural affinities with East Asia in their efforts to join this new pole of growth.'<sup>38</sup>

### **The 'Look East' Policy**

Soon after P.V. Narsimha Rao became Prime Minister, he launched the 'Look East' policy (LEP) in 1992.<sup>39</sup> Its implementation during the 1990s, focused particularly on engagement with Southeast Asia and ASEAN (although Prime Minister Rao had articulated a broader LEP

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<sup>35</sup> T. Karki Hussain, 'China, India and Southeast Asia after the Cold War', in Baladas Ghoshal (ed.), *India and Southeast Asia: Challenges and Opportunities* (New Delhi, Konark Publishers Pvt. Ltd, 1996), p.46; Also see Kripa Sridharan, *The ASEAN Region in India's Foreign Policy* (Aldershot, England, Dartmouth Publishing Company, 1996).

<sup>36</sup> Naidu, 'Wither the Look East Policy', pp.333-334.

<sup>37</sup> Ranjit Gupta, 'India's 'Look East' Policy', in Atish Sinha and Madhup Mohta (eds.), *Indian Foreign Policy: Challenges and Opportunities* (New Delhi: Foreign Service Institute; Academic Foundation, 2007), p.359.

<sup>38</sup> Jaffrelot, p.36. See also, Rajiv Sikri, 'India's Foreign Policy Priorities in the Coming Decade', *ISAS Working Paper*, No.25 (25 September 2007), p.21.

<sup>39</sup> Harish Kapur, *Foreign Policies of India's Prime Ministers* (New Delhi; Frankfort, IL: Lancer Publishers, 2009), p.308. No official statement elaborated the tenets this policy, however, it was first mentioned in the Ministry of External Affairs Annual Report (1995-96). See Chak Mun, *India's Strategic Interests in Southeast Asia and Singapore* (New Delhi, MacMillan Publishers, 2009), p.2.

implicitly in Singapore in 1994).<sup>40</sup> Alongside its new efforts to capitalise on Southeast Asia's economic success, India now sought purposeful politico-military engagement with the region, in part impelled by the need for new friends and partners after the loss of its superpower patron in 1991. As well, India was determined to break out of the South Asian strategic box seemingly confining it in recent decades. Finally, India began to engage Southeast Asia to prevent that region from being dominated solely by Chinese economic and military power.<sup>41</sup> The broad objectives of the LEP during the 1990s were three-fold: to institutionalise linkages with ASEAN and its affiliates; to strengthen bilateral relationships with member states of ASEAN; and to carve a suitable place for itself to prevent Southeast Asia falling under the influence of any one major power.<sup>42</sup>

In execution, the LEP was characterised by 'stop-and-go' impulses, aggravated by the meagre resources available to India's foreign policy establishment. As well, although impressive relative to earlier Indian practice, New Delhi's economic reforms seemed underwhelming to its new ASEAN friends, who were dismayed by the parlous infrastructure and the country's sometimes chaotic politics. Several ASEAN countries valuing order above democratic zeal engaged only gingerly.

From the outset of the twenty-first century, the LEP has been reinvigorated in a 'Phase II' of the policy, featuring greater consistency and focus of effort. Meanwhile, Southeast Asian countries becoming woke up to India's increasingly impressive growth rates as of the late 1990s.<sup>43</sup> Yashwant Sinha, the then India's Minister of External Affairs distinguished between the two phases of the LEP in 2003:

'The first phase of India's 'Look East' policy was ASEAN-centred and focussed primarily on trade and investment linkages. The new phase of this policy is characterised by an expanded definition of 'East', extending from Australia to East Asia, with ASEAN at its core. The new phase also marks a shift from trade to wider economic and security

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<sup>40</sup> S. D. Muni and C. Raja Mohan, 'Emerging Asia: India's Options', in *International Studies*, Vol.41, no.3 (2004), p.321; P.V. Narsimha Rao, 'India and the Asia-Pacific: Forging a New Relationship', *Singapore Lecture 1994* (Singapore: Institute of Southeast Asian Studies, 1994).

<sup>41</sup> Sumit Ganguly and Maneet S. Pardesi, 'Explaining Sixty Years of India's Foreign Policy', in *India Review*, Vol.8, no.1, pp.13-14.

<sup>42</sup> Naidu, 'Wither the Look East Policy', p.332. In practice, this by then meant China - the saliency of the US in the Indian Ocean and even to a degree in the South China Sea faded somewhat after its adventures in Indochina in the 1960s and 1970s, its air base at Diego Garcia - of use mainly in relation to the Persian Gulf - notwithstanding.

<sup>43</sup> Muni and Raja Mohan, p.321.

issues, including joint efforts to protect the sea-lanes and coordinate counter-terrorism activities.<sup>44</sup>

Hence, Phase II has been marked not only by Free Trade Agreements, but also by increased defence diplomacy. The military contacts and joint exercises that India launched with the ASEAN states on a low key basis in the early 1990s are now expanding into more comprehensive defence cooperation. India has also begun to establish arrangements for regular access to ports in Southeast Asia and defence contacts have widened to include Japan, South Korea and China.<sup>45</sup>

Three other features characterise the so called ‘second phase’ of the LEP: expanded air and land links to East and Southeast Asia, thus achieving greater physical connectivity with Asian partners; closer political ties through more comprehensive dialogue across a wider range of issues and the development of regional groupings and with rapidly growing Sino-Indian trade, less Indian nervousness over China’s role within Asia.<sup>46</sup> Today, the LEP broadly encompasses four elements of content: economic and trade, political, geo-strategic and soft power ties. The following sections elaborate on each of these.

## **Economic Ties**

In October 1991, the then Finance Minister Manmohan Singh chose Singapore as the first foreign venue for an exposition of his economic policy reforms.<sup>47</sup> Foreign direct investment (FDI) and trade between India and its Asian neighbours soon began to expand. But just as the trend of increased economic relations began to pick up steam, the Asian Financial Crisis of the 1996-97 and 1998-99 and India’s nuclear tests in 1998 (Pokhran II), interrupted progress. Nevertheless, between 2002 and 2007, the percentage share of India’s trade with the Asian region steadily increased, with exports growing from 14.7 per cent of its total to 19.9 per cent in 2008, with imports growing from 11.4 to 18.7 per cent (See Table 1). Further, since 2000, India’s economic engagement to its east has been underpinned by a growing number of institutional agreements to increase economic interaction and integration. These aim at even better performance in the future (as discussed below).

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<sup>44</sup> ‘Resurgent India in Asia’, Speech by Indian External Affairs Minister Yashwant Sinha at Harvard University, Cambridge, MA (29 September 2003), available at <http://meaindia.nic.in/>.

<sup>45</sup> C. Raja Mohan, ‘Look East Policy: Phase Two’, *The Hindu* (9 October 2003).

<sup>46</sup> Ibid.

<sup>47</sup> Sunanada K. Datta-Ray, ‘Rediscovering Suvarnabhumi: India and South-East Asia’, in Atish Sinha and Madhup Mohta (eds.), *Indian Foreign Policy*, p.409.

**Table 1: India's Exports and Imports to Asia**

Percentage Distribution of India's Exports and Imports to Asia							
	2002	2003	2004	2005	2006	2007	2008
Exports	14.7	16.8	16.9	17	16.9	17.9	19.9
Imports	11.4	12.7	13.1	13.4	16.4	17.4	18.7

**Note:** The calculation of these Percentages do not include Japan, Australia, New Zealand, North Korea, Hong Kong or any West Asian countries.

**Source:** IMF Direction of Trade Statistics Yearbook 2009

## ASEAN

As India became institutionally more involved with ASEAN (obtaining full dialogue partner status in 1995), the pattern of cross-investment with ASEAN members evolved favourably. Between 1992 and 1997, total FDI from ASEAN-5 (Singapore, Thailand, Malaysia, Indonesia and Philippines) more than doubled.<sup>48</sup> This period also saw Indian companies investing more in several ASEAN economies such as Thailand, Vietnam and Indonesia. During the late 1990s and the year 2000, the information technology and computer software sector generated considerable outward investment from India towards the ASEAN countries, particularly Singapore. Furthermore, the combined share of ASEAN-5 FDI in India grew higher than that of Japan and South Korea at 5.7 per cent of the total, only marginally below the United Kingdom's (UK) share.<sup>49</sup>

India and ASEAN have witnessed accelerated trade and investment since 2000. Exports rose from US\$2.9 billion to US\$19.1 billion in 2009, with imports rising from US\$4.1 billion to US\$26.2 billion. Singapore has become the largest Asian investor in India, above Japan and China (See Table 2).

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<sup>48</sup> Sanjaya Baru, 'India and ASEAN: The emerging economic relationship towards a Bay of Bengal community', in *Strategic Consequences of India's Economic performance* (New Delhi: Academic Foundation, 2006), p.247.

<sup>49</sup> Ibid., pp.249-250.

**Table 2: FDI Inflow to India of Selected Asian Countries from April 2000 to August 2009**

Country	FDI Inflows (US\$ in million)	% Share of Total FDI Inflows
Singapore	8,667.27	8.72
Japan	3,309.98	3.44
South Korea	501.92	0.51
Australia	272.4	0.28
Malaysia	234.07	0.25
Indonesia	71.55	0.08
Thailand	55.44	0.06
China	14.35	0.02
Myanmar	8.96	0.01
New Zealand	15.21	0.01

**Note:** Percentage of inflows worked out in terms of rupees & the above amount of inflows received through FIPB/SIA route, RBI's automatic route & Acquisition of existing shares only.

**Source:** Department of Industrial Policy and Promotion Fact Sheet on Foreign Direct Investment (FDI) From August 1991 to August 2009, Ministry of Commerce and Industry.

Complementing the growing trade and investment linkages between India and ASEAN, the first-ever meeting of India and ASEAN economic ministers took place in Brunei in September 2002, marked by India's call for deeper regional economic linkages and a formal Regional Trade and Investment Agreement or a Free Trade Agreement (FTA).<sup>50</sup> After a number of interim steps and extensive negotiations, including the creation of an ASEAN-India Economic Linkages Task Force, an agreement was reached on a selective FTA in 2009.<sup>51</sup> Disappointingly, the agreement covers only trade in merchandise and excludes services and investments but it will eliminate tariffs on about 4,000 products, agricultural as well as industrial, that account for more than 80 per cent of the trade in goods between the two sides.<sup>52</sup> Work on expanding the agreement to cover services continues.<sup>53</sup>

<sup>50</sup> D. Gopal and Sailaja Gullapalli, 'India's Diplomacy of Regional Trading Groups: A Case of India-ASEAN Free Trade Area and Sub-Regional Agreements', in Atish Sinha and Madhup Mohta (eds.), *Indian Foreign Policy*, p.74.

<sup>51</sup> 'Framework Agreement on Comprehensive Economic Cooperation Between the Republic of India and the Association of Southeast Asian Nations', Bali, Indonesia, 8 October 2003, available at [www.aseansec.org/20188.htm](http://www.aseansec.org/20188.htm); Suparna Karmakar, 'India-ASEAN FTA – A realistic assessment', *The Hindu Business Line* (11 September 2009).

<sup>52</sup> Vani Archana, 'Look Southeast Policy: The ASEAN FTA could propel India's trade to another level', *The Indian Express* (22 August 2009); Baladas Ghoshal, 'India, Southeast Asia and the FTA: Strengthening Economic Integration', *Institute of Peace and Conflict Studies Issue Policy Brief No.114* (August 2009), p.3, available at [http://se1.isn.ch/serviceengine/Files/ISN/105190/ipublicationdocument\\_singledocument/5BB661CC-765E-496E-B5FD-05DB040C7058/en/IB114-SEARP-Ghoshal.pdf](http://se1.isn.ch/serviceengine/Files/ISN/105190/ipublicationdocument_singledocument/5BB661CC-765E-496E-B5FD-05DB040C7058/en/IB114-SEARP-Ghoshal.pdf).

<sup>53</sup> 'India-ASEAN FTA on services soon: Shashi Tharoor', *The Hindu* (14 February 2010).

Despite this major milestone in India-ASEAN relations and the fact that the agreement results in the fourth largest such grouping of countries in value in the world (following behind the ASEAN-China FTA signed in 2007), Sanjaya Baru notes: ‘India must be more engaged with the region, recognising and appreciating ASEAN’s role as a vital hub of the emerging East Asian Community.’<sup>54</sup> Furthermore, while India has been grappling with this FTA, regionally, attention is turning to financial integration.<sup>55</sup>

Bilaterally, on 9 October 2003 India and Thailand signed an agreement to enhance cooperation in agriculture, tourism and science. More importantly, given the strong pick-up in economic ties between Indian and Singapore, the two countries signed a Comprehensive Economic Cooperation Agreement in mid 2005.<sup>56</sup>

**Table 3: Indian Exports and Imports from Asia from 2000-2009**

<b>Indian Exports to the Asia (Values in US\$ Million)</b>									
<b>Country</b>	<b>2000-2001</b>	<b>2001-2002</b>	<b>2002-2003</b>	<b>2003-2004</b>	<b>2004-2005</b>	<b>2005-2006</b>	<b>2006-2007</b>	<b>2007-2008</b>	<b>2008-2009</b>
Indonesia	400	534	826	1,127	1,333	1,380	2,033	2,164	2,560
Malaysia	608	774	749	893	1,084	1,162	1,305	2,575	3,420
Myanmar	53	61	75	90	113	111	140	186	222
Philippines	203	248	472	322	412	495	581	620	744
Singapore	877	972	1,422	2,125	4,001	5,425	6,054	7,379	8,445
Thailand	530	633	711	832	901	1,075	1,446	1,811	1,938
Vietnam	226	218	337	410	556	691	986	1,610	1,739
<b>ASEAN Total</b>	<b>2,914</b>	<b>3,457</b>	<b>4,619</b>	<b>5,822</b>	<b>8,426</b>	<b>10,411</b>	<b>12,607</b>	<b>16,414</b>	<b>19,141</b>
China	831	952	1,975	2,955	5,616	6,759	8,322	10,871	9,354
Japan	1,794	1,510	1,864	1,709	2,128	2,481	2,868	3,858	3,026
South Korea	451	471	645	765	1,042	1,827	2,518	2,861	3,952
<b>Northeast Asia Total</b>	<b>6,282</b>	<b>5,822</b>	<b>7,864</b>	<b>9,387</b>	<b>13,223</b>	<b>16,226</b>	<b>19,418</b>	<b>26,502</b>	<b>25,449</b>
Australia	406	418	504	584	720	821	925	1,152	1,439
New Zealand	63	62	68	86	93	142	496	159	189
<b>East Asia Total</b>	<b>494</b>	<b>507</b>	<b>604</b>	<b>704</b>	<b>860</b>	<b>1,005</b>	<b>1,482</b>	<b>1,413</b>	<b>1,754</b>
<b>Indian Imports from Asia (Value in US\$ Million)</b>									
Indonesia	910	1,037	1,381	2,122	2,618	3,008	4,182	4,821	6,666
Malaysia	1,177	1,134	1,465	2,047	2,299	2,416	5,290	6,013	7,185
Myanmar	182	374	336	409	406	526	783	809	929

<sup>54</sup> Sanjaya Baru, ‘Look East Policy comes of age’, *Business Standard* (21 October 2009).

<sup>55</sup> Sanjaya Baru, ‘It’s time for a ‘Look Further East Policy’, *Business Standard* (7 December 2009).

<sup>56</sup> Gopal and Gullapalli, ‘India’s Diplomacy of Regional Trading Groups’, pp.76-78.

Philippines	63	95	124	122	187	235	167	205	255
Singapore	1,464	1,304	1,435	2,085	2,651	3,354	5,484	8,123	7,655
Thailand	338	423	379	609	866	1,212	1,748	2,301	2,704
Vietnam	12	19	29	38	87	131	167	174	409
<b>ASEAN Total</b>	<b>4,147</b>	<b>4,387</b>	<b>5,150</b>	<b>7,433</b>	<b>9,115</b>	<b>10,884</b>	<b>18,108</b>	<b>22,675</b>	<b>26,203</b>
China	1,502	2,036	2,792	4,053	7,098	10,868	17,475	27,146	32,497
Japan	1,842	2,146	1,836	2,668	3,235	4,061	4,600	6,326	7,886
South Korea	894	1,141	1,522	2,829	3,509	4,564	4,803	6,045	8,677
<b>Northeast Asia Total</b>	<b>5,618</b>	<b>6,617</b>	<b>7,804</b>	<b>11,816</b>	<b>16,674</b>	<b>23,141</b>	<b>31,532</b>	<b>44,785</b>	<b>58,456</b>
Australia	1,063	1,306	1,337	2,649	3,825	4,948	7,000	7,815	11,098
New Zealand	79	82	76	79	128	217	266	336	424
<b>East Asia Total</b>	<b>1,182</b>	<b>1,394</b>	<b>1,423</b>	<b>2,751</b>	<b>4,050</b>	<b>5,281</b>	<b>7,575</b>	<b>8,356</b>	<b>11,788</b>

**Note:** ASEAN Total includes: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam; East Asia Regional Total includes: Australia, Fiji Islands, Kiribati, Nauru, New Zealand, Papua New Guinea, Solomon Islands, Tonga, Tuvalu Vanuatu, and Samoa; Northeast Asian Regional Total includes: Taiwan, China, Hong Kong, Japan, North Korea, South Korea, Macao and Mongolia

**Source:** Department of Commerce, Government of India, Export-Import Data Bank (Dated: 25 June 2010)

Overall, India has established a high comfort level with most ASEAN governments and is working hard on the relevant bilateral as well as multilateral economic agreements. Its more active role today seems widely welcomed within the ASEAN region, if only as a counter-weight to China, although it is also valued in and of itself.

## Japan

Although Japan was one of the top investors in India during the 1990s, ranking fourth behind the UK, US and Mauritius,<sup>57</sup> its performance pales in comparison to that elsewhere in Asia: Japan's direct investment in India in 1998 was one-thirteenth of its direct investment in China.<sup>58</sup> Similarly, between 1990 and 2000, India's total trade with Japan increased from US\$3.5 billion to a meagre US\$3.8 billion – actually a decrease in inflation-adjusted terms - and the percentage share of its trade with Japan compared to that with the rest of the world decreased from 8.3 to 4.1

<sup>57</sup> K.V. Kesavan, 'Economic Liberalization in India and Japan's Wavering Response', in *Ritsumeikan Annual Review of International Studies*, Vol.2, no.1347-8214 (2003), p.133.

<sup>58</sup> 'India and Japan: A Japanese perspective on India – Interview with Hiroichi Yamaguchi,' *Frontline*, Vol.15, no.9 (25 April - 8 May 1998).

per cent.<sup>59</sup> Some of the disincentives to greater Japanese investment in India have included the infrastructure deficit in India, high tariffs and labour problems.<sup>60</sup>

However, Japanese trade and investment in India have significantly increased in recent years. Indo-Japanese trade rose to US\$10.91 billion in 2008-09.<sup>61</sup> Despite this, the balance of trade continues to be consistently in Japan's favour, with India's agricultural exports to Japan declining sharply.<sup>62</sup>

In contrast to India's paltry investment in Japan (See Table 4), Japanese FDI in India is continuing to expand and is expected to reach US\$5.5 billion by 2010. The number of Japanese business establishments operating in India has increased from 231 in August 2003 to 475 in February 2007.<sup>63</sup> Japanese automobile giant Honda is setting up its second car manufacturing unit in Rajasthan involving an investment of US\$254 million, while the Maruti-Suzuki India Limited partnership is the leading car manufacturer in South Asia.

Official development assistance (ODA) provided to India by Japan is an important aspect of Indo-Japanese economic relations. India has been the largest recipient of Japanese ODA since 2003, largely in the form of loans (as opposed to grants and technical assistance). Moreover, the total quantity of ODA loans has steadily been increasing since 2002.<sup>64</sup> Focused on infrastructure development (particularly power and transportation), these loans have encouraged private-sector development in India.<sup>65</sup> One of the most significant current projects is the Delhi-Mumbai Industrial Corridor, focused largely on improved transport links (which will require an estimated total investment of US\$50 billion).<sup>66</sup>

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<sup>59</sup> Nagesh Kumar, 'India's Economic Engagement with East Asia: Trends and Prospects', in K. Kesavapany, A. Mani and P. Ramasamy (eds.), *Rising India and Indian Communities in East Asia*, (Singapore: ISEAS, 2008), pp.119-120.

<sup>60</sup> Kesavan, p.136.

<sup>61</sup> Government of India, Ministry of Commerce and Industry, 'Export Import Data Bank,' (Dated: 25 June 2010), available at <http://commerce.nic.in/eidb/default.asp>.

<sup>62</sup> Tan Chung, *Rise of the Giants: The Dragon-Elephant Tango*, Patricia Uberoi (ed.), (New Delhi: Anthem Press, 2008), p.269.

<sup>63</sup> Ibid., p.270.

<sup>64</sup> Ministry of Foreign Affairs of Japan, 'Outline of Japan's ODA to India', (September 2009), available at [www.mofa.go.jp/POLICY/oda/region/sw\\_asia/india\\_o.pdf](http://www.mofa.go.jp/POLICY/oda/region/sw_asia/india_o.pdf).

<sup>65</sup> Geethanjali Nataraj, 'India Japan Investment Relations: Trends and Prospects', *ICRIER Working Paper*, No.245 (January 2010), pp.8-10.

<sup>66</sup> The Delhi-Mumbai Industrial Corridor is a mega infra-structure project covering an overall length of 1483 kilometres between the political and business capitals of India, Delhi and Mumbai.

**Table 4: Approvals of Indian Direct Investments in Joint Ventures and Wholly Owned Subsidiaries in Asia from April 2002 to 2009 (Amount US\$ million)**

Name of the country	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	Total
Singapore	46.8	15.9	239.3	200.5	1085.6	8360.5	4282.6	<b>14231.1</b>
Australia	95.0	92.9	158.8	75.3	174.9	47.9	317.6	<b>962.3</b>
China	29.6	26.6	15.1	52.2	54.6	682.5	50.5	<b>911.1</b>
Thailand	7.7	7.4	3.5	3.4	93.4	21.6	91.3	<b>228.3</b>
Indonesia	0.1	19.3	80.8	7.9	31.3	6.8	59.4	<b>205.7</b>
Malaysia	0.8	1.4	4.9	4.4	14.6	67.5	77.8	<b>171.4</b>
Vietnam	0.06	0.04	0.06	---	76.22	3.38	32.873	<b>112.6</b>
Myanmar	---	4.3	---	---	59.1	--	21.2	<b>84.6</b>
Philippines	0.0	0.8	3.3	4.5	1.1	18.4	6.3	<b>34.4</b>
Japan	0.4	0.0	---	0.1	1.3	2.1	12.9	<b>16.9</b>
Cambodia	--	--	0.0	---	14.5	--	--	<b>14.5</b>
New Zealand	0.6	0.0	0.0	0.1	0.6	2.7	0.6	<b>4.7</b>
South Korea	---	---	1.6	---	0.7	--	--	<b>2.3</b>
Laos	---	--	--	--	--	2.0	0.0	<b>2.0</b>

**Note:** Based on the RBI data for approvals. Data on Brunei was not available.

**Source:** Ministry of Finance, Government of India, Department of Economic Affairs: IC Section, available at [http://finmin.nic.in/the\\_ministry/dept\\_eco\\_affairs/icsection/Annexure\\_5.html](http://finmin.nic.in/the_ministry/dept_eco_affairs/icsection/Annexure_5.html)

Nonetheless, barriers remain, including Japanese concerns about Indian government inefficiency and lack of transparency, lack of infrastructure and the difficulty in acquisition and utilisation of land.<sup>67</sup> Thus, while both polities are rooted in Western-originated democratic structures, the societies of India and Japan, even more than their economies could not be more different. Japanese visitors to India are sometimes overwhelmed by the apparent chaos, noise, jostling and the infrastructure deficits that are the antithesis to their own society. Partly for this reason, in spite of official mutual respect and ancient religious ties, the economic relationship has required hard work and is still not performing to its full potential.

## South Korea

Although South Korean investment in India was low in 1991, it rose to equal that of Japan thereafter.<sup>68</sup> The South Korean automobile maker Hyundai was able to create a wholly owned subsidiary in India for a total investment of \$US700 million. In contrast with most foreign

<sup>67</sup> Nataraj, p.13.

<sup>68</sup> Jaffrelot, p.51.

manufacturers who established plants in India in order to gain access to the domestic market, South Korean firms have localised their production of components and parts, and used local labour resulting in lower labour costs for global production and export.<sup>69</sup> Trade tripled between 1990 and 2000.<sup>70</sup> This subsequently accelerated further: between 2000 and 2009, Indian imports, particularly of machinery, from South Korea have increased from US\$451 million to over US\$8.6 billion. Several Korean construction companies are currently engaged in highway, power plant, chemical, petrochemical and metro rail projects in India. Although in February 2004, Tata Motors acquired Daewoo Commercial Vehicles in South Korea at a cost of US\$102 million, India does not figure among the major foreign investors there.<sup>71</sup>

In 2005 the Korean Pohang Steel Company (POSCO), the fifth largest steel maker in the world, agreed to set up a steel plant in Orissa involving the largest foreign direct investment in the country of an estimated US\$12 billion.<sup>72</sup> However, to the frustration of POSCO, the implementation of this investment has been stymied by challenges with land acquisition and resettlement of local communities requiring several further unplanned investments, a reminder that local as well as national politics in India cannot be ignored by foreign economic actors.<sup>73</sup>

South Korea and India tackled the need to promote economic relations and signed a Comprehensive Economic Partnership Agreement (CEPA) in August 2009, the first such economic agreement with a member of the Paris-based Organization for Economic Cooperation and Development. It promotes, *inter alia*, the increase in Korean FDI inflows into Indian manufacturing sectors, and inflows of professionals from India to Korea.<sup>74</sup> But Suparna Karmakar notes: 'Unlike Korea's trade with China, where the Chinese bilateral deficit with Korea is compensated by China's trade surplus *vis-à-vis* the rest of the world, Korean exports to India are unlikely to be exported onward. Korean investments into India are ... market-seeking as opposed to efficiency-seeking FDI to China.'<sup>75</sup> Therefore, while the middle-class consumer in India will certainly benefit from the CEPA, it is unlikely to improve the trade balance.<sup>76</sup>

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<sup>69</sup> Nataraj, p.14.

<sup>70</sup> Kumar, 'India's Economic Engagement with East Asia', p.119.

<sup>71</sup> Rajan Jha, 'Recent Technical Advancements in India-Korea Trade, Research and Development', in Sushila Narsimhan and Kim Do Young (eds.), *India and Korea: Bridging the Gaps* (New Delhi: Manak Publications, 2008), p.143

<sup>72</sup> Netrananda Sahu, 'Posco Deal: A Major Economic Breakthrough for the Government of Orissa', in Sushila Narsimhan and Kim Do Young (eds.), *India and Korea: Bridging the Gaps*, pp.127-128; POSCO-India, 'Investment,' available at <http://posco-india.com/website/project/investment.htm>.

<sup>73</sup> Posco-India, 'Rehabilitation and Resettlement,' available at <http://posco-india.com/website/sustainability/rehabilitation-&-resettlement.htm>.

<sup>74</sup> Pravakar Sahoo, 'India-Korea CEPA: A step in right direction', *East Asia Forum* (15 September 2009), available at [www.eastasiaforum.org/2009/09/15/india-korea-cepa-a-step-in-right-direction/](http://www.eastasiaforum.org/2009/09/15/india-korea-cepa-a-step-in-right-direction/).

<sup>75</sup> Suparna Karmakar, 'India-Korea CEPA – Gains likely to be non-commercial', *The Hindu Business Line* (28 August 2009).

<sup>76</sup> Ibid.

Overall, the Republic of Korea, with fewer cards to play than Japan, has in many ways been more entrepreneurial in India and is likely to reap the rewards as a result. Potential also exists to increase trade in services between the two countries, a particular opportunity for India.<sup>77</sup> This will require work on both sides to reduce various tariff and non-tariff barriers and further efforts by India to match Korea's success in accessing the Indian market.<sup>78</sup>

## China

India's economic reforms in the 1990s were welcomed by China and complemented the economic reforms initiated by Deng Xiao Ping in 1978. While expansion in investment was weak during the 1990s,<sup>79</sup> India's trade and investment with China grew from US\$49 million in 1990 to US\$2.2 billion in 2000 while China's percentage share of India's trade increased from 0.1 to 2.4 per cent.<sup>80</sup>

Since the turn of the century, China has quietly emerged as India's most important trade partner. In the past decade, particularly since China's entry into the WTO in 2001, Sino-Indian trade has grown from just under \$US3 billion in 2001-02 to over US\$41.8 billion in 2008-09.<sup>81</sup> China and India are ideally suited as trading partners given India's technology and services oriented companies complementing China's manufacturing and infrastructure prowess.<sup>82</sup>

Controversially, the trading relationship is increasingly tilted in favour of China and is reflected in India's growing trade deficit. China receives natural resources such as metal ores, iron, and steel, with raw materials making up 80 per cent of India's exports to China, whereas India's imports from China are largely composed of finished goods including machinery, office machines, and telecommunications.<sup>83</sup> Amardeep Athwal writes: 'The fact that bilateral trade, particularly Indian exports, is dominated by iron ore exports raises overall doubts about the sustainability of the current high rate of and volume of bilateral trade growth. ... There needs to be a move [to]... an increase in the share of manufacturing and low, medium and high technology items.'<sup>84</sup>

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<sup>77</sup> Pravakar Sahoo, Durgesh Kumar Rai and Rajiv Kumar, 'India-Korea Trade and Investment Relations', *ICRIER Working Paper*, No.242, (December 2009), p.35, available at [www.icrier.org/publication/working\\_papers\\_242.html](http://www.icrier.org/publication/working_papers_242.html).

<sup>78</sup> Ibid., p.9.

<sup>79</sup> 'Report of the India-China Joint Study Group on Comprehensive Trade and Economic Cooperation (2004)', pp.51-52, available at [www.thehindu.com/thehindu/nic/0041/report.pdf](http://www.thehindu.com/thehindu/nic/0041/report.pdf).

<sup>80</sup> Kumar, 'India's Economic Engagement with East Asia', pp.119-120.

<sup>81</sup> Government of India, Ministry of Commerce and Industry, 'Export Import Data Bank', 25 June 2010.

<sup>82</sup> Sumit Ganguly, 'The Rise of India in Asia', in Devesh Shambaugh and Michael Yahuda (eds.), *International Relations of Asia* (Lanham Md.: Rowman and Littlefield Publishers, 2008), p.158.

<sup>83</sup> Johnathan Hoslag, *China and India: Prospects for Peace* (New York, Columbia University Press, 2010), p.77.

<sup>84</sup> Amardeep Athwal, *China-India Relations: Contemporary dynamics* (London; New York: Routledge, 2008), p.93.

India and China investment links have been wide-ranging and also growing. While Indian IT companies like Tata Consultancy Services and Infosys are setting up major global sourcing bases in China, Chinese IT companies like Huawei are setting up large R&D bases in India.<sup>85</sup> A number of Indian investors have been attracted to sectors including information technology, pharmaceuticals, banking, auto-components and tyre manufacturing. Some have established joint ventures, including Ranbaxy and Aurobindo Pharmaceuticals, while others have set up wholly-owned ventures, including Infosys and Essel Packaging.<sup>86</sup>

But Indian companies still face barriers including language that hinder the full potential of economic relations from being realised. For example, while India's computer software prowess is seen as being highly complementary to China's computer hardware skills, none of the Indian IT heavyweights, such as TCS, Wipro, Infosys and Satyam have been able to make a dent in the Chinese domestic software market.<sup>87</sup>

On the whole, the relationship between these two Asian giants is a tense one, subject to frequent mutual misunderstanding. The legacy of the 1962 border war between them is still very much alive between them as are differences over Tibet. Nevertheless, the thriving and rapidly growing trade relationship with greater cross-investment to follow is a very hopeful development for both countries and for the rest of Asia.

### **Australia and New Zealand**

Since 2000, economic relations between India and Australia have shown a dramatic increase, after a disappointing performance in the 1990s.<sup>88</sup> Trade has grown from just under US\$1.5 billion in 2000 to over US\$12.5 billion by the end of 2009.<sup>89</sup> In fact, India was Australia's fourth largest merchandise export market and seventh largest merchandise trading partner in financial year 2008-2009. Moreover, for Indians, Australia is the number two destination for overseas study after the US,<sup>90</sup> (although new 2010 migration laws in Australia are expected to hurt the

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<sup>85</sup> Kumar, 'India's Economic Engagement with East Asia: Trends and Prospects', p.117.

<sup>86</sup> Ji Ping, 'China: Indians' New-Found Land', in K. Kesavpany, A. Mani and P. Ramasamy (eds.), *Rising India and Indian Communities in East Asia*, p.198.

<sup>87</sup> Ibid., pp.202-203

<sup>88</sup> Madhu Bala, 'India Australia Trade and Investment Relations in the 1990s', in D. Gopal (ed.), *Australia in the Emerging Global Order: Evolving Australia-India Relations* (New Delhi: Shipra Publications, 2002), pp.242-243.

<sup>89</sup> Government of India, Ministry of Commerce and Industry, 'Export Import Data Bank', 25 June 2010.

<sup>90</sup> Janelle Bonner, 'Australian and India: An Important Partnership', in *South Asian Survey*, Vol.15, no.1 (2008), pp.166-167.

education sector).<sup>91</sup> Trade between both countries has been rising at 30 per cent annually. However, the trade balance favours Australia due to natural resources and education. Like Indian FDI in Australia, Australian FDI in India remains low at US\$281.64 million.<sup>92</sup>

New Zealand and India's economic relationship has been steady, but lacking momentum.<sup>93</sup> Even though the 1998 nuclear tests evoked a strong reaction from New Zealand, economic relations remained on track.<sup>94</sup> However, high tariffs on items of interest to New Zealand, particularly value-added products, continue to restrict exports to India. India's employment of non-tariff barriers, particularly sanitary and phytosanitary (quarantine) barriers, have also restricted New Zealand exports to India.<sup>95</sup> Between 1999-2000 and 2008-09 bilateral trade grew from over US\$160 million to over US\$612 million, but they could do better and know it: they have initiated talks for a FTA to increase cross-border investment and trade in services.<sup>96</sup>

India, Australia and New Zealand, in their modern form all having descended from the British Empire, share many values and structures inherited from London, willingly or otherwise. This creates a level of comfort between them not always present in India's bilateral ties. Australia and India, in particular have made a success of their economic relationship which should continue to grow.

In sum, while India's economic integration in Asia has deepened considerably since the 1990s it falls far behind China's and its trade balance remain unfavourable with several key Asian nations. There is further to go in the economic dimension of the LEP.

## **Political / Diplomatic Ties**

India's rapid economic development and growing economic interaction in Asia have been supported by its political relations in the continent which have grown significantly since the end of the Cold War and more so since the turn of the century.

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<sup>91</sup> See 'India allays fears over new immigration rules in Australia', *The Economic Times*, *The Economic times* (1 July 2010), available at <http://economictimes.indiatimes.com/articleshow/6115285.cms>.

<sup>92</sup> Australian Government, Department of Foreign Affairs and Trade, 'India country Brief', available at [www.dfat.gov.au/GEO/india/india\\_brief.html](http://www.dfat.gov.au/GEO/india/india_brief.html); Government of India, Ministry of Commerce and Industry, 'India FDI Factsheets', (December 2009), available at [http://dipp.nic.in/fdi\\_statistics/india\\_FDI\\_December2009.pdf](http://dipp.nic.in/fdi_statistics/india_FDI_December2009.pdf).

<sup>93</sup> Kumar, 'India's Economic Engagement with East Asia', pp.119-120.

<sup>94</sup> Sekhar Bandyopadhyay, 'India and New Zealand: A Sixty Year Roller Coaster', in *New Zealand International Review*, Vol.32, no.4 (July-August 2007), pp.13-14.

<sup>95</sup> New Zealand Ministry of Foreign Affairs & Trade, 'Republic of India', available at [www.mfat.govt.nz/Countries/Asia-South-and-Southeast/India.php#facts](http://www.mfat.govt.nz/Countries/Asia-South-and-Southeast/India.php#facts).

<sup>96</sup> Sujay Mehdudia, 'India, New Zealand start FTA talks', *The Hindu* (4 February 2010), available at <http://beta.thehindu.com/business/article100892.ece>.

In the early 1990s, India's LEP was first initiated in earnest with Myanmar and marked by serious engagement with a military regime there on which it had frowned previously, having earlier supported the democratic aspirations embodied in Aung San Suu Kyi's political movement.<sup>97</sup> This shift in India's policy was the result of interest-based considerations relating to China's growing partnership with Myanmar and also India's need for help in fighting insurgencies in its own North-eastern states and hopes for access to Myanmar's energy resources.<sup>98</sup> In 1991, hostile radio broadcasts against the military regime were stopped and India chose not to oppose Myanmar's readmission to the Non-Aligned Movement at the Jakarta summit of September 1992.<sup>99</sup> Dialogue was initiated between the two countries resulting in an agreement on controlling drug trafficking and in 1994, an agreement to maintain peace on the borders.<sup>100</sup> Yangon became a full member of ASEAN in 1991.<sup>101</sup> In recent years, New Delhi has openly indicated that the development of India's north-east and the containment of the insurgencies there are vital interests, and a pillar of its LEP.<sup>102</sup>

Its new 'realist' approach to ties with Myanmar translated a wider sense in New Delhi that its relations with Southeast Asia were now too important to be governed by either sentiment or policy inertia. Indeed, the recent visit to India of Senior General Than Shwe and his family to India demonstrated how India's commitments to democracy and human rights are trumped by security, energy and strategic priorities.<sup>103</sup>

Along with its new approach to engaging with Myanmar, during the early 1990s diplomatic exchanges grew between India and Asian countries, marked by many bilateral visits and multilateral engagements in the region.<sup>104</sup> India now stepped up its engagement with regional organisations including ASEAN. While India had early on often perceived ASEAN as the

<sup>97</sup> Kapur, pp.308-309.

<sup>98</sup> See Ranjit Gupta, 'The Myanmar Conundrum: The Way Forward for India', in *Indian Foreign Affairs Journal*, Vol.3, no.2 (April-June 2008), pp.51-67; See also Anindya Batabyal, 'Balancing China in Asia: A Realist Assessment of India's Look East Strategy', in *China Report*, Vol.42, no.2 (2006), pp.183-184.

<sup>99</sup> Gilles Boquérat, 'India's Confrontation with Chinese Interests in Myanmar', in Frédéric Grare and Amitabh Mattoo (eds.), *India and ASEAN: The Politics of India's Look East Policy* (New Delhi: Manohar Publishers & Distributors, 2001), p.177.

<sup>100</sup> S. D. Muni, *India's Foreign Policy: The Democracy Dimension* (New Delhi: Foundation Books, 2009), pp.80-82.

<sup>101</sup> See David I Steinberg, 'Prospects for Democratization in Myanmar: Impact on India', in *India Defence Review*, Vol.24, no.4, (Oct-Dec 2009), available at [www.indiandefencereview.com/2009/12/prospects-for-democratization-in-myanmar-impact-on-india.html](http://www.indiandefencereview.com/2009/12/prospects-for-democratization-in-myanmar-impact-on-india.html); Also see, Marie Lall, 'Indo-Myanmar Relations in the Era of Pipeline Diplomacy', in *Contemporary Southeast Asia: A Journal of International and Strategic Affairs*, Vol.28, no.3 (December 2006), pp.424-446.

<sup>102</sup> Manjeet S. Pardesi, 'Southeast Asia in Indian Foreign Policy: Positioning India as a Major Power in Asia', in Sumit Ganguly (ed.), *India's Foreign Policy: Retrospect and Prospect* (New Delhi: Oxford University Press, 2010), p.123.

<sup>103</sup> See, for example, Siddharth Varadarajan, 'Facing up to the Myanmar challenge', *The Hindu* (26 July 2010), available at [www.thehindu.com/opinion/columns/siddharth-varadarajan/article535159.ece](http://www.thehindu.com/opinion/columns/siddharth-varadarajan/article535159.ece).

<sup>104</sup> Sushila Narsimha, 'India's 'Look East' Policy: Past, Present, and Future', in K. Raja Reddy (ed.), *India and ASEAN: Foreign Policy Dimensions for the 21<sup>st</sup> Century* (New Delhi: New Century Publications, 2005), pp.34-36.

West's Trojan Horse, the Janata government (1977-1979) expressed a desire for institutional linkages. But Vietnam's invasion of Cambodia and New Delhi's response thereto put paid to this initiative.<sup>105</sup> Only in the post-Cold war environment did prospects for formal relations resurface.

By the early 1990s, ASEAN, while having achieved little in terms of regional economic integration, and even less in coordinating foreign policy, had proved strikingly successful in casting itself as the critical regional organisation of Asia (in the absence of any other credible ones). It had successfully engaged the major powers in dialogue, a process formalised in 1994 through the ASEAN Regional Forum (ARF) that meets in conjunction with ASEAN Summits and gathers leaders and ministers of many significant countries, including the US, China, Russia and India (since 1996).<sup>106</sup> Bilaterally, while India's relations with Indonesia have been important, its stalwart allies within ASEAN have more consistently been Singapore, along with Malaysia and Thailand.<sup>107</sup>

India's Pokhran II nuclear tests resulted in varying reactions amongst Asian nations. Within ASEAN, during the Manila ASEAN Summit of July 1998, two viewpoints emerged among ARF members: those who wanted to impose sanctions against India (Japan, Australia, Canada, Philippines, Thailand and New Zealand) and those who advocated a more benign attitude (Singapore, Vietnam, Malaysia, and Indonesia). The absence of consensus resulted in a weak resolution deploring the tests.<sup>108</sup> And soon, reflecting the growing confidence between India and ASEAN members, India's relations with ASEAN were upgraded to Summit level interaction in 2002. India and ASEAN have committed to fostering closer cooperation on reforming international institutions.<sup>109</sup> In 2007, India proposed a dialogue on an Open Skies Agreement that would fully liberalise air services between ASEAN and India and a programme for regular exchanges among parliamentarians.<sup>110</sup> However, there has not been much concrete progress on these ideas.

Bilaterally, India's ties with Japan were seriously shaken by India's nuclear tests, given Japan's history as the only country against which nuclear weapons have been used. Tokyo reacted strongly: development assistance to India was suspended, and Japanese authorities cancelled the meeting of the Aid India Consortium and opposed financial support for India from the

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<sup>105</sup> Sridharan, *The ASEAN Region in India's Foreign Policy*, pp.224-229.

<sup>106</sup> Naidu, 'Wither the Look East Policy', p.337.

<sup>107</sup> Ibid., pp.337-338.

<sup>108</sup> ASEAN, 'Chairman's Statement: The Fifth Meeting of the ASEAN Regional Forum', Manila, 27 July 1998, available at [www.aseansec.org/707.htm](http://www.aseansec.org/707.htm).

<sup>109</sup> See, ASEAN, 'Plan of Action to Implement the ASEAN-India Partnership for Peace, Progress and Shared Prosperity', available at [www.aseansec.org/16842.htm](http://www.aseansec.org/16842.htm).

<sup>110</sup> ASEAN, 'Chairman's Statement of the 6<sup>th</sup> ASEAN-India Summit', Singapore, 21 November 2007, available at [www.aseansec.org/21133.htm](http://www.aseansec.org/21133.htm).

multilateral institutions in which Japan had a say.<sup>111</sup> In the heat of the moment, Tokyo declared that the normalisation of relations between both countries could not occur unless India signed the Comprehensive Test Ban Treaty.<sup>112</sup>

However, India's spat with Japan was short-lived. In August 2000, Prime Minister Mori Yoshiro made a historic visit to India and there was soon an exchange of visits by Defence ministers.<sup>113</sup> During 2005-2006 alone, approximately 20 visits of cabinet rank ministers took place between the two countries, while agreement was reached to boost trade, investment and cooperation in science and technology.<sup>114</sup>

Relying on their weight as Asian economic powers, in 2004, India and Japan launched a bid to secure permanent seats on the United Nations Security Council, along with Germany and Brazil, under the aegis of the 'Group of Four'. However, while the US has supported Japanese bid, China contributed to blocking Japan's accession to a permanent seat and, given the joint nature of the Security Council reform initiative in which Japan and India were both stakeholders, the reform was stymied.<sup>115</sup> Nonetheless, the Indian and Japanese prime ministers have been visiting each other's capitals on an annual basis since 2005, which has given momentum to 'one of the most underdeveloped relations among Asia's major powers.'<sup>116</sup>

In the South-Pacific, Australia reacted to India's nuclear tests by taking drastic measures including the suspension of official visits to India, and the denunciation of India's actions at international forums. This in turn fuelled a strong reaction out of India, which also suspended military cooperation, disallowing Australian naval ships from visiting Indian ports and territorial waters, and cancelled all over flights facilities for Australian military aircraft. But, relations began to normalise as soon as February 1999 and were cemented by a visit to India by Prime Minister John Howard in July 2000.<sup>117</sup>

Relations between the two nations remain somewhat tense on India's quest for uranium supplies, which Australia has rebuffed on the grounds that New Delhi has not yet signed the Non-

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<sup>111</sup> Jaffrelot, p.53.

<sup>112</sup> Jyoti Malhotra, 'Jaswant to visit Japan on November 23', *The Indian Express*, 10 November 1999, available at [www.indianexpress.com/ie/daily/19991110/ige10014.html](http://www.indianexpress.com/ie/daily/19991110/ige10014.html).

<sup>113</sup> Aftab Seth, 'India and Japan', in Atish Sinha and Madhup Mohta (eds.), *Indian Foreign Policy*, p.815.

<sup>114</sup> Seth, p.812.

<sup>115</sup> N.V. Subramanian, 'Bridging the China-India gap', *The Japan Times* (1 November 2008), available at <http://search.japantimes.co.jp/cgi-bin/ea20081101a1.html>; See also, Pranab Dhal Samanta, 'Revealed: How Pak and China didn't want India at UN high table', *The Indian Express* (15 June 2008), available at [www.indianexpress.com/news/revealed-how-pak-and-china-didnt-want-india-at-un-high-table/322949/0](http://www.indianexpress.com/news/revealed-how-pak-and-china-didnt-want-india-at-un-high-table/322949/0).

<sup>116</sup> C. Raja Mohan, 'Out of the Ordinary: Building another Asia: Delhi must welcome Tokyo's leadership', *The Indian Express* (28 December 2009).

<sup>117</sup> Chandrakant Yatanoor, 'Indo-Australian Relations in the Emerging World Order', in Y. Yagama Reddy (ed.), *Emerging India in Asia-Pacific*, pp.324-326.

Proliferation Treaty. The relationship has also been undermined somewhat by attacks on Indian students in Australia during the years 2008-2010 seen in India as racist (even though some of them were committed by others of South Asian origins).<sup>118</sup> Another, generally unspoken Indian reservation relates to scepticism over Australia's claim to be a full Asian player. But a major asset has been the passion both countries share for cricket.

Although India pointed to China in its justification for the 1998 Pokhran tests, the publicly subdued Chinese reaction to India's nuclear tests allowed the positive momentum in Sino-Indian relations to develop further. Indian President K.R. Narayanan, the first Indian ambassador to China after the resumption of diplomatic relations in 1976, visited Beijing in 2000 to commemorate fifty years of diplomatic relations between the two nations. Although early that year, the seventeenth Karmapa, considered the third most senior Buddhist cleric, fled from Tibet to India and the presence of the Dalai Lama at Dharamsala continued to constitute a bilateral irritant, high-level visits proliferated. In 2005, Premier Wen Jiabao made a historic visit to Bangalore (not New Delhi, emphasising China's desire to partner with India's information technology sector). During this visit, China recognised Sikkim as a part of India. Bilateral cooperation between India and China in international and regional affairs has been strengthened through close coordination on issues such as climate change, the Doha Round talks, energy and food security, and the international financial crisis (notably in the G-20).<sup>119</sup>

## **Regional Groupings and Forums**

Aside from ASEAN, India has developed relations with countries in the region to its east through its participation in other regional groupings. One such grouping, launched in 1997 is the Bay of Bengal Initiative for Multi-sectoral Technical Cooperation (BIMSTEC). Including Bangladesh, Myanmar, Sri Lanka, Thailand, Bhutan, Nepal and India in its membership, BIMSTEC aims *inter alia* at promoting sub-regional cooperation in trade, investment, and technological exchange.<sup>120</sup> For India, the development and integration of its North East region has been an underlying motivation for its engagement under BIMSTEC.<sup>121</sup> While a proposal for expanded rail links could prove a concrete way of giving expression to such high-minded sentiments,<sup>122</sup>

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<sup>118</sup> Ashutosh Misra, 'friendly southern face: India's strategic partnership with Australia will depend on public diplomacy', *The Indian Express* (13 November 2009).

<sup>119</sup> Zhang Yan, 'India-China relations in one of the best periods of history', (Interview), *The Hindu* (9 April 2009), available at [www.hindu.com/2009/04/09/stories/2009040955800900.htm](http://www.hindu.com/2009/04/09/stories/2009040955800900.htm).

<sup>120</sup> BIMSTEC, 'About BIMSTEC', available at [www.bimstec.org/about\\_bimstec.html](http://www.bimstec.org/about_bimstec.html).

<sup>121</sup> Chak Mun, p.86.

<sup>122</sup> Man Mohini Kaul, 'Regional Groupings: an Overview of BIMSTEC and MGC', in *South Asian Survey*, Vol.13, no.2 (2006), p.316

to-date, BIMSTEC's achievements remain disappointing. In recent years, the young organisation has lost momentum as many of its members are distracted by domestic political concerns.<sup>123</sup>

Another such grouping through which India engages several Southeast Asian countries is the Mekong Ganga Cooperation (MGC) forum, launched in 2000. Members include Myanmar, Thailand, Cambodia, Vietnam and India. Closer economic cooperation is the main stated objective. Progress under the MGC has been marred by several challenges including: sporadic ministerial level meetings, absence of clear timelines, uncertain funding, and inadequate implementation and review mechanisms. Notably, Thailand, one of the key initiators and funders of the MGC has lost interest in the grouping after it established the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy in 2003 (bringing together the same group of countries excluding India).<sup>124</sup> Thus, unsurprisingly, the MGC has yet to make much progress in comparison with the Greater Mekong Sub-region, in which China is the dominant player.<sup>125</sup>

Looking beyond sub-regional groupings, in 2003, Indian Prime Minister Atal Bihari Vajpayee proposed an Asian Economic Community (AEC). The concept was refined by Manmohan Singh, who has championed the vision of an AEC serving as 'an arc of advantage, peace and shared prosperity in Asia across which there will be large scale movement of people, capital ideas and creativity'.<sup>126</sup> In 2005, a forum for dialogue on broader cooperation within Asia was established when India joined the heads of state or government of 15 other countries (including ASEAN member countries, Australia, China, Japan, South Korea and New Zealand) as one of the founding members of the East Asia Summit in Kuala Lumpur.<sup>127</sup> This forum has been considered a first step towards the eventual creation of an AEC.<sup>128</sup>

However, although the AEC is imagined as the culmination of India's Look East Policy,<sup>129</sup> this idea like several other rival ones has made little headway. The future multilateral architecture within Asia remains moot, with rival Chinese, Australian, and US-originated schemes for Asian economic integration being discussed in 2010, and the AEC concept attracting less attention. Such schemes include the Chinese proposal for an East Asian FTA and an American proposal for a Free Trade Area in the Asia-Pacific (under the aegis of the Asia-Pacific Regional Cooperation

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<sup>123</sup> Rajiv Sikri, *Challenge and Strategy: Rethinking India's Foreign Policy* (New Delhi: Sage Publications Ltd, 2009), p.73.

<sup>124</sup> Sikri, p.119.

<sup>125</sup> Kaul, p.316.

<sup>126</sup> Nagesh Kumar, 'India in 21<sup>st</sup> Century Asia-Pacific', in Y. Yagama Reddy (ed.), *Emerging India in Asia-Pacific*, p.11.

<sup>127</sup> P.S. Suryanarayan, 'East is watching', *Frontline*, 19 June 2009, p.59.

<sup>128</sup> Kumar, 'India in 21<sup>st</sup> Century Asia-Pacific', p.11.

<sup>129</sup> Kumar, 'India's Economic Engagement with East Asia', p.118.

forum - APEC), both of which would not include India.<sup>130</sup> Aside from these, a recent Australian proposal for an Asia-Pacific Community, which would include India, has also been the subject of much discussion and debate.<sup>131</sup>

One key multilateral institution of the Asia-Pacific region, to which India was initially indifferent and since then has been unsuccessful in joining is APEC. This grouping was established in 1989 with 12 members aiming to promote trade and strengthen regional economic cooperation.<sup>132</sup> Although APEC is in many ways an ineffective talk-shop, it does, gather many global leaders and has the potential to enhance India's economic relations in Asia and the Pacific.<sup>133</sup> India has been keen to join since the mid 1990s but, in 1997, a moratorium was placed on new membership for 10 years. Australia has championed Indian membership, but could not forestall a further three-year moratorium. As of 2010, Cambodia and Laos seemed best placed to achieve membership.<sup>134</sup> Notwithstanding APEC's identity as primarily a Pacific Rim organisation, India's chances of eventually joining seem good since its emergence from nuclear purdah in 2008, and given its growing economic clout. While the prize may seem disappointing once secured,<sup>135</sup> at least one Indian would disagree:

'[e]ven though critics might argue that APEC has not progressed satisfactorily towards its declared goals (partly due to its voluntary provision of open regionalism) and has lately also lost its focus on economic co-operation by concentrating far too much on non-economic issues such as terrorism, the long-term importance and utility of this forum cannot be overemphasised.'<sup>136</sup>

Worth mentioning is India's intense interest in the Shanghai Cooperation Organization, launched in 2001 and including China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan, in which India (along with Iran, Pakistan and Mongolia) has secured observer status but not full membership. It is centred on a region with which India has rich historic links and one that offers a wealth of the natural resources that India requires to power its booming economy. '[T]he

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<sup>130</sup> Kim Yoon-mi, 'Seoul to lead study on East Asia', *The Korea Herald* (26 January 2010), available at [www.koreaherald.co.kr/NEWKHSITE/data/html\\_dir/2010/02/26/201002260059.asp](http://www.koreaherald.co.kr/NEWKHSITE/data/html_dir/2010/02/26/201002260059.asp); 'Free trade high on APEC agenda', *The Japan Times* (22 February 2010), available at <http://search.japantimes.co.jp/cgi-bin/nb20100222a1.html>.

<sup>131</sup> See also, Peter Drysdale, 'Rudd in Singapore on the Asia Pacific Community idea', *East Asia Forum* (31 May 2009), available at [www.eastasiaforum.org/2009/05/31/rudd-in-singapore-on-the-asia-pacific-community-idea/](http://www.eastasiaforum.org/2009/05/31/rudd-in-singapore-on-the-asia-pacific-community-idea/).

<sup>132</sup> Shankari Sundararaman, 'APEC and Chindia', *The Asian Age*, 24 November 2009.

<sup>133</sup> See, for example, Mukul G. Asher and Rahul Sen, 'India's Membership: APEC's Relevance', *Faculty Working Papers* (2007), Lee Kuan Yew University School of Public Policy, National University of Singapore, available at [www.spp.nus.edu.sg/Handler.ashx?path=Data/Site/SiteDocuments/wp/wp0707.pdf](http://www.spp.nus.edu.sg/Handler.ashx?path=Data/Site/SiteDocuments/wp/wp0707.pdf).

<sup>134</sup> 'India APEC membership may be years away', *The Financial Times*, 26 December 2007.

<sup>135</sup> Bhanoji Rao, 'Does APEC membership really matter for India?' *The Hindu Business Line* (23 January 2007).

<sup>136</sup> Sudhir Deware, *India and Southeast Asia: Towards Security Convergence* (Singapore: ISEAS Publications, 2006), p.152.

driving forces for India to engage with this organisation are mainly the emerging new security challenges in Afghanistan and Pakistan, and the need to keep watch over developments within this regional organisation where China has been increasing its influence.’<sup>137</sup> Suffice it here to note that an institution including China and Russia within India’s wider neighbourhood but excluding India is of neuralgic sensitivity for New Delhi. Not coincidentally, Prime Minister Manmohan Singh attended its summit in June 2009 in Yekaterinburg, Russia.

India has certainly come a long way in establishing stronger political relations with the nations of Asia, and the growing level of comfort has supported the growth of economic relations. But having started late, it must continue to work hard. However much it is now considered a key player in the Asian region, India remains excluded from some major regional forums and has yet to achieve much within the regional groupings and organisations in which it is involved.

### **Geo-Strategic / Defence Ties**

From the 1990s onwards, India also expanded its security ties with the countries of Southeast and East Asia. Security engagement with the region deepened through port calls and naval exercises and through the institutionalization of India’s defence ties, particularly since the turn of the century. Impelled by its quest for cooperation on counter-terrorism, humanitarian relief, anti-piracy, maritime and energy security, confidence building and balancing of influence with other powers, particularly China, India has stepped up its engagement with East Asia.<sup>138</sup>

With the exception of a few nations, most of the countries in Southeast Asia have unsettled maritime boundaries or have articulated claims to offshore assets, islands or seabed resources. And some of the world’s busiest sea-lanes are located in this region.<sup>139</sup> These factors, combined with China’s growing influence in the region since the end of the Cold War, doubtless inspired at least some in ASEAN to regard India as a useful partner to offset China.<sup>140</sup> Thus, interests were mutual and a number of Southeast Asian nations welcomed India’s defence diplomacy. For example, although Singapore had once considered the Indian navy to be a threat, it has regularly participated in naval exercises with it since 1993, in addition to using Indian facilities to test

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<sup>137</sup> Meena Singh Roy, ‘The 9<sup>th</sup> Shanghai Cooperation Organisation Summit: An Assessment’, *IDS Comment*, 24 June 2009, available at [www.idsa.in/strategiccomments/The9thShanghaiCooperationOrganisationSummit\\_MSRoy\\_240609](http://www.idsa.in/strategiccomments/The9thShanghaiCooperationOrganisationSummit_MSRoy_240609). A dissenting view is offered by Emilian Kavalski in his book *India and Central Asia: The Mythmaking and International relations of a Rising Power* (London, UK and New York, NY: IB Tauris, 2010), particularly pp. 79-109.

<sup>138</sup> Chietigj Bajpae, ‘India rediscovers East Asia’, *Asia Times* (31 October 2007), available at [www.atimes.com/atimes/South\\_Asia/IJ31Df02.html](http://www.atimes.com/atimes/South_Asia/IJ31Df02.html).

<sup>139</sup> G.V.C. Naidu, ‘Southeast Asian Security Dynamics’, p.95.

<sup>140</sup> G.V.C. Naidu, *Indian Navy and Southeast Asia* (Delhi, Knowledge World, 2000), p.182.

some of its armaments. Similarly, Malaysia signed a Memorandum of Understanding with India in 1993 on defence cooperation.<sup>141</sup>

The Strait of Malacca, as one of the busiest ocean lanes in the world is of particular strategic significance to all Asian nations. Lying between the Malay Peninsula and Singapore to the east and Indonesia to the west, the Strait constitutes the link between the South China Sea and the Indian Ocean. About 20 per cent of the world's oil supply transits through it daily.<sup>142</sup>

Several security concerns revolve around the Andaman and Nicobar Islands both for India and its Asian neighbours, including the plunder of valuable resources, piracy, narcotics trade, gun running and terrorism. Foreign fishermen poach salt water crocodiles, sharks and varieties of corals and shells, as well as log rare teak trees and other forest produces...<sup>143</sup> India has been 'particularly concerned about gun-trafficking activities in the Andaman Sea, as the weapons mostly end up in the hands of rebellious ethnic groups running secessionist movements in north-east India through the long permeable borders India shares with Myanmar.'<sup>144</sup>

Southeast Asian organised crime elements from the Golden Triangle countries (spanning Thailand, Laos and Myanmar) have been using the Andaman Sea as a staging area for their operations. New Delhi also shares a strong perception with littoral states of Southeast Asia that terrorist groups could disrupt maritime traffic.<sup>145</sup>

India's concern about terrorism in Southeast Asia further stems from the imperatives of energy and supply chain security. With a growing economy, India's energy requirements have grown manifold, leading to an increasing dependence on an uninterrupted supply of energy from extra-regional sources. With a view of reducing its dependence on energy sources from the Middle East, India has looked to Asian nations such as Indonesia, Vietnam and Myanmar for supplies and is exploring avenues for the supply of energy resources from Russia, some of which might travel the Asia maritime route, thus making the security of shipping through these sea lanes paramount.<sup>146</sup>

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<sup>141</sup> G.V.C. Naidu, 'India's Strategic Relation with Southeast Asia', in Baladas Ghoshal (ed.), *India and Southeast Asia* (New Delhi: Konark Publishers, 1996), pp.32-33.

<sup>142</sup> Nanda, pp.19-20.

<sup>143</sup> Kishore Kumar, 'Andaman and Nicobar Islands: Our Gateway to the East', in Raja Reddy (ed.) *India and ASEAN: Foreign Policy Dimensions of the 21<sup>st</sup> Century* (New Delhi: New Century Publications, 2005), p.48.

<sup>144</sup> Frédéric Grare, 'In Search of a Role: India and the ASEAN Regional Forum', in Frédéric Grare and Amitabh Mattoo (eds.), *India and ASEAN*, p.135.

<sup>145</sup> Kumar, 'Andaman and Nicobar Islands: Our Gateway to the East', p.48; See also, Gurpreet Khurana, 'Cooperation among Maritime Security Forces', in *Strategic Analysis*, Vol.29, no.2 (Apr-June, 2005), pp.297-298.

<sup>146</sup> Arabinda Acharya, 'India and Southeast Asia in the Age of Terror: Building Partnerships for Peace', in *Contemporary Southeast Asia*, Vol.28, no.2 (2006), pp.310-311; Khurana, p.304.

Aside from terrorist threats at sea, India and Southeast Asian countries have particularly been victims of terrorist attacks by several Islamist militant groups, including Al Qaeda, Abu Sayyaf Group and Moro Islamic Liberation Front (Philippines), and Laskar Jihad and the Free Aceh Movement (Indonesia). Presently, the Jamaah Islamiyah is the largest terrorist organisation operating in five countries – Indonesia, Malaysia, Singapore, Thailand and the Philippines. In recent years, it has perpetrated acts of terror in Bali and Jakarta.<sup>147</sup>

India is well positioned to assist in Indian Ocean security given its increasingly strong navy.<sup>148</sup> Despite concerns in the past, a larger role for the Indian navy now appears more acceptable in the region. Indeed, the Indian navy is also engaged in multinational exercises such as ‘MILAN’, a biannual gathering of ships at Port Blair hosted by India to promote confidence building among several Asian and Pacific countries from as far afield as New Zealand.<sup>149</sup>

Regarding disaster relief, ‘[t]he Indian navy in particular has been at the cutting edge of India’s engagement with the region – as was evident from its ability to deploy quickly to areas hit by the tsunami at the end of 2004.’<sup>150</sup> India, along with the US, Japan and Australia formed a coalition to help the Tsunami affected area – spawning the term ‘Tsunami Diplomacy’ – that was seen by some as aimed indirectly at China.<sup>151</sup>

To deal with the aforementioned security concerns, India has been engaging regionally and bilaterally. Regionally, ASEAN’s approach to external security is primarily ‘institutionalist’.<sup>152</sup> The ARF has been the key regional security institution within which India has been able to engage Southeast Asia as a whole. However, its Confidence Building Mechanisms (CBMs) have been unconvincing and serious differences have arisen over moving beyond them to preventive diplomacy. In neither the case of the East Timor crisis nor the North Korean nuclear imbroglio did the ARF play any role.<sup>153</sup> Understanding these limitations, India is building relationships in Asia through a multiplicity of channels.

Bilaterally, India has cooperative arrangements with several countries stretching from the Seychelles to Vietnam. Since 1991, India has periodically held joint naval exercises with

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<sup>147</sup> Deware, p.58.

<sup>148</sup> Robert D. Kaplan, ‘Center Stage for the Twenty-first Century’, in *Foreign Affairs*, Vol.88, no.2 (March/April 2009).

<sup>149</sup> Government of India, *Ministry of Defence Annual Report 2008-09*, p.37, available at <http://mod.nic.in/reports/welcome.html>.

<sup>150</sup> C. Raja Mohan, ‘India and the Balance of Power’, in *Foreign Affairs*, Vol.85, no.4 (July/Aug 2006).

<sup>151</sup> See Gurpreet S. Khurana, ‘India-China Maritime Rivalry’, in *India Defence Review*, Vol.23, no.4 (April 2009), available at [www.indiandefencereview.com/2009/04/china-india-maritime-rivalry.html](http://www.indiandefencereview.com/2009/04/china-india-maritime-rivalry.html).

<sup>152</sup> Mak Joon Num, ‘ASEAN-India Defence Interactions’, in Frédéric Grare and Amitabh Mattoo (eds.), *India and ASEAN*, p.156.

<sup>153</sup> Naidu, ‘Southeast Asian Security Dynamics,’ pp.90-91.

Singapore, Malaysia, and Indonesia in the Indian Ocean and in subsequent years with Vietnam, Thailand and the Philippines.<sup>154</sup> India is particularly deepening its military ties with Malaysia, through an agreement to develop 'a framework for strategic cooperation and partnership' concluded on 22 January 2010.<sup>155</sup> Most significantly, the signing of a defence cooperation agreement with Singapore in 2003 has made the city-state India's most important bilateral security partner in Southeast Asia.<sup>156</sup> Indeed, Singapore, with its high quality research institutions and university-based think tanks, has become an important centre of strategic thinking about India's role in the Indian Ocean and Asia, often drawing on temporarily resident top quality Indian scholars and commentators, in recent years including C. Raja Mohan, Sanjaya Baru and S.D. Muni.<sup>157</sup>

India has deepened bilateral defence cooperation with Indonesia and Thailand in order to jointly patrol the Andaman Sea.<sup>158</sup> Similarly, sharing strategic concerns stemming from the rise of China in the region, India and Vietnam signed a Joint Declaration on Strategic Partnership in 2007.<sup>159</sup> While Indo-Philippine ties are relatively immature at present, in February 2006 an agreement for defence cooperation and security dialogue was signed between both nations that would deepen maritime cooperation and allow for bilateral military exchanges.<sup>160</sup>

Outside of Southeast Asia, military contacts between India and Japan have developed significantly, in recent years. In 2000, both nations began holding annual summits and ministerial level meetings. Their navies and coast guards have also engaged in joint exercises.<sup>161</sup> India and Japan elevated their relationship to a 'Strategic and Global Partnership' in August 2007, leading on to a 'Joint Statement on the Advancement of the Strategic Global Partnership' in October 2008.<sup>162</sup> This was a major step for Japan to take, as it has signed only one similar declaration, with Australia. Most recently, in December 2009, the two countries agreed to annual

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<sup>154</sup> Walter C. Ludwig III, 'Delhi's Pacific Ambition: Naval Power, 'Look East', and India's Emerging Influence in the Asia-Pacific', in *Asian Security*, Vol.5, no.2 (2009), p.95.

<sup>155</sup> P.S. Suryanarayan, 'New Partnerships: India's growing engagement with Japan, South Korea and Malaysia opens new possibilities of cooperation', *Frontline*, 26 February 2010.

<sup>156</sup> See, Government of India, *Ministry of Defence Annual Report 2003-04*, pp.193-194 and throughout, available at <http://mod.nic.in/reports/welcome.html>.

<sup>157</sup> Teresita Schaffer, *India and the 21<sup>st</sup> Century: Reinventing Partnership* (Washington: Centre for Strategic and International Studies, 2009), p.147.

<sup>158</sup> C. Raja Mohan, 'There's a new game in Asia', *The Indian Express* (31 May 2005).

<sup>159</sup> Ministry of Foreign Affairs Viet Nam, 'Vietnam-India joint declaration on strategic partnership', available at [www.mofa.gov.vn/en/nr040807104143/nr040807105001/ns070709164916](http://www.mofa.gov.vn/en/nr040807104143/nr040807105001/ns070709164916).

<sup>160</sup> 'India, Philippines to sign defence agreement', *The Times of India* (1 February 2006), available at <http://timesofindia.indiatimes.com/india/India-Philippines-to-sign-defence-agreement/articleshow/1396531.cms?flstry=1>.

<sup>161</sup> Seth, p.815.

<sup>162</sup> Ministry of Foreign Affairs of Japan, 'Joint Statement on the Advancement of the Strategic and Global Partnership between Japan and India', Tokyo, 22 October 2008, available at [www.mofa.go.jp/region/asia-paci/india/pmv0810/joint\\_s.html](http://www.mofa.go.jp/region/asia-paci/india/pmv0810/joint_s.html).

bilateral naval exercises among several other activities.<sup>163</sup> Given that more than 50 per cent of India's trade and more than 80 per cent of Japan's oil imports transit through the Strait of Malacca, both countries share a significant stake in the security of the Indian Ocean.<sup>164</sup> Also, the military build up undertaken by Beijing in the past decade concerns both, given that some experts predict that by early next decade, China's military could overtake Japan's as the foremost military force in Northeast Asia.<sup>165</sup>

Though still moderate, India's defence ties with South Korea have also been deepening as a result of strategic imperatives. South Korea is particularly concerned that China's ongoing military build up will enable it to dominate the sea lanes of the South China Sea, which would undercut its political independence from China significantly. Moreover, both nations are also united in their concerns about the proliferation of nuclear weapons and missile technology in their respective regions. These worries converge in China which has aided both Pakistan and North Korea with their nuclear weapons programs.<sup>166</sup> Thus, Korean policy makers are open to India's overtures.

An India-ROK Foreign Policy and Security Dialogue has been established, to promote interaction in the defence field including on the safety and security of international maritime traffic, and on cooperation between their navies, coast guards and related agencies.<sup>167</sup> India and Korea decided to enhance their relationship to a strategic partnership, in a joint statement issued after the talks between President Lee Myung-bak and Manmohan Singh on 25 January 2010.<sup>168</sup>

Since the late 1980s and early 1990s, with the warming of Sino-Indian relations, defence cooperation was marked by talks on the boundary issue under the aegis of a joint working group, and the reduction of tension on the border issue via CBMs stemming from agreements on the Line of Actual Control in the border areas that were established in 1993 and 1996.<sup>169</sup> In the twenty-first century, India and China's defence cooperation has expanded and deepened. Along with increasing exchange between defence officials, the two nations have conducted a number of

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<sup>163</sup> K.V. Prasad, 'India, Japan finalize action plan to advance security cooperation', *The Hindu* (30 December 2009); Ministry of Foreign Affairs of Japan, 'Action Plan to advance Security Cooperation based on the Joint Declaration on Security Cooperation between Japan and India', 29 December 2009, available at [www.mofa.go.jp/region/asia-paci/india/pmv0912/action.html](http://www.mofa.go.jp/region/asia-paci/india/pmv0912/action.html).

<sup>164</sup> Uttara Duggipati, 'India-Japan Relations: A Partnership for Peace and Prosperity', in *South Asia Monitor*, no.134, Center for Strategic and International Studies, 1 October 2009.

<sup>165</sup> Ludwig III, p.99.

<sup>166</sup> See Mohan Malik, 'The Proliferation Axis: Beijing-Isamabad-Pyongyang', in *The Korean Journal of Defense Analysis*, Vol.15, no.1 (Spring 2003), pp.57-98.

<sup>167</sup> Lakhvinder Singh, 'New Direction of Korea-India Ties', *The Korea Times*, 21 January 2010, available at [www.koreatimes.co.kr/www/news/opinion/2010/06/198\\_59420.html](http://www.koreatimes.co.kr/www/news/opinion/2010/06/198_59420.html).

<sup>168</sup> 'Strategic Partnership', *The Korea Times*, 26 January 2010, available at [www.koreatimes.co.kr/www/news/opinion/2010/01/202\\_59705.html](http://www.koreatimes.co.kr/www/news/opinion/2010/01/202_59705.html).

<sup>169</sup> Swaran Singh, *China -South Asia: Issues, Equations, Policies* (New Delhi: Lancer's Books, 2003), pp.131-141.

joint military and naval exercises.<sup>170</sup> These efforts are helpful as part of a strategy to establish shock absorbers into a bilateral security relationship that remains tense and focused to a large extent on worries about strategic encirclement of each by the other.

Islamic terrorism is an issue on which Indian and Chinese interests have converged, particularly in the sensitive regions of Kashmir and Xinjiang.<sup>171</sup> While actual collaboration has been slight, joint counter-terrorism training was held in November 2007 and in 2008.<sup>172</sup>

New Zealand has modest defence links with India that have been marked largely by interaction between their navies, with ship visits to Mumbai, Kochi and Auckland taking place in recent years, along with naval exercises.<sup>173</sup> Australia, a larger scale player, has increased defence cooperation with the resumption of defence ties in 2000. In recent years, Australian leaders have recognised the important role that India can play in the security architecture of the wider Asia-Pacific region and that the interests of both nations converge in many areas.<sup>174</sup> As a result, a series of agreements in 2006 and 2007 on joint naval exercises, enhanced maritime security cooperation, increased military exchanges, and joint training of the two nations' armed forces were established.<sup>175</sup> In November 2009, the Prime Ministers of India and Australia issued a joint statement upgrading relations to the level of 'Strategic Partnership.'<sup>176</sup> (with so many of India's Asian relationships now being elevated to 'Strategic Partnerships', the term may soon cease to impart any real meaning).

Overall, with faster economic growth, India's military and strategic capabilities are becoming more consequential for Asia. India is certainly making its presence felt through the expansion of its ties with China wary nations and the region as a whole. Relations between the navies and militaries of India and their Asian counterparts are increasingly institutionalised through a multitude of defence agreements. While the enthusiasm of Asian nations, including Singapore, South Korea, and Japan is influenced by concern over the growing military capacities of China, C. Raja Mohan emphasises:

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<sup>170</sup> Bajpae, 'India rediscovers East Asia'.

<sup>171</sup> James Clad, 'Convergent Chinese and Indian Perspectives on the Global Order', in Francine R. Frankel and Harry Harding (Eds.), *The India-China Relationship: What the United States Needs to Know*, (New York: Columbia University Press, 2004), p.270.

<sup>172</sup> Yan, 'India-China relations in one of the best periods of history'.

<sup>173</sup> New Zealand Ministry of Foreign Affairs & Trade, 'Republic of India'.

<sup>174</sup> See, 'Australia and India: A Convergence of Interests', Speech by Minister for Foreign Affairs Stephen Smith at *The Asia Society*, Mumbai, 15 October 2009, available at [www.foreignminister.gov.au/speeches/2009/091015\\_asia\\_society.html](http://www.foreignminister.gov.au/speeches/2009/091015_asia_society.html).

<sup>175</sup> Mark Dodd, 'India Defence ties to be tightened', *The Australian* (4 June 2007), available at [www.theaustralian.com.au/news/nation/india-defence-ties-to-be-tightened/story-e6frg6nf-1111113672689](http://www.theaustralian.com.au/news/nation/india-defence-ties-to-be-tightened/story-e6frg6nf-1111113672689); 'Australia inks first defence pact with India, maritime ties focus', *The Indian Express* (7 March, 2006), available at [www.indianexpress.com/oldStory/89139/](http://www.indianexpress.com/oldStory/89139/).

<sup>176</sup> 'India-Australia Joint Declaration on Security Cooperation', New Delhi, 12 November 2009, available at <http://prrudd.archive.dpmc.gov.au/node/6324>.

‘[t]he important question is not whether India will ever match the power potential of China, nor is it a question of East Asia seeing India as a ‘counterweight’ to China. So long as Indian economic growth continues at a fast pace, and New Delhi modernises its military capabilities and builds a blue-water navy, it will remain a valuable partner for many states of the Asian littoral. A rising India generates options that did not exist before in the Western Pacific ... [India’s] emphasis on pragmatic cooperation rather than ideological posturing and its cooperative maritime strategy make it a valuable security partner for many nations in Pacific Asia.’<sup>177</sup>

### ‘Soft Power’ Ties

Soft sources of power such as culture and shared values can greatly contribute to international credibility. India’s soft power potential lies, among other things, in its democratic credentials, secular values, pluralistic society, considerable pool of skilled English speaking professionals, varied culture (particularly Bollywood movies), and its food and handicrafts.<sup>178</sup> India is a civilisation that, over millennia, has offered refuge and, more importantly, religious and cultural freedom, to Jews, Parsis, several varieties of Christians, and Muslims.<sup>179</sup> In the post-independence period, India failed to play much on its cultural ties to the Asian region. Indeed, its cultural diplomacy then was perceived as somewhat gauche in Asia insofar as it seemed to suggest that some South East Asian countries were India’s ‘cultural colonies’.<sup>180</sup> Moreover, Indian foreign policy initiatives arguing for Asian solidarity failed to gain traction because East and Southeast Asian nations had no desire to subordinate their national identities to high-minded notions of Asian regional unity; nor did they agree with the claim that India was the ‘mother of all civilisations’ in Asia.<sup>181</sup>

Recognising the need to shed these earlier notions of cultural superiority, India’s has since the early 1990s engaged pragmatically with Asians on cultural and other issues. Today, India’s cultural appeal is evident globally, and particularly, in Southeast Asia through the positive resonance of its films, dance and music. In fact, ‘India’s film stars like Amitabh Bachhan, Aishwarya Rai or Shah Rukh Khan have become icons of India’s cultural image. If, today their

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<sup>177</sup> C. Raja Mohan, ‘Is India an East Asian Power? Explaining New Delhi’s Security Politics in the Western Pacific’, *ISAS Working Paper*, no.81 (11 August, 2009), available at [www.isasnus.org/events/workingpapers/80.pdf](http://www.isasnus.org/events/workingpapers/80.pdf), pp.20-21.

<sup>178</sup> Rajeev Ranjan Chaturvedy, ‘Making the Case for Soft Power’, *ICRIER Think Ink* (1 November 2008), available at [www.icrier.org/page.asp?MenuID=24&SubCatId=177&SubSubCatId=326](http://www.icrier.org/page.asp?MenuID=24&SubCatId=177&SubSubCatId=326).

<sup>179</sup> Shashi Tharoor, ‘Indian Strategic Power: Soft’, *Global Brief* (13 May 2009), available at <http://globalbrief.ca/blog/2009/05/13/soft-is-the-word/>.

<sup>180</sup> C. Raja Mohan, ‘Soft Power, Hard Facts’, *The Indian Express* (19 November 2007).

<sup>181</sup> *Ibid.*

‘presence’ in millions of homes across Southeast Asia is a source of joy and fellow feeling, then their contribution to enhancing the comfort level between India and Southeast Asia cannot be insignificant.’<sup>182</sup> The game of cricket has also fostered strong relations between India and some other Asian nations beyond its immediate neighbourhood. The new Indian 20/20 League, in which New Zealand and Australian players participate, has attracted wide interest amongst the populations within each country and in other Asian nations. All of these factors generate ‘pull’ for India, emphasising its appeal in ways having little to do with economic growth or military might.

India has been setting up Cultural Centres in Asia to enhance an awareness and understanding of India’s rich and diverse cultural heritage and its local relevance, including in Jakarta, Suva, Kuala Lumpur, Tokyo, and Bangkok as well as in Bali and Lautoka (Fiji).<sup>183</sup> Each year, the Indian Council for Cultural Relations (ICCR) sends performing arts groups to participate in festivals around Asia. The year 2007 was declared ‘Indian-Japan Friendship Year,’ in commemoration of the 50<sup>th</sup> anniversary of concluding a cultural agreement between both countries. Overall, nearly 400 events were arranged in the two countries throughout that year.<sup>184</sup> And 2009 witnessed the Festival of India in Indonesia on a similar scale.<sup>185</sup>

India’s youth is a crucial asset in its self-promotion globally, and Asia is sensitive to it. ‘[The] new, optimistic, aspirational India is clearly the India of the young. The entrepreneurs, who are coming into prominence across industries, from telecommunications to banking to manufacturing, are remarkably youthful. It is the power and energy of our human capital, young and old, that has been central to the Indian transformation.’<sup>186</sup> Thus, unsurprisingly, in Singapore, the finance and IT sectors welcome young Indians with open arms and many companies, banks and financial institutions have started visiting top Indian campuses for recruitment purposes.<sup>187</sup> Indeed, India has emerged as an important source of skilled workers much of Asia.<sup>188</sup>

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<sup>182</sup> Deware, p.171.

<sup>183</sup> See the Indian Council for Cultural Relations (ICCR) website at <http://iccrindia.net/index.html> and [www.iccrindia.org/chairs.htm](http://www.iccrindia.org/chairs.htm).

<sup>184</sup> Embassy of Japan in India, ‘Grand Success of Japan-India Friendship Year’, available at [www.in.emb-japan.go.jp/Friendship\\_Year2007/join.html](http://www.in.emb-japan.go.jp/Friendship_Year2007/join.html).

<sup>185</sup> Veeramalla Anjaiah, ‘Relations between RI and India reach ‘historic high’ in 2009’, *The Jakarta Post* (4 January 2010), available at [www.thejakartapost.com/news/2010/01/04/relations-between-ri-and-india-reach-‘historic-high’-2009.html](http://www.thejakartapost.com/news/2010/01/04/relations-between-ri-and-india-reach-‘historic-high’-2009.html).

<sup>186</sup> Nandan Nilekani, *Imagining India: The Idea of a Renewed Nation* (Toronto, Viking Canada, 2009), pp.26-27.

<sup>187</sup> Ishani Duttagupta, ‘Skilled Indians shop for jobs in Singapore’, *The Economic Times* (26 June 2008).

<sup>188</sup> Amarjit Kaur, ‘Indians in Southeast Asia: Migrant Labour, Knowledge workers and the new India’, in Rajesh Rai and Peter Reeves (eds.), *The South Asian Diaspora: Transnational networks and changing identities* (New York: Routledge, 2009), p.84.

In Southeast Asia, efforts are currently afoot to promote 'networking of universities [by] the linking of Indian higher education institutions with the ASEAN University Network, systemising accreditation of universities and institutions with each other, exchange of professors and experts in information technology, biotechnology and biomedics, joint research in frontline areas of agriculture, food processing and higher science and technology and the exchanges of students and professors in social sciences and economics.'<sup>189</sup> Moreover, India provides a wide ranging set of scholarships for Asian students to study in India, particularly through the ICCR. Beyond such scholarships, the Indian government also helps in the establishment of chairs related to India and its languages in universities of Southeast Asia.<sup>190</sup>

Outside of Southeast Asia, growing cooperation in the area of education is taking place through increased educational exchanges and the recruitment of Indian students between India and South Korea, New Zealand and particularly to Australia. For example, in 2009 alone there were over 120,000 Indian students enrolled in Australia and enrolments there have increased at an average annual rate of 41 per cent since 2002.<sup>191</sup>

India's Ministry of External Affairs (MEA) has sought to underpin cooperation with developing countries through its 'Indian Technical and Economic Cooperation' (ITEC) programme, which focuses on sharing of experiences, transfer of technology and capacity building at the bilateral level. For example, around 1000 Indonesian experts and officials have received training under this program.<sup>192</sup> In recent years the scope of ITEC's activities has increased and it has also engaged with regional and multilateral organisations including the ASEAN, BIMSTEC and the MGC.<sup>193</sup> In 2008-2009, 25 per cent of the total MEA budget was allocated to the programme.<sup>194</sup>

## **The Indian Diaspora**

The Indian Diaspora is also a crucial actor in India's influence in Asia. In Southeast Asia alone, there are an estimated 6.7 million people of Indian origin.<sup>195</sup> The significant economic resource that remittances back to India represent has guided much of New Delhi's effort to engage this large Indian Diaspora. Between 2007 and 2008, remittances increased nearly 45 per cent. The

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<sup>189</sup> Deware, p.172.

<sup>190</sup> See 'Chairs' and 'Scholarships' on the ICCR website at [www.iccrindia.org/chairs.htm](http://www.iccrindia.org/chairs.htm).

<sup>191</sup> Australian Government, Department of Foreign Affairs and Trade, 'India country Brief.'

<sup>192</sup> Baladas Ghoshal, 'India's Soft power approach can contribute to Indonesia's growth', *The Jakarta Post* (28 November 2008).

<sup>193</sup> Government of India, *Ministry of External Affairs Annual Report 2008-2009* (New Delhi: Policy and Planning Research Division, 2009), p.132.

<sup>194</sup> For sectoral allocations in the 2008-2009 budget of the Ministry of External Affairs, see *MEA Annual Report 2008-2009*, p.184.

<sup>195</sup> Sridharan, 'India and Southeast Asia in the Context of India's Rise', pp.79-80.

two main sources of remittances for India are the Gulf and Malaysia.<sup>196</sup> But, while the remittances are much welcomed by India, the treatment of Indian citizens (and, in the case of Malaysia, citizens of Indian origin) by host countries often gives rise to tension and criticism within India, often with considerable justification. The see-sawing slow motion power struggle between ethnic Indians and indigenous islanders in Fiji over past decades has soured diplomatic relations between the two countries, not least when the ethnic Indian community was adversely affected by the coups of 1999 and 2000 in Suva. In response, the Indian government exerted what diplomatic pressure it could through bilateral and multilateral channels (including the Commonwealth) but was accused of interference by the interim Fijian government, resulting in the closure of Indian High Commission in Suva.<sup>197</sup> Evidently, Diaspora links cut both ways, and India has scant capacity to guarantee the rights and promote the interests of its Diaspora communities. 'Given its myriad domestic challenges ... it is unrealistic to expect that it [India] can influence events in other countries on behalf of its people.'<sup>198</sup>

In a similar vein, and as noted above, attacks against Indian students have of late been a source of tension between Australia and India. Given that education is Australia's third largest export commodity and that Indian students make up 19 per cent of the total international enrolments, these attacks have unsurprisingly given rise to diplomatic damage control visits by Australian officials during the latter half of 2009 and subsequently.<sup>199</sup> In wake of these attacks joint efforts to address the issues affecting Indian students in Australia have resulted in the establishment of annual ministerial exchange between the two countries on education issues.<sup>200</sup> Therefore, although the large Indian community in Australia is locally perceived mostly as a positive factor, it has also been one that has heightened concerns between the two nations.

However, overall, the people-to-people links that form between Diaspora communities and other countries are important and positive. Indeed, ethnic Indians have achieved a great deal in political, business, and professional fields in Asia. For example, the thriving Indian business communities in Thailand, Indonesia, Singapore and Malaysia are more admired than not.<sup>201</sup>

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<sup>196</sup> Government of India, Ministry of Overseas Indians, *Annual Report 2008-2009*, pp.5-6, available at [http://moia.gov.in/writereaddata/pdf/Annual\\_Report\\_2008-09.pdf](http://moia.gov.in/writereaddata/pdf/Annual_Report_2008-09.pdf).

<sup>197</sup> Sridharan, 'India and Southeast Asia in the Context of India's Rise', p.83

<sup>198</sup> Ibid.

<sup>199</sup> BBC News, 'India Students shunning Australia', BBC News (1 January 2010), available at <http://news.bbc.co.uk/go/pr/fr/-/2/hi/asia-pacific/8444870.stm>; Rahul Mishra, 'India-Austral Relations: Off Again, On Again?' *IDSa Comment* (16 November 2009), available at [www.idsa.in/idsacomments/IndiaAustraliaRelations\\_rmishra\\_161109](http://www.idsa.in/idsacomments/IndiaAustraliaRelations_rmishra_161109).

<sup>200</sup> Australian Government, Department of Foreign Affairs and Trade, 'India country Brief.'

<sup>201</sup> Deware, p.175.

## Tourism

Tourism, particularly religious tourism, is another existing but potentially much greater asset in India's relations with Asian nations. A major draw for international visitors is Buddhist tourism, which has significant potential to generate arrivals from Northeast and Southeast Asian markets including China, Japan, Thailand, Malaysia, Hong Kong, South Korea, and Singapore.<sup>202</sup> In mid 2007, the Indian Railway Catering and Tourism Corporation launched a new Buddhist circuit special luxury train. Japanese investors are also assisting in the implementation of an integrated master plan to develop tourism infrastructure along the Buddhist circuit.<sup>203</sup>

The flow of Indian tourists to Asia and Asian tourists into India has increased both in absolute numbers and in relative terms in recent years, although not yet dramatically. Tourist arrivals from East Asia and the Pacific to India increased from over 390,000 in 2003 to more than 820,000 in 2007.<sup>204</sup> Similarly, the percentage share of Indian tourists travelling to Asia has increased in recent years (See Figure 1). While Japan, Australia and Malaysia remain amongst the top ten sources of tourists, the largest markets for Indian inbound tourism remain the US, the UK and Bangladesh.<sup>205</sup> Worth noting is that there is negligible flow of visitors between India and China. Although direct flights between India and China began in 2002, in 2007, the two nations with a combined population of over 2 billion exchanged only 570,000 visitors with only 60,000 Chinese visitors coming to India.<sup>206</sup>

India can do much better in attracting tourists from Asia, but it will require a better understanding for the value-for-money available in other Asian tourist destinations, and the minimum requirements of comfort, and facilities that Asian tourists, including from China, have come to expect during their travels abroad. India's often over-priced, sub-par hotel accommodations, combined with sometimes chaotic local conditions for tourists are hardly the Asian ideal for family holidays, even when the archaeological and other attractions themselves are often stupendous. Indeed, if these concerns remain unaddressed, the 'Incredible India' of the coveyed in the excellent Indian tourism promotional campaign is destined to remain "“incredibly inconvenient and expensive” India for many Asians.’<sup>207</sup>

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<sup>202</sup> John Koldowski and Oliver Martin, 'Emerging Market Segments: Religious and Medical Tourism in India', in Roland Conrady and Martin Buck (eds.), *Trends and Issues in Global Tourism 2008* (Berlin: Springer, 2008), p.128.

<sup>203</sup> Ibid., pp.128-129.

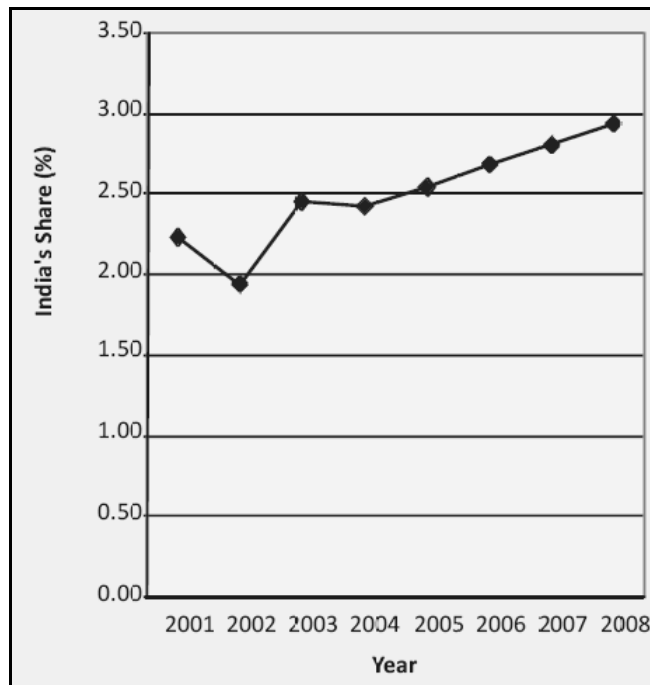
<sup>204</sup> United Nations World Tourism Organization, *Yearbook of Tourism Statistics (2009 Edition)* (Madrid, World Tourism Organization, 2009), p.358.

<sup>205</sup> Shekhar Niyogi, 'New Growth Sectors for Indian Tourism', *Travel Daily News* (7 October 2009), available at [www.traveldailynews.com/pages/show\\_page/33438-New-growth-sectors-for-Indian-tourism](http://www.traveldailynews.com/pages/show_page/33438-New-growth-sectors-for-Indian-tourism).

<sup>206</sup> Alka Acharya, *China and India: Politics of Incremental Engagement* (New Delhi: Har-Anand, 2008), p.15; Yan, 'India-China relations in one of the best periods of history'.

<sup>207</sup> Pallavi Aiyar, 'Tourism in India and China, a study in striking contrast', *The Hindu* (14 April 2008), available at [www.thehindu.com/2008/04/14/stories/2008041454911100.htm](http://www.thehindu.com/2008/04/14/stories/2008041454911100.htm).

**Figure 1: Percentage of Indians among International Tourist Arrivals in Asia & the Pacific<sup>208</sup>**



**Source:** Government of India, *Incredible India: Tourism Statistics at a Glance, 2008*, (New Delhi: Market Research Division, Ministry of Tourism, July 2009).

## Conclusion

India has not yet made the best of its assets in Asia. Its forms of societal organization, occasional social unrest, sometimes unfathomable local politics and sudden excesses of violence – sometimes on a frighteningly large scale – often seem to repel other Asians, particularly East Asians, much more than India's attractive features appeal to them. Even the Indian avatar of corruption, a wider phenomenon present throughout nearly all of Asia in varying degrees, worries Asians insofar as the specifics of the interplay of incentives offered back and forth between private sector and official Indian actors is mysterious to outsiders and requires either considerable local intermediation by Indian business partners, or an admirable if potentially costly stance of 'clean hands' dealings. Indeed, for these and other reasons, Japanese private sector actors find themselves more comfortable dealing with India through Dubai, the latter's antiseptic characteristics acting as an antidote to India's strongly flavoured particulars. And, curiously, until recently, India has made little effort to make better known its own model of

<sup>208</sup> This graph is based on data collected by the United Nations World Tourism Organization (UNWTO). Asia and the Pacific include all countries in North-East Asia, South-East Asia, South Asia and Oceania.

democracy, which, while messy and fractious, has provided resilient social shock absorbers during a period of rapid economic transition and rising internal inequality in the country. As a pluralistic society, India has been able to demonstrate both considerable resiliency but also significant creativity in addressing the strains inherent in the very rapidly moving changes affecting its society. From an Asian perspective, Western models of democracy should not be nearly as relevant as the Indian model. Should it chose to do so, India could share much about nation building and participatory politics in an Asian setting with other Asian nations.<sup>209</sup>

Pavan Varma writes: '[w]e [Indians] are emerging slowly as an important face in the areas of politics, economics and the military. In the field of culture, however, we have always been a superpower, given our civilisational depth and antiquity.'<sup>210</sup>

Nevertheless, there is more India can do to enhance its soft power in the Asian region. Sanjaya Baru notes: 'It is ridiculous that India has more diplomats posted in west European capitals than in [E]ast Asian ones! India needs deeper and wider engagement with rising Asia across many fields and on more fronts.'<sup>211</sup> Not only does India have to work to create a greater understanding and awareness of Asia within India, but it also needs to pursue activities that further deepen the interaction and exchange between itself and other Asian nations.

The new guiding concept of India's Asia policy – the LEP – has certainly evolved since the early 1990s. Born in the context of a dramatically transformed global order and during a time of national economic crisis, India's LEP, though narrowly focused on economic relations in Southeast Asia in its early years, has expanded to encompass multi-dimensional interaction with all of the major players in the East Asian region.

India's concerted push eastward has resulted in a much thicker web of interactions in Asia. India has now, however belatedly established itself in this vast region and is now widely regarded as a one of the three major Asian actors. Moreover, most of Asia seems eager to engage an increasingly commercially open, diplomatically flexible India that is open to military (particularly naval) cooperation.

India's medium and long-term strategy towards the region as a whole and towards individual countries is still tentative and evolving. This has also been true of India's approach to the area's regional organisations and arrangements, although India today seems keener on joining many of them than on eying them at a distance with suspicion. Notwithstanding the greater trust that has

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<sup>209</sup> See Baladas Ghoshal, 'India's Soft power approach can contribute to Indonesia's growth'.

<sup>210</sup> Pavan Varma, 'Culture as an instrument of diplomacy', in Atish Sinha and Madhup Mohta (eds.), *Indian Foreign Policy*, p.1137.

<sup>211</sup> Sanjaya Baru, 'Sanjaya Baru: It's time for a 'Look Further East Policy'', *Business Standard* (7 December 2009).

developed between India and its Asian counterparts, and the acknowledgment of their mutual relevance, India remains excluded from some important regional forums and there remains great potential for India to increase its impact in the region and gain from its economic interests there.

In all of this, India's unspoken goal, beyond the promotion of its economic interests (which has at times been strongly supported by some East and Southeast Asian nations), seems to be to manage, and, where necessary, counter, rising Chinese influence that might both encircle it and undermine its aspirations to a meaningful leadership role within the Asian continent and globally. Although Indians may sometimes attach more weight to China's differences with their country than seem warranted by the facts to date, in recent years with China growing faster and more self-confident than India in most respects, the China angle remains central for New Delhi.

In sum, India enjoys a 'soft power' pull in relations with many Asian nations. But the region is unsentimental and to meet India's expectations, it will continue to demand more Indian engagement than has yet become habitual for New Delhi.

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