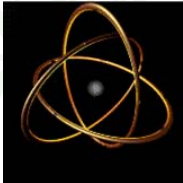




**SOUTHEAST ASIA
RESEARCH PROGRAMME**

**OCTOBER
2009**

**SOUTHEAST ASIA
RESEARCH
PROGRAMME**



The Southeast Asia Research Programme of the IPCS, aims to promote research on Southeast Asia in India, map the existing nature and dynamics of India-Southeast Asia relations, and highlight current political, economic and security developments of mutual concern. Besides, it seeks to provide a platform for greater deliberation among policy-makers and academics on various policies concerning India and Southeast Asia, through organizing events and publishing reports.

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India's Look East Policy: A Critical Assessment

Interview with Amb. Rajiv Sikri

IPCS Special Report

**Anna Louise Strachan
Harnit Kaur Kang
Tuli Sinha**



Ambassador Rajiv Sikri is the former Special Secretary (ER) and Secretary (East) in the Ministry of External Affairs with responsibility for India's Look East Policy between 2002 and 2006. He is the author of 'Challenge and Strategy: Rethinking India's Foreign Policy' published by SAGE in 2009.



INDIA'S LOOK EAST POLICY: A CRITICAL ASSESSMENT

An interview with Ambassador Rajiv Sikri, former Special Secretary (ER) and Secretary (East) in the Ministry of External Affairs with responsibility for India's Look East Policy between 2002 and 2006.

Why was India not looking east before Prime Minister P V Narasimha Rao took the reins of India's foreign policy?

There are many reasons for India's relative neglect of this region. Because of India's colonial links, India's ruling elite had an essentially Western orientation and thinking in the post-1947 period. Economically, due to the fact that this region was less developed than India until the 1970s Southeast Asia was not an attractive trading and economic partner. India's own economic policies were insular and protectionist. It did not help that our overland linkages to Southeast Asia were blocked. Myanmar closed itself to the rest of the world in the early sixties, while East Pakistan/Bangladesh was not amenable to providing transit facilities. Politics too intervened. India and the Southeast Asian countries were on opposing sides of the Cold War divide. We now realize that our perceptions about this region were flawed. In this way, we missed a great opportunity to foster ties within our Asian neighbours to the east during a crucial period when the foundation stones of India's foreign policy architecture were being laid. We could not leverage our shared colonial experience, cultural affinities and a remarkable lack of historical baggage to build our relations with Southeast Asia.

Have the objectives of the LEP been achieved?

Since the early nineties, there has been steadily increasing cooperation on all fronts and India has begun to figure in the strategic thinking of Southeast Asia. When India became a nuclear power in 1998, major powers like United States, Japan and many other countries sat up and took note of this important development. ASEAN wanted closer ties with India to balance the influence of China. Singapore played a particularly important role in creating awareness of India's strategic importance. You would have noticed that there is a domestic political and public consensus on India's LEP. No party has ever questioned the desirability of closer engagement with Southeast Asia. More could have certainly been done to build relations with the Southeast Asian countries, but the overall balance sheet during this period is satisfactory.

Why has India failed to utilize its diaspora in Southeast Asia when China has been very successful on this front?

Compared to the Indian diaspora, the Chinese diaspora in Southeast Asia is much larger, very prosperous and controls significant sections of the economy. It therefore carries considerable clout in Southeast Asia. Indian diaspora is different. Historically, the first Indian immigrants were from the lower strata of society, who were taken from British India to work mostly as plantation workers and agricultural laborers. Similarly, the Indian diaspora in Myanmar is also disadvantaged due to their historical collaboration with the British colonial rulers to rule over Burma. Therefore, India has benefited less than China has from their respective diasporas in Southeast Asia.

What were the major watershed events on the international stage that led India to forge engagements with ASEAN?

India's economic and financial crisis of 1991 coincided with the collapse of the Soviet Union, which was India's valued economic and strategic partner. Both these developments compelled India to take a fresh look at its foreign policy. It was Prime Minister P V Narasimha Rao's strategic vision that he quickly grasped the changed economic and strategic paradigms of international relations in the early 1990's. The world was no more divided into Cold War blocs, and South Asia and Southeast Asia could no longer be treated as separate strategic theatres. Prime Minister Rao took a conscious decision to plug into the dynamic Southeast Asian region.

What is China's role in Southeast Asia and how is it affecting India's Look East Policy?

China does not favour a strong Indian presence and influence in Southeast Asia. China is aware of the various cultural and spiritual ties that India shares with Southeast Asia, which could naturally attract the two regions to come closer. China knows that India is the only country that could possibly challenge its ascendancy and potential hegemony in Asia, and

therefore it makes sense for China to try hard to keep India under pressure. Traditionally, China has been very dismissive of India, which it treats as a mere South Asian player. However, over the last decade or so, the Chinese have been somewhat puzzled and intrigued by the steady rate of India's economic growth and its political stability. So they have no option but to take India more seriously.

Would the regional geopolitical dynamics shift if India were to be made a permanent member of the UN Security Council?

Of course. China currently enjoys a privileged position as being the only Asian power to have a permanent seat on the UNSC. It is aware of the changed dynamics if India succeeds in joining the UNSC as a Permanent Member. For years India has been bogged down in tackling its neighborhood problems. India's relations with Pakistan have worsened as a result of the policies of China – and the United States – towards Pakistan. If India is a Permanent Member of the UN Security Council, I think it would have a positive impact on India's relations with its neighbours. This does not detract from the urgent need for India to rethink and rework its neighborhood policy.

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We missed a great opportunity to foster ties within our Asian neighbours to the east during a crucial period when the foundation stones of India's foreign policy architecture were being laid.

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How is India seeking to expand its defense ties with the ASEAN?

In the sphere of defense, over the last 5-7 years India has steadily expanded its defence ties with the East and Southeast Asian countries. We engage these countries through regional confidence-building and cooperation mechanisms like the ASEAN Regional Forum (ARF), the Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia (ReCAAP) and the MILAN exercises that India holds every alternate year. In addition, India is also bilaterally engaged with the ASEAN countries, as well as Japan and South Korea. Areas of cooperation include joint or coordinated naval patrolling, fighting piracy and other maritime security threats, and military, air and naval exercises. Maritime security has become an important priority for India in the light of the 26/11 terrorist attacks in Mumbai.

How has India's failure to fructify the India-Myanmar pipeline through Bangladesh affected the central government's infrastructural planning?

The decision of Myanmar to sell China the gas from the fields where India has made an investment was a disappointment for India, which had been hoping that the gas would be sold to India. India had only been looking at Bangladesh with regard to a pipeline route but we should also have been looking at the possibility of routing the pipeline through the Northeast Region. This would have been more expensive but it would have stimulated the development of the region. Pipelines are important not just for the economic and energy benefits they bring; they are also strategic projects. Any project involving an investment of thousands of crores of rupees has to be a strategic project. India's political establishment unfortunately tends to take an accountant's perspective when it comes to infrastructure, looking at the figures and not at the potential strategic benefits of projects.

What can India do to capitalize on the strategic importance of Myanmar and Bangladesh?

India has not taken a sufficiently strategic perspective on its relationship with Myanmar. Myanmar borders a region of India that unfortunately does not have much political weight in New Delhi. The Northeast Region states have to fight to be heard, while for decades the West Bengal

government has generally been at odds with the Centre. As a result the region tends to get sidelined. India should invest more money in Bangladesh and Myanmar. If India can give US\$1.2 billion to Afghanistan, which isn't even one of our immediate neighbours, Myanmar and Bangladesh, which are much larger countries, should each get at least the same amount. There is a need to cooperate with both countries on water, energy, transport, drug trafficking, illegal migration and infrastructure. Regional economic integration is also necessary. In fact, the Northeast Region, Bangladesh and Myanmar form an integrated whole. Before 1947, the area was thriving but it has now fallen behind and is one of the most undeveloped parts of South Asia. There needs to be more Indian investment in projects in Bangladesh and Myanmar, but this investment should be in projects that are seen as bringing primarily local benefits; if a project is seen as benefiting India, without obvious benefits to the host country, this would arouse political controversy and opposition.

Why should New Delhi invest in infrastructural development beyond our borders?

Good infrastructure beyond our borders, for example, on both sides of the India-Bangladesh border, would lead to better ties between the two countries. Connectivity must be pursued far more vigorously by New Delhi. The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) is a good framework for regional integration. There could be trade and economic connectivity between India's neighbours like Nepal, Bhutan and Bangladesh with the ASEAN countries like Myanmar and Thailand. This would however require both India and Bangladesh to provide transit facilities. As this is a sensitive issue, it may be perhaps easier to tackle connectivity issues within a regional framework. I think it would serve Bangladesh's interests if it had deeper ties with Southeast Asia. If it wants, Bangladesh could join India's 'Look East' train.

The Vision 2020 document makes it clear that the long-term economic development of the Northeast will be achieved through private sector investment.

Given that the lack of governance and poverty works to the advantage of insurgents; how does the Indian government see this as feasible?

Private sector companies will invest only if they feel



that their investments will be profitable. Before private investors put in their money, the state has to take the first step by creating the requisite infrastructure and ensuring security. One should also look at the possibility of overseas funding. There has been talk of the Asian Development Bank (ADB) and the International Monetary Fund (IMF) providing funding for the Northeast. Myanmar receives almost no ADB funding as a result of the West's stance. One approach could be that if India gives large-scale assistance to Myanmar, India in turn will receive additional funding from the ADB. Such measures may stimulate private investments from the rest of the country.

What has been done in the past to improve linkages between India's Northeast and Southeast Asia?

In recent years India has tried to engage the Northeast in several ways. In 2004 an India-ASEAN car rally was held. It started in Guwahati and ended in Indonesia's Batam Island off Singapore after traversing through Myanmar, Thailand, Laos, Vietnam, Cambodia, Malaysia and Singapore. Mini rallies were held in all the Northeast states. There was a lot of public support for this event. For the Northeast, this initiative sparked hopes of ending isolation from the rest of India and their immediate neighbours to the east. This confidence-building event should have been followed up with concrete policies as a matter of high priority, but was not. Stronger links via Myanmar



would put pressure on Bangladesh on giving India transit facilities because Bangladesh stands to lose if India strengthens its ties with Myanmar bypassing Bangladesh. There are plans for a Delhi-Hanoi rail link and a trilateral highway project between India, Myanmar and Thailand. However, progress on these projects has been slow. They have become bogged down in bureaucratic red tape and inertia, as well as insufficient urgency and priority by the political leadership.

What are the major challenges in the reopening of the Stilwell road?

I don't think it would be wise to establish a land link with China through Arunachal Pradesh, a state that China claims as its territory, until the rest of India is better connected with the state. It is also worth bearing in mind that such a link would result in Arunachal Pradesh being flooded with Chinese goods. Our immediate and urgent priority should be to develop infrastructure in the state than to establish a road link with China. Investment in infrastructure in such remote regions should always be regarded as a strategic project rather than just an economic enterprise. India's mindset has to change. Fortunately, I think it is changing, albeit slowly.

Is air connectivity an important factor in linking India to Southeast Asia?

Air connectivity is an important part of the

connectivity between India and Southeast Asia. Former Prime Minister Vajpayee took the initiative to liberalise the air services agreements between India and ASEAN countries. This in turn triggered the deregulation and reforms in the civil aviation sector. We can see the beneficial results of this decision. Today there are many more flights between India and Southeast Asia at affordable prices. Of course, the current economic downturn has had a detrimental effect on air traffic. I hope that in future there will be the same volume of air traffic between India and Southeast Asia as there is between India and the Gulf.

What steps have been taken by India to encourage tourism from Southeast Asia? Has the government considered the option of a visa on arrival scheme?

I'm sure the Ministry of Tourism would favour such a scheme. However, a visa on arrival scheme for tourists from ASEAN countries presents problems. There is little control over who enters India. As many terrorist and criminal groups have close connections in these countries, our security agencies are understandably concerned that relaxed entry requirements could lead to a number of terrorists and criminals entering India.

Prime Minister Manmohan Singh has however spoken about a long-term vision of an integrated Asia from the Himalayas to the Pacific in which it would be possible to trade, travel and invest freely through the region. Southeast Asia is a growth area of the world. Most people are agreed that the fulcrum of global geopolitics is shifting to Asia. The 21st century is being widely called the 'Asian' century. It is evident that the 'Look East' policy must therefore be a significant element of India's foreign policy. If there were a road or rail link to Southeast Asia the number of travellers between India and this region would significantly increase. Travellers would include not only tourists and businessmen but pilgrims too. Tourists from BIMSTEC and South Asian Association for Regional Cooperation (SAARC) member countries now only pay the same entry fees to Indian monuments as Indians. This is an incentive for tourists from this region to visit India.

What were the factors influencing India's decision to pursue an FTA with ASEAN?

The decision to go in for an India-ASEAN FTA was based on economic logic, but political factors too were an important consideration. As a result of various

developments in the late 90s and early 2000s, such as India's becoming a nuclear weapons power and its economy taking off meaningfully, ASEAN became interested in engaging India far more seriously. At the end of 2001 India got the indication that ASEAN wanted to invite India for a summit. Notwithstanding the 'Look East' policy, which had been underway for a few years by then, India's understanding of and engagement with ASEAN was limited. India was a Full Dialogue Partner of ASEAN but that was it. There was disagreement among ASEAN countries regarding the level and extent of India's involvement. For example, Singapore was very much in favour of engaging India much more, but Malaysia was reluctant. After the first India-ASEAN summit, India was seen as a credible partner and a decision was taken to make the India-ASEAN summit an annual event. The fact that India had offered an FTA to ASEAN gave credibility to India's keenness to engage ASEAN meaningfully. From the ASEAN side, the China factor also played a part. ASEAN wanted India to balance China as they do not want to be totally dominated by China. I believe that the considerations of India's Northeast Region were not part of India's initial thinking about the 'Look East' policy; they became important later.

India's strategic vision has borne fruit. India showed courage in offering an FTA in 2002. By the time of the India-ASEAN Bali Summit in 2003 India and ASEAN had concluded the work on the FTA Framework Agreement. India also signed an agreement on counter-terrorism with ASEAN. They were initially skeptical and reluctant, but their approach changed after the Bali bombings. Without the FTA, India's 'Look East' policy would have completely floundered. India, as you know, is a founding member of the East Asia Summit (EAS) established in 2005. This clearly underlines the success of India's Look East policy. There was also talk of India joining APEC but this has not happened. In any case, India is no longer as interested in APEC as it was a decade ago. It should be noted that India did not emerge on the global stage until after it began to seriously engage ASEAN and the other East Asian countries, for which the India-ASEAN summits provided a most useful opportunity. India-ASEAN engagement at the summit level and all the subsequent developments have helped India to become a credible interlocutor with the major powers. Japan and South Korea, for example, began to take India more seriously after the India-ASEAN engagement at the summit level.

Has economic collaboration led to engagement on other fronts between the two regions?

Engagement on the defense side only came into being because India engaged with ASEAN as a whole. Improved bilateral relations with individual Southeast Asian countries also occurred as a result of India's engagement with ASEAN. By now ASEAN has FTAs with New Zealand, Australia, China, South Korea and even Japan. When everyone else in the region has an FTA with ASEAN it was necessary for India to have an FTA with ASEAN if it wants to be a player in this region; otherwise India would not even have been on the starting block. India has lost some ground because of the delay in the conclusion of the FTA. ASEAN was disappointed by the loss of momentum because China is there in a big way and is sucking all these countries into its economic whirlpool, which they don't like. The uncertainties of the Doha Round made the imperative of signing FTAs with principal trading partners important from an economic point of view. Even today, 60-70 per cent of global trade is not under the multilateral WTO regime, but under Regional Trading Agreements (RTA). The India-ASEAN FTA has led to a couple of bilateral FTA agreements with Southeast Asian countries. India-ASEAN FTA has been a learning process for India. Without the ASEAN FTA, India would not even be looking at possible FTAs with the USA and the EU. The FTAs are also seen by the political leadership as a way of pushing internal reforms. I think the India-ASEAN FTA will open up many opportunities for India.

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What were the concerns raised prior to the signing of the FTA? How has the Indian government resolved these issues?

When the United Party Alliance (UPA1) came into power they had grave reservations about the desirability of FTAs. The Prime Minister deserves credit for grasping the strategic significance of FTAs. However, in going in for FTAs, one cannot ignore the interests of the numerous India stakeholders. The fact that it took six years instead of two years to conclude the India-ASEAN FTA shows how careful the government and the negotiators have been to take on board the concerns of stakeholders. I think that India's interests have been preserved in the FTA. There is a negative list and a list of sensitive products. Because of market conditions there is almost no duty today on sensitive items like palm oil. For many years, much before an India-ASEAN FTA was on the cards, India has been publicly committed to bringing down the applied tariff rates to the East Asian levels. There are also safeguard provisions, which are quite extensive. One also has to consider why Kerala lobbies have only now started to oppose the FTA, when they, and everyone else, knew what was being negotiated over the last six years. This is an opportunity to reform the agricultural and plantations sectors of our economy. India should have a positive rather than a defensive approach. All FTAs, even the India-Sri Lanka FTA, involve some economic losses, which should be weighed against

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the overall strategic gains. The India-ASEAN FTA is a very important element in our engagement with the rest of the world.

How will the India-ASEAN FTA provide India with a platform to attract foreign investments?

So far we have signed only an FTA for trade in goods. The FTAs for trade in services and investment have still to be negotiated and signed. India has the potential of being a lucrative production base for the global market and incurs much lower transportation costs because of its favourable location in the heart of Asia. Companies like Hyundai have understood and are exploiting these advantages in India for setting up a global production facility that could be a successful export base. On the whole, I am optimistic about the future of India-ASEAN trade and economic relations after the signing of the FTA, which will definitely strengthen the ties between India and ASEAN on a much wider plane.

To what extent does maritime security feature in India's foreign policy?

Maritime policy has to figure more prominently in our foreign policy particularly in the coming decades. The Indian Ocean is one of the most militarized regions in the world. The terrorist attacks in Mumbai in November 2008 demonstrated the importance of security on the high seas. Our maritime cooperation with Southeast Asia has been recently expanded. We set up a few years ago a new Tri-Services Command in the Andaman and Nicobar Islands. The Chinese are trying to establish a maritime presence in Southeast Asia as well as the Indian Ocean. This is not necessarily directed against India but still it has considerable geopolitical and strategic ramifications. India is already involved in joint patrolling exercises with Thailand and Indonesia and has offered to cooperate with the littoral states in the implementation of the 'Eyes in the Sky' program for patrolling the piracy-infested Straits of Malacca.

What are the limitations in terms of implementing maritime security measures?

Maritime security is not easy to maintain. The seas and oceans cover a huge area. Moreover, maritime security involves keeping a track of, perhaps even interceding,

small fishing boats. Such actions impinge on people's livelihood. Upgrading the maritime arsenal of a country, be it the Navy or the Coast Guard, is a capital-intensive undertaking. Moreover, the fact that international maritime law has not been developed effectively slows down progress between various national governments on cracking down on problems of piracy. Issues of sovereignty make the goal of maritime security a lot more complicated and a sensitive matter. Clearly, all countries including India need to think more deeply on the problems of maritime diplomacy and security. The bulk of the world's commerce, including transport of energy, is conducted via the seas and oceans and thus ensuring the safety and security of the Sea Lines of Communication is imperative.

To what extent do rifts or divisions exist among the countries of ASEAN? What impact do they have on the region?

ASEAN started off with five countries in Southeast Asia that had the highest economic development. These included Singapore, Malaysia, Indonesia, Philippines and Thailand. Brunei joined a little later. Subsequent members included the countries that were lagging behind in terms of development. ASEAN as a body was aware of this gap and has in fact devised a program for development of these newly industrialized countries (NICs) in Southeast Asia. This is one reason why a number of India's collaborative measures with ASEAN (e.g. information technology and other training centers) are directed towards the NICs in Southeast Asia. ASEAN is conscious of the divide within Southeast Asia, which is not only economic but also a de facto political, geographical and possibly even a religious one. This is derived from the fact that, broadly speaking, there is a significantly larger Muslim population in the southern ASEAN countries, whereas the northern ASEAN countries are predominantly non-Muslim – mostly Buddhist, while the Philippines is Christian. There is great diversity in Southeast Asia in terms of governance. ASEAN chooses not to focus on these differences but rather on what unites them because if they do not present a united front ASEAN could weaken, perhaps even disintegrate. ASEAN is aware of these fault lines and is eager to overcome them. It understandably wants to continue enjoying its considerable standing and influence in the world community. Any internal fissures can be problematic in this respect. This is



why ASEAN lays stress on the 'ASEAN way' of doing things.

What is meant by the 'ASEAN way of doing things'? And what impact is it having on ASEAN credibility on the international stage?

ASEAN follows a policy of refraining from interfering in each other member countries domestic affairs. Indeed, it is only Western pressure that has led to a breach of this principle. A good example of this is the West's pressure on Southeast Asian countries to coax Myanmar to introduce reforms,

bring about a transition to a democracy and refrain from human rights violations. The Southeast Asian countries appease the West to some extent on the Myanmar question but are careful not to over-step the mark. After all, Myanmar remains a neighbour and a member of ASEAN. Expelling Myanmar from ASEAN is neither an easy nor a desirable option. Moreover, ASEAN has to be careful in taking an ideological view of Myanmar, because ASEAN's members include communist regimes, monarchies, military dictatorships and democracies as well. Another aspect of the 'ASEAN way' is that the countries always manage to evolve a consensus and keep up a united front despite frequently fierce internal disagreements.

How do you perceive the future of ASEAN as a regional organization?

ASEAN deserve to be commended for the way it has made itself central to Asian diplomacy. This is highlighted by the fact that many Asian diplomatic exchanges are conducted via ASEAN. Till now, ASEAN's united front has afforded its members considerable diplomatic leverage and ASEAN has been able to punch above its weight. However, difficult times lie ahead for ASEAN. Now countries like India, China, Japan and South Korea have developed direct linkages instead of using ASEAN as a conduit for reaching out to one another. A new complication has arisen with the G-20, where from the ASEAN group only Indonesia (which is by far the largest ASEAN country) is represented. Thus Indonesia, rather than ASEAN, has now got a high global profile. This is clearly a change from the situation that has prevailed till now. Nevertheless, I believe ASEAN clearly has an important role to play in the future too. ASEAN is not perceived as a geopolitical threat as it is surrounded by nation-states that are much larger global players but beset by mutual rivalries. ASEAN's diplomatic agenda will continue to give great attention to ways and means to retain its traditional role as the epicenter of Asian diplomacy. This places a tremendous burden on this body. Unfortunately, recent delays in holding various periodic summit meetings have slowed down the organization's momentum and credibility. On the whole, however, it would be to everyone's strategic advantage if ASEAN were to continue to play a central role in Asian affairs.

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