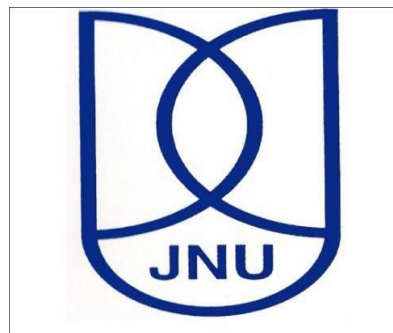


# **INDIA ASEAN RELATIONS: FROM LOOK EAST TO ACT EAST POLICY, 1991- 2014**

Dissertation submitted to the Jawaharlal Nehru University in partial  
fulfillment of the requirements for the award of the degree of

**MASTER OF PHILOSOPHY**

**JAGDISH PRASAD**



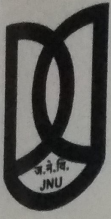
**Centre for Indo-Pacific Studies**

**School of International Studies**

**JAWAHARLAL NEHRU UNIVERSITY**

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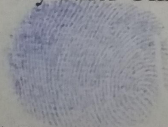
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## DECLARATION

I declare that the dissertation entitled “INDIA ASEAN RELATIONS: FROM LOOK EAST TO ACT EAST POLICY, 1991- 2014” submitted by me in partial fulfillment of the requirement for the Award of the Degree of **Master of Philosophy (M. Phil.)** of Jawaharlal Nehru University is my own work. This dissertation has not been submitted for any other degree of this University or any other University.



**JAGDISH PRASAD**

## CERTIFICATE

We recommend that this dissertation be placed before the examiners for evaluation.

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(Supervisor)

***DEDICATED TO***

***MY LOVELY PARENTS***

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JAGDISH PRASAD

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## ABBREVIATIONS

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**ADB-Asian Development Bank**

**AFTA-ASEAN Free Trade Area**

**APEC-Asia -Pacific Economic Cooperation**

**ARF-ASEAN Regional Forum**

**ASEAN- Association of South East Asian Nations**

**CECA-Comprehensive Economic Cooperation Agreement**

**ECO-Economic Cooperation Organization**

**EU-European Union**

**GCC-Gulf Cooperation Council**

**LEP-Look East Policy**

**MGC-Mekong-Ganga Cooperation**

**NIEO-New International Economic Order**

**SAARC-South Asian Associations for Regional Cooperation**

**SADC-South African Development Cooperation**

**SEA- Southeast Asia**

**SPF- South Pacific Forum**

**TAC-Treaty of Amity Cooperation**

**USSR-Union of Soviet Socialist Republic**

## CHAPTER-1

### Historical Background

The relations between India and Southeast Asia (SEA) has been periodically formed and incorporated with a helpful structure, it may not be possible to explain them as the two have hundreds of years old linkages between the two areas. The standard excursion of the general population, mariners, dealers, leaders and explorers had been a long and unending odyssey from the eastern and western shores of the Indian Peninsula. Throughout the hundreds of years such developments had advanced into a normal intercourse between the general populations of either side of the Malacca Straits, the topographical wedge isolating them. A few chronicled thinks about have recorded and analyzed in awesome detail the impact of the Indian sub-mainland on the Southeast Asian social orders going back to the last's crude sources. No genuine authentic investigation would question the incredible impact of the Indian religions, culture, business and governmental issues on the old social orders of the Eastern Indian Ocean. From the most ancient times Indians of various hues sailed into the Eastern Seas whose geographical contours surround the Malacca Strait. Malay Peninsula. Indonesian Archipelago, Sunda Strait, Indo-China and the South China Sea. The French Historian Gorge Coedes who had studied in great detail the Indian impact on SEA in his magnum opus *The Indianised States of Southeast Asia* records the linkages in the following words: "(but) the Indian expansion was not, I repeat, a historical fact, clearly delimited in time and space. It was a phenomenon that touched vast and diverse regions and lasted several centuries. It involved successive waves, local currents of various origins. It was added by the centers of diffusion constituted by the first Indian kingdoms of the Malay Peninsula, which served in effect as relay stations between India proper and the rest of farther India."<sup>1</sup> Generally, 'Indianization' was the term typically utilized for Indian social impact upon SEA. Prior researchers had respected the advancement of 'Indianization' as an Indian activity with expansive scale vagrants setting up settlements in SEA. As indicated by these researchers, the last locale was in a bad way and assumed a detached part. The happening to vast number of Indians would have rolled out

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<sup>1</sup> Coedes, G, {1968}. *The Indianized States of Southeast Asia*, (third ed.) University of Hawaii Press: in P.V. Rao (2010) "India and Southeast Asia: Past Linkages and Current Dynamics" *Indian Ocean Digest*.



imperative social improvements, however the general population of SEA did not receive the station framework, nor even the dietary propensities for the Indians. Politically, none of the assumed Southeast Asia 'settlements' demonstrated any sense of duty regarding India and the pace of financial, the conditions of SEA were not states as there was no extent of monetary misuse. India additionally did not appreciate restraining infrastructure in the field of remote exchange. The absence of considerable evidence concerning Indian social development has brought about the thought of different methodologies with respect to the intentions and the procedure of the exchange of Indian social components to SEA. The support is that the procedure of Indian social development in SEA was refined by quiet means and it was objective in nature. In such manner we can classify the three methodologies; i) Warrior class approach, which surmises that Indian social development was because of the productive impact of the Indian warriors and victors, who moved in extensive numbers to SEA. ii) Merchant class approach, proposes that Indian social contact started with brokers, who intermarried with local women and impressed the indigenous population with their goods and culture. iii) Priestly class approach accorded primacy to local initiative; indigenous patricians and rulers enlisted the service of Brahmans to maintain their political authority through Hindu ceremonies and rituals. Apart from that being the result of a single factor, most likely the whole process of Indian cultural expansion was the outcome of activities of warriors, traders and priests along with the indigenous initiative. India's geographical position was an essential link in a chain of regional civilizations and thereby it became a link between East Asia and West Asia, Central Asia and SEA. The marvelous richness of Southeast Asia was an attraction for the Indians. The type of names given to different regions of Southeast Asia is recognition of this desire for economic gain. The Ramayana, Pali Nidesa and other works refer to Suvarnabhumi (land of gold), Suvarnadvipa (island of gold), Narikeladvipa (island of coconuts), Karpuradvipa (island of camphor), and Yavodvipa (island of barley). However, the precepts of the Dharmashastra and the norms of Indian culture clearly indicate that the ancient kings had to operate within the limits of the physical boundaries of India (Bharatavarsha) and culturally they had to adapt the regional norms (desa dharma) and customary laws. Despite the fact that India during the last two thousand years had been subjected to external threats, invasion, alien-occupation and subjugation, it never resorted to expanding its political boundaries far beyond the limits of Bharathavarsha. There are historical evidences to prove India's contribution to the

Cultural Revolution and integration in SEA. It is significant to note that the Southeast Asian people, who belonged to the Mongoloid stock of Southern Chinese-origin, responded to the stimulus of Indian culture, notwithstanding their racial dissimilarity with Indians. The super-cultural endowments of India were so similar as to become acceptable to the SEA people who looked upon India as a “holy land rather a motherland”. These historical cultural links between these two regions would have made the protagonists of Indian culture to describe SEA as an ‘Indian-cultural derivative periphery’ or ‘India-Extra Gangem’. But such other perceptions as Greater India, Farther India and Hindu Colonies in the Far East seem to be of “India-centric” approach and “Western-orientation.”<sup>2</sup> Cultural supremacy conscious India had expected the Southeast Asian nations to accept it as a spiritual and political leader. This had led to resentment among the Southeast Asian countries. Despite undeniable Indian cultural contribution to SEA, the concepts like Indian colonization of SEA were viewed in some quarters as “grave historiographical error and a recurrent historical fallacy Unlike the Indian migrants in the early times of Christian era, the 19th and 20th century migrants to SEA were mostly illiterate; yet they contributed much to the prosperity of the Southeast Asian region by serving as laborers in plantations and rice cultivation. Just as the superimposition of Indian culture in the past which was bereft of political conquest and economic domination, the Indian migrants during the Western colonial rule did not pose any problem to their host communities; and the Indian communities got themselves adapted to the native environments. Unlike the Chinese, Indians never nurtured strong political stakes and economic ambitions. About the same time, both India and SEA shared the painful experience of being subjected to exploitation of all sorts under the Western colonial rule. SEA’s strategic location at the crossroads of two great Oceans (the Indian and Pacific Oceans) has made it a focus of convergence of peoples and ideas. As a result, it had become a great historic marchland and about the same time it became a bridge and barrier between the two Asian cultural giants (India and China). Furthermore, the transit spots, which emerged as centers of commerce and communications, enhanced the strategic significance of the Southeast Asian region. In the east-west direction, this region is a strategic concern for many powers having economic and commercial interests. The newly independent Southeast Asian nations, which were largely Euro-centric until the World War II, were concerned with the

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<sup>2</sup> Ibid

“power vacuum” liable for being filled by some other external powers. This kind of volatility had naturally drawn the attention of superpowers (US and USSR), each of which had converted SEA into a real political laboratory for testing their ideological theorems. The US was committed to contain communism and the erstwhile USSR to spread communism. The super power confrontation divided the region on ideological lines; and the region had thus become a battleground during the Second Indo-China War. Both the superpowers tried to gain control over this part of the Spykman’s Rim land which was considered a “buffer zone” for the control of the destinies of the world. Both the superpowers were determined not to let the area become an exclusive preserve of the other; rather both viewed the region as a public park. To make the matters worse, South China Sea, the maritime heartland of SEA, had attracted the attention of its littoral states. Thus, the region became a flash point. SEA’s differences and economic imbalances compounded the complexity and diversity of the regional character. When the Japanese troops during the World War II moved closer to the northeastern borders of India, then India’s helplessness was showing to the external threats in the northeastern frontier which had hitherto been perceived as a natural fortress and an insulating tier to its security. India has since then realized the stark reality that its security was much linked with SEA’s security. While expressing solidarity with the nationalist movements in SEA, the Indian National Congress (INC) resolved in July 1946 that India and the countries of SEA must hang together and work together, notwithstanding the future of world organizations. After its independence, India championed the cause of Indonesian independence. India convened the Asian Relations Conference (1947), and the New Delhi Conference on Indonesia (1949). In tune with Jawaharlal Nehru’s theme that; “we are of Asia and the peoples of Asia are nearer and closer to us than others India is so situated that she is the pivot of Western, Southern and Southeast Asia. In the past her culture flowed to all these countries and they came to her in many ways. Those contacts are being renewed and the future is bound to see a closer union between India and Southeast Asia on the one side and Afghanistan, Iran and the Arab world on the west. To the furtherance of that close association of free countries, we must devote ourselves. India has followed with anxious interest the struggle of Indonesians for freedom and to them we send our good wishes.”<sup>3</sup> Further,

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<sup>3</sup> Asian Relations, Report of the Proceedings and Documentations of the First Asian Relations Conference, New Delhi, March 1947. Jawaharlal Nehru, Speeches, Vol.1 (1946-49) and Vol.2 (1949-

certain common traits in the socio-cultural and politico-economic species have had their linkages in the history, besides semblance in many aspects of the physical environment. These have been naturally expected to shape the contemporary relations between India and SEA. India's political system as well as strong and viable economic base was found to have been a viable alternative model to the Southeast Asian nations which became independent of the Western colonial rule. Moreover, India was reckoned as a counterbalance to China in the security considerations of their region. It was nothing but logical for them to expect that India would provide a basis for developing regional cooperation among the Southeast Asian nations as well as between them and India. India's economic cooperation and assistance to the Southeast Asian nations in early 1950s were so commendable as to win their appreciation. Though, Nehru was opposed to the Philippines proposal of forming a regional defense organization, he was however in favor of establishing an organization that would solve the socio-economic problems of South and SEA and provide insulation to the whole region from the Cold War politics. But Nehru's opinion that "If you have to consider any question concerning SEA, you cannot do so without India."<sup>4</sup> was misconstrued as if India was assuming the role of leadership of SEA. It was hoped that the Afro-Asian Nations Conference at Bandung (1955) would herald a new era in the regional cooperation. After the Bandung Conference, SEA was variously subjected to the dynamics of power game relentlessly sustained by the superpowers. Though these developments were of most significance to Indian security and India lost much of its initiative in the affairs of SEA. The Sino-India war of 1962 hammered the Indian image among the Southeast Asian nations. India was disappointed by the attitude of Southeast Asian nations except Malaysia, for instance Vietnam supported China. The creation of Jakarta-Peking-Hanoi axis and Sukarno's offer to help Pakistan in the 1965 Indo-Pak War, among others, contributed to India's declining interest in SEA. India thereafter became more inward-looking to be mindful of its immediate security concerns. India did not get engrossed in the political fault zone of SEA during the Cold War period. India, which was slowed down in the

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53), Publications Division, Government of India (Delhi: Government of India, 1949 and 1953) cited in S. D. Muni India's Look East Policy: The Strategic Dimension, ISAS Working Paper No.121 Feb.2011, and Singapore: Institute of South Asia Studies.

<sup>4</sup> Jawaharlal Nehru (1971), "India's Foreign Policy: selected speeches," September 1946-April 1961, (Reprint), (New Delhi, 1971), p.3.

politics of South Asia, perceived SEA as being in the declining backwaters. This kind of perception of, and attitude towards SEA had almost been consistently pursued by India during and after 1960s, despite the economic and strategic importance of SEA. It was during the same period, SEA was undergoing traumatic experience on account of its being a theatre of Cold War. India seemed to have pursued no clear policy towards SEA. About the same time, these countries had gained a different impression of India that it was very much preoccupied with its own domestic concerns and New Delhi had little regard for their security concerns and economic aspirations. India had thus been perceived by them as “selfish and arrogant nation interested more in her own self-interest than regional interest.”<sup>5</sup> While India had to blame herself for such perceptions in SEA, the “power vacuum”, as noted earlier, had invited the attention of the powers external to the region. For instance, the American-sponsored Southeast Asia Treaty Organization<sup>6</sup> (SEATO) was designed to save SEA from the possible risk of being clouded by communism. When SEATO did not live up to their expectations, it started experimenting with the formation of regional organizations like ASA (Association of Southeast Asia) and MAPHILIND (for Malaya, Philippines and Indonesia). But these too were short-lived. Thanks to the growth of mutual trust and confidence among the non-communist Southeast Asian nations, after Indonesia’s confrontation against Malaysia was brought to an end, a truly regional organization Association of Southeast Asian Nations (ASEAN) came into existence to forge the much needed regional cooperation for promoting peace, freedom and prosperity. India neither welcomed nor opposed the formation of ASEAN, as well as their leadership stated that the quality and pace of the progress of each (Southeast Asian) nation will depend on its own effort. These impressions of India were found to have strengthened the perceptions of Southeast Asian nations that India did not pay due attention to SEA. However, India, which never had any political problems with any of its Southeast Asian neighbors, had completely conveyed its willingness to promote bilateral relations with the Southeast Asian countries. Though, the Congress regime did not exhibit much attention in the

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<sup>5</sup> Singh, S.P. (1978), “India and Regional Economic Cooperation in Southeast Asia”, paper presented at the Conference on Southeast Asia: Cultural, Economic and Political Perspectives, New Delhi: November 25-26.

<sup>6</sup> See at: [http://en.wikipedia.org/wiki/Southeast\\_Asia\\_Treaty\\_Organization](http://en.wikipedia.org/wiki/Southeast_Asia_Treaty_Organization)

ASEAN process but the Janata Party government (1977-79) considered ASEAN as a tool to improve their economic cooperation. "India's recognition of the Heng Samrin regime in Cambodia in 1980s created a gulf between India and the ASEAN countries. Indian naval expansion in 1980s was also perceived as a threat to the regional security in SEA."<sup>7</sup> India did not take concrete steps for promoting bilateral regional economic cooperation because India had to face some critical problems to balance the political relations with superpower (SU and US). But India also knew that the relation with SU and US may result in the economic strength of India in future, which was not possible with the ASEAN region because they were not in a condition to help in any economic way as they themselves were developing countries and too were dependent on superpower. At the same time, ASEAN member states went ahead with their agenda to institutionalize regionalism for the fulfillment of regional aspirations. The result was, India missed opportunities for promoting economic cooperation with the nations across the Bay of Bengal. India thus lagged far behind this requirement and thereby fell far short of the expectations of Southeast Asian nations. Further, India was not in a position to contribute to the developmental needs of Southeast Asian nations. As a result, Southeast Asian nations were obliged to look for an alternative. India has never in the history been identified with the exploitative tendencies. On the other side, all the time India kept the option open to explore the possibilities of improving economic and technical cooperation as well as trading contacts with the region. But, we cannot ignore the fact that it is a time of interdependence where any country or region is not at all self-reliant in all respects; and hence economic dimension of power assumes more importance than ever before. The economic aspect of power besides security considerations has now become such a pursuit of a state as to implement its own domestic economic policies much in tune with the global economic trends. The demands of New International Economic Order<sup>8</sup> (NIEO) tend to shift the focus from geo-politically oriented international relations to the instrumentalities of economic

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<sup>7</sup> Naidu, G.V.C. (2004), "Whither the Look East Policy: India and Southeast Asia", *Strategic Analysis*, 28 (2): 334

<sup>8</sup> NIEO was a set of proposals put forward during the 1970s by some developing countries through the Development to promote their interests by improving their trade, increasing development assistance, developed-country tariff reductions and other means. It was meant to be a revision of the international economic system in favor of Third World countries, replacing the Bretton Woods system, which had benefited the leading states that had created it-especially the United States

relations. Obviously, geo-economic equivalents, which have for long remained inactive between India and the ASEAN, need to be revived for mutual benefit through the application of reciprocal modality. What is most important to understand India and SEA as an entity per se is the regional appearance based on a set of common designations. It is relevant to note that a variety of criteria have been adopted in delineating the regions, on the basis of historical inheritance, political development and similarities in physical, cultural and economic factors. Thus these region-forming factors would invariably impart a degree of homogeneity. Dipankar Banerjee view is that the “geographical or geo-political regions are restricted in their character on account of cohesion and commonality, while geo-economics and geo-strategic regions encompass larger regions on the basis of either economic interests or conflicts over maritime affairs.”<sup>9</sup> But political regions, as are known well, are artificial creations owing only little to the hazards of geography and history.

### **1.2 Evolution of ASEAN: as a Regional Organization**

The time of cool war filled the two needs of isolating and joining the states in Southeastern Asia. As the frosty war kept the area divided, consideration for the most part focused internal. In any case, the Cold War and the accompanying local clashes, household revolts, and fast changes - both financial and worldwide - induced various non-socialist nations of SEA to collaborate and give the establishments to monetary improvement (1965 and on). The post war air and the locale's sudden access to the worldwide economy had an impact too. The SEA district, alongside different nations, for example, those in the third world, had a poor start in business and innovation contrasted with the more created states. This factor gave the countries a need to coordinate. The regional integration of the SEA for a better future began in a historical dramatic way with the unsuccessful Communist coup of 1965 in Indonesia. Thereafter, the relations between Malaysia and Indonesia improved. After many deliberations, and owing in great part to the improvement in Malaysia's relations with both Indonesia and the Philippines, the ASEAN was established on August 8, 1967, in Bangkok. The original signatories to the ASEAN declaration were the Foreign Ministers of Indonesia, Malaysia, the Philippines, Singapore and Thailand. Brunei joined the organization in

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<sup>9</sup> Banerjee, D. (1996), “Regional Security Environment in Southern Asia”, *Strategic Analysis*, 19(1): 51-64.

January 7, 1984 Vietnam in 1995, Laos and Myanmar on July 23, 1997 and Cambodia on April 30, 1999, making up what is today the ten Member States of ASEAN. The ASEAN Declaration sets out the objectives of the organization as follows:

- To accelerate economic growth, social progress and cultural development in the region through joint endeavors in the spirit of equality and partnership in order to strengthen the foundation for a prosperous and peaceful community of South East Asian nations;
- To promote regional peace and stability through abiding respect for justice and the rule of law in the relationship among countries of the region and adherence to the principles of the United Nations (UN) Charter;
- To promote active collaboration and mutual assistance on matters of interest in the social, cultural, technical, scientific and administrative fields;
- To provide assistance to each other in the form of training and research facilities in the educational, professional, technical and administrative spheres;
- To collaborate more effectively for the greater utilization of their agriculture and industries, the expansion of their trade, including the study of problems of international commodity trade, the improvement of their transportation and communication facilities and the raising of the living standards of their peoples;
- To promote South-East Asian studies; and
- To maintain close and beneficial cooperation with existing international and regional organizations with similar aims and purposes, and explore all avenues for even closer cooperation among themselves.<sup>10</sup>

At the time of ASEAN's beginning the ASEAN founding leaders tried to pointing out the primary goal of ASEAN was stated in the Declaration as promoting mutual cooperation. The Declaration also stated "that all foreign bases are temporary and remain only with the expressed concurrence of the countries concerned and are not to be used directly or indirectly to undermine the national development."<sup>11</sup> The immediate necessity for a strong framework for stability and peace within its component nations,

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<sup>10</sup> Association of Southeast Asian Nations [Online: web] Accessed on 27 June 2011 URL:

<http://www.asean.org/64.htm> <sup>11</sup> Association of Southeast Asian Nations, [Online web] Accessed on 10 June 2011 URL: <http://www.aseansee.org/1212.htm>

<sup>11</sup> Association of Southeast Asian Nations, [Online web] Accessed on 10 June 2011 URL: <http://www.aseansee.org/1212.htm>



led ASEAN member countries to succeed in projecting stickiness through establishing ways to cooperate and lessen their differences in their diverse outlook. The end of the Vietnam War in 1975 accelerated the ASEAN process towards political cooperation. This was reflected at the first ASEAN Summit in Bali on February 24, 1976, during which policy guidelines and directions were laid down. The Heads of Government of ASEAN countries signed the Treaty of Amity Cooperation (TAC) in SEA. The Declaration of ASEAN Concord I, which were to guarantee regional stability and promote economic cooperation. The TAC established a framework for ASEAN norms and the “ASEAN Way”, the fundamental principles of which are; i) Mutual respect for the independence, sovereignty, equality, territorial integrity and national identity of all nations; ii) The right of every State to lead its national existence free from external interference sub-version or coercion; iii) Non-interference in the internal affairs of one another; iv) Settlement of differences or disputes by peaceful means; v) Renunciation of the threat or use of force and; vi) Effective cooperation among themselves.<sup>12</sup>

ASEAN’s commitment to develop its external relations was enunciated at the first meeting of the ASEAN heads of government in 1976, which “expressed ASEAN’s readiness to develop fruitful relations and mutually beneficial cooperation with other countries in the region”. A second Summit was held in Kuala Lumpur in 1977, establishing the framework for ASEAN officials to meet and interact with Dialogue partners as well. ASEAN achieved its first diplomatic success by overcoming its difference over the Cambodian issue and cohesively dealing in isolating Vietnam internationally. It played a crucial role in resolving the Cambodian issue with Vietnam agreeing to withdraw its troops in 1989.<sup>13</sup> The positive outcome helped ASEAN’s reputation as a viable regional organization. With the joining of new members -Vietnam in 1995, Laos and Myanmar in 1997 and Cambodia in 1999, ASEAN consolidated its role as a vehicle for community building. Realizing the need to deliver economic benefits, strategies were laid down in a phased manner to achieve economic integration. As a first step, ASEAN granted dialogue-partner status to its major trading partners - Australia, Canada, Japan, European Union (EU), New Zealand and the US - and the

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<sup>12</sup> Association of Southeast Asian Nations”, [Online web] Accessed 10 June 2011URL: <http://www.aseansec.org/1217.htm> <sup>13</sup> See: <http://www.aseansec.org/10374.htm>

<sup>13</sup> See: <http://www.aseansec.org/10374.htm>

United Nations Development Programme (UNDP). In the nineties, ASEAN expanded its dialogue relations to include the South Korea, India, China and Russia. It granted to Pakistan as a sectoral dialogue partnership in 1997. ASEAN has also forged ties with regional, sub-regional and international organizations such as UNESCO, Asian Development Bank (ADB), South Pacific Forum (SPF), Gulf Cooperation Council (GCC) and South Asian Associations for Regional Cooperation (SAARC), South African Development Cooperation (SADC), the Economic Cooperation Organization (ECO) and the Andean Community (AC). But, establishing a strong economic pace ASEAN was adopted a Framework Agreement on Enhancing Economic Cooperation at the fourth ASEAN Summit in Singapore in 1992. At the summit, the ASEAN Free Trade Area (AFTA) was established to push economic integration further. AFTA became fully operational on January 1, 2003 including all ten member countries of ASEAN.<sup>14</sup> It is marked that the principle of ASEAN Charter, like non-interference, minimal institutionalization, consultation, non-use of force and non-confrontation have been the core values for much of ASEAN's forty four years of existence. Some of the aspects of these principles especially the principle of non-intervention has come under criticism from the Western world and civil society. It is felt that ASEAN has not been vocal on the issue of human rights and democracy in the region. The ASEAN Charter, which was adopted, on November 20, 2007 did mention "adherence to the rule of law, good governance, the principles of democracy and constitutional government; respect for fundamental freedoms, the promotion and protection of human rights, and the promotion of social justice". Thus, in spite of the ideals espoused in the Charter, ASEAN members continue to observe non-interference and non-confrontation for the sake of maintaining unity within ASEAN. The ASEAN political leaders see merit in continuing with the tried and tested 'ASEAN way'; after all it did encourage the rest of Southeast Asian countries to join the ASEAN. Contrary to the assessment of detractors of ASEAN, the organization did succeed in the difficult task of building regional identity.

### **1.3 Engagement of India with ASEAN**

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<sup>14</sup> "The Sixth ASEAN Summit and the Acceleration of AFTA" AFTA Reader , vol.-V [Online web] Accessed on 15 June 2010 URL: <http://www.asean.org/PDF/aftavol5.pdf>

India's efforts to expand its relations with SEA began after India's foreign policy makers initiated the Look East Policy (LEP) in the early 1990s. It is important to remember that in spite of the changing realities of the Indian political system in the 1990s, the emergence of coalition politics and the rise of Bharatiya Janata Party. There has been a continuation and convergence of these aspects as far as foreign policy issues are concerned. This convergence of views on foreign policy can be attributed to the fact that, there are core strategic elites that provide input to the political parties that run the government.<sup>15</sup> The only shift that can be discerned in the foreign policy of India is that it has moved from a position of moral speak to one where the Indian self-interest is more willing to assert itself in terms of its real politik calculus.<sup>16</sup> Three elements of the ASEAN began to draw India closer towards it: i) ASEAN's increasing political and strategic importance in the Asia-pacific region; ii) The emerging potential that the region has as a trading partner and; iii) The fact that the two regions could mutually benefit from being source of FDI's from within India as well as the ASEAN countries.<sup>17</sup> India's move towards the ASEAN received due reciprocation and India became a Sectoral Dialogue Partner in 1992 and a Full Dialogue Partner 1996. In fact through the Dialogue Partnership with ASEAN, India has been able to deepen its relationship with numerous countries- Australia, Canada, EU, Japan, New Zealand, South Korea, Russia and US. Moreover, the multilateral security arrangement of the ASEAN Regional Forum (ARF) was initiated in 1994, in which India was also included as a member state in 1996. These developments were reflective of the growing ties that have developed between the two entities in the recent years as far as ASEAN is concerned it is also significant to see how the region looks at India. The increasing economic potential of India has become evident to the ASEAN states and this has allowed them to modify their views about India. But in terms of its political process ASEAN still views India as a state where the result of weak leadership caused it to go through domestic

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<sup>15</sup> Matto, Amitabh (2001), "ASEAN in India's Foreign Policy," in Grare, Frederic and Mattoo, Amitabh (eds), *India and ASEAN: The Politics of India Look East Policy*, New Delhi: Manohar Publishers & Distributers

<sup>16</sup> Ibid

<sup>17</sup> Ruolngul, James R.(2010), "India ASEAN FTA: Implications For Northeast" [Online web] Accessed on 25 June 2011 URL: <http://www.sinlung.com/2010/03/india-asean-fta-implications-for-indias.html>

difficulties. <sup>18</sup>However, this does not mitigate the several indicators point to the fact that India and ASEAN are moving towards an era of mutual understanding. Its membership in the BIMSTEC or Bay of Bengal Community, which links the Southeast and the South Asian region together in an economic sub-grouping, has been another significant link with the region. The development of the Mekong-Ganga Cooperation (MGC) project is also significant in this regard since the project has brought India closer to several countries in the region. However, the pace of economic reform in India has been slow and this has been a major concern for the ASEAN. The slow pace of approvals for projects and the slower pace of implementation have hampered the pace of economic ties and also had an impact on trade.<sup>19</sup> This same sentiment was expressed by the Singapore's former Prime Minister Goh Chok Tong during his January 2000 visit to India where he stated that change was required in the Indian government's mindset if it intended to realize its full economic potential. India hopes to be a part of the Asia-Pacific Economic Cooperation (APEC) but the slow pace of reform in India and the ASEAN's own problems both economic and political in the post financial crisis period are causes that have slowed the pace of engage between the two. Significant developments have accrued since the November 2001 agreement to host annual Indo-ASEAN Summits, which led to the institutionalization of the 'ASEAN plus one' as a formal structure of the ASEAN annual process. The first Indo-ASEAN Summit laid the roadmap for the structuring of the Framework Agreement which was concluded during the second Indo-ASEAN Summit of October 2003. The ASEAN-India Framework Agreement is a turning point in the economic ties that bind the two regions and also enhances the existing bilateral and multilateral arrangements within the region. At the bilateral level India is already evolving FTAs with both Singapore and Thailand. Also of significance is that India and Singapore signed the Comprehensive Economic Cooperation Agreement (CECA) in July 2005, paving the way forward for India's economic integration with the region. The most significant aspect of the Indo-ASEAN Framework Agreement is that it enhances the potential for deeper economic integration

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<sup>18</sup> Sridharan, Kripa (2001), "Regional Perceptions of India," in Grare, Frederic and Mattoo, Amitabh (eds), *India and ASEAN: The Politics of India Look East Policy*, New Delhi: Manohar Publishers & Distributers

<sup>19</sup> Kaul, Man Mohini (2006), *Regional Groupings: An Overview of BIMSTEC and MGC*, *South Asian Survey*, 13(2): 313-322

with the region. By this gradual process India and ASEAN countries within four years signed a FTA on August 2009. This Framework Agreement would cover goods and services, investment, and trade facilitation measures.<sup>20</sup> At the level of security contacts, India also expanded and reinforced contacts in the field of defense and security with the Southeast Asian countries. India began to shed its defense isolationism and step up security engagement with those countries. ASEAN perception of India as an emerging power and China as a source of security threat has convinced ASEAN of the need for a paradigm shift in Indo-ASEAN security cooperation.<sup>21</sup> The Southeast Asian countries like Indonesia, Malaysia, Thailand, Singapore and Vietnam are currently engaged in a massive defense modernization and also providing market for Indian products and services.<sup>22</sup> The security cooperation includes joint maritime operations to protect sea-lanes against piracy, drug-trafficking and war against terrorism. The military contacts and joint naval exercises that India launched with ASEAN states in early 1990s are now expanding into full-fledged defense cooperation. India's participation in the ARF demonstrates its increasing engagement in the Asia-Pacific region, both in politico-security and economic sphere and underlines its commitment to the objective of regional peace and stability. In this connection, India has hosted security conventions such as peace keeping, maritime security and cyber security.

**Table: LI Timeline of Recent Landmark in Indo-ASEAN Relations**

<b>Year</b>	<b>Event/ Agreements</b>
1992	Sectoral Dialogue Partnership of ASEAN
1995	Full Dialogue Partner of ASEAN
1996	Membership in ASEAN Regional Forum
1997	Establishment of BIMSTEC
2000	Mekong- Ganga Cooperation Initiative begin

<sup>20</sup> Framework Agreement on Comprehensive Economic Cooperation between the Republic of India and the Association of Southeast Asian Nations”, [Online web] Accessed on 26 July 2011 URL: [http://commerce.nic.in/agree\\_asean.htm](http://commerce.nic.in/agree_asean.htm)

<sup>21</sup> Ibid.

<sup>22</sup> “India and ASEAN: Security Paradigm AD 2000, speech by Mr. Jaswant Singh, External Affairs Minister, Singapore, 2 June 2000.” in India News [Online web] Accessed on 26 July 2011 URL: [http://www.indianembassy.org/inews/2000\\_inews/may\\_june\\_2000.pdf](http://www.indianembassy.org/inews/2000_inews/may_june_2000.pdf)

2003	Framework Agreement on Comprehensive Economic Cooperation
2003	India signs Treaty of Amity and Cooperation
2003	ASEAN-India Joint Declaration for Cooperation to Combat International Terrorism
2004	ASEAN -India Partnership for Peace. Progress and Shared Prosperity
2005	India becomes member of East Asian Summit
2009	Signing of the ASEAN-India of the Free Trade Agreement <sup>23</sup>

#### **1.4 Financial Crisis of 1997-98: A Birth of East Asian Community**

Since 1997, Asia attracted almost half of the total capital inflow into developing countries. The economies of SEA in particular maintained high interest rates attractive to foreign investors looking for a high rate of return. As a result, the region's economies received a large inflow of money and experienced a dramatic run-up in asset prices. At the same time, the regional economies of Thailand, Malaysia, Indonesia, Singapore and South Korea experienced high growth rates, 8-12 percent GDP, in the late 1980s and early 1990s. This achievement was widely acclaimed by financial institutions including the IMF and World Bank, and was known as part of the "Asian economic miracle". In 1994, noted economist Paul Krugman published an article attacking the idea of an "Asian economic miracle."<sup>24</sup> He argued that East Asia's economic growth had historically been the result of increasing capital investment. However, total factor productivity had increased only marginally or not at all. Krugman argued that only growth in total factor productivity, and not capital investment, could lead to long-term prosperity. Krugman's views would be seen by many as prescient after the financial crisis had become apparent, though he himself stated that he had not predicted the crisis nor foreseen its depth.<sup>25</sup>

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<sup>23</sup> Grare, Frederic (2001), "India and the ASEAN Regional Forum," in Grare, Frederic and Mattoo, Amitabh ( eds), *India and ASEAN: The Politics of India Look East Policy*, New Delhi: Manohar Publishers & Distributers

<sup>24</sup> Krugman, Paul (1994). "The Myth of Asia's Miracle", *Foreign Affairs* 73 (6): 62-78

<sup>25</sup> Ibid

The Asian financial crisis was a period of financial crisis that gripped much of Asia beginning in July 1997, and raised fears of a worldwide economic meltdown due to contagion. The crisis started in Thailand with the financial collapse of the Thai baht caused by the decision of the Thai government to float the baht, cutting its peg to the US dollar, after exhaustive efforts to support it in the face of a severe financial over extension that was in part real estate driven. At the time, Thailand had acquired a burden of foreign debt that made the country effectively bankrupt even before the collapse of its currency. As the crisis spread, most of SEA and Japan saw slumping currencies, devalued stock markets and other asset prices, and a precipitous rise in private debt. The causes of financial crisis in these countries are many and differ somewhat from economy to economy. In general, the Asian Tiger economies<sup>26</sup> had been growing at rates of 5 to 10 percent per year for the past decade. They were opening their economies to foreign direct investments, foreign goods and services, capital flows, and were relying heavily on dollar markets, particularly the US, to absorb their exports. In order to attract foreign investments and facilitate capital flows, their currency exchange rates were kept in fairly close alignment with the US dollar or a basket of currencies dominated by the dollar.

The financial services sector in most of these newly industrialized economies had been developing rapidly and without sufficient regulation, oversight and government controls. As capital markets were liberalized, banks in these countries could borrow abroad at relatively low rates of interest and re-lend the funds domestically. Over the past decade, foreign borrowing by these countries had shifted from a preponderance of government to private sector borrowing. Whereas in the 1970s, the governments might have borrowed for infrastructure development from the World Bank or a consortium of international banks, in the 1990s, a local bank might borrow directly from a large New York money center bank. The financial crisis in Asia began in currency markets, but this exchange rate instability was caused primarily by problems in the banking sectors of the countries in question. The causes and structural factors contributing to the financial crises include; i) private-sector debt problems and poor loan quality; ii) rising external liabilities for borrowing countries; iii) the close alignment between the local

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<sup>26</sup> A nickname given to the economies of Southeast Asia and some of the tigers are Indonesia, Singapore, Malaysia, Thailand, South Korea and China.

currency and the U. S. dollar; iv) weakening economic performance and balance-of-payments difficulties; v) currency speculation; vi) technological changes in financial markets, and; vii) a lack of confidence in the ability of the governments in question to resolve their problems successfully.

Though there has been general agreement on the existence of a crisis and its consequences, what is less clear are the causes of the crisis, as well as its scope and resolution. Indonesia, South Korea and Thailand were the country's most affected by the crisis. Hong Kong, Malaysia, Laos and the Philippines were also hurt by the slump. China, Pakistan, India, Taiwan, Singapore, Brunei and Vietnam were less affected although, all suffered from a loss of demand and confidence throughout the region. Foreign debt-to-GDP ratios rose from 100 percent to 167 percent in the four large ASEAN economies in 1993-96, and then shot up beyond 180 per cent during the worst of the crisis. In South Korea, the ratios rose from 13 to 21 percent and then as high as 40 percent, while the other northern newly industrialized countries fared much better. Only in Thailand and South Korea did debt service-to-exports ratios rise.<sup>27</sup> Although most of the governments of Asia had seemingly sound fiscal policies, the International Monetary Fund (IMF) stepped in to initiate a US\$40 billion program to stabilize the currencies of South Korea, Thailand and Indonesia, economies particularly hard hit by the crisis. The efforts to stem a global economic crisis did little to stabilize the domestic situation in Indonesia, however. After 30 years in power, President Suharto was forced to step down on 21 May 1998 in the wake of widespread rioting that followed sharp price increases caused by a drastic devaluation of the rupiah. The effects of the crisis lingered through 1998. In 1998 the Philippines growth dropped to virtually zero. Only Singapore and Taiwan proved relatively insulated from the shock, but both suffered serious hits in passing, the former more so due to its size and geographical location between Malaysia and Indonesia. By 1999, however, analysts saw signs that the economies of Asia were beginning to recover.

The 1997-1998 financial crisis prompted ASEAN to accelerate regional financial cooperation. In the ASEAN Vision 2020<sup>28</sup> which they issued in December 1997,

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<sup>27</sup> For more detail see at: [Online web] Accessed on 10 July 2011 URL: [http://www.adb.org/Documents/Books/Key\\_Indicators/2003/pdf/rt29.pdf](http://www.adb.org/Documents/Books/Key_Indicators/2003/pdf/rt29.pdf) 2

<sup>28</sup> During the second informal Summit of the ASEAN in December 5, 1997 had adopted the ASEAN Vision 2020, described as “a concert of Southeast Asian Nations, outward looking and living in peace,



ASEAN leaders resolved to; i) maintain regional macroeconomic and financial stability by promoting closer consultations on macroeconomic and financial policies and; ii) continue to liberalize the financial services sector and closely cooperate in money and capital market, tax, insurance and customs matters. To carry out these mandates, officials have drawn up an ASEAN Finance Work Programme. Included in the Programme are measures to establish sound international financial practices and standards, deepen capital markets and improve corporate governance. ASEAN countries have resolved to ensure that the liberalization of capital accounts is properly sequenced so as to allow the free flow of capital while cushioning the impact of sudden shifts in capital flows. To prevent a recurrence of the financial crisis, the ASEAN Finance Ministers agreed in October 1998 on a framework for closer consultations on economic policies called the ASEAN Surveillance Process (ASP). This process has two major elements. The first is the monitoring of global as well as regional and national economic and financial developments. Monitoring serves at least two purposes: to keep track of the recovery process and to detect any sign of recurring vulnerability in the ASEAN financial systems and economies. The outcome of the monitoring exercise is reported to the ASEAN Finance Ministers twice a year. “The ASEAN Surveillance Report, as the report is formally called, highlights recent economic and financial trends and recommends policy measures for the ministers to discuss during their peer review sessions.”<sup>29</sup>

The peer review, the second element of the ASP, provides a forum at which ASEAN finance ministers exchange views and information on developments in their domestic economies, including policy measures carried out and the progress of structural reforms. The review provides an opportunity to consider jointly unilateral or collective action to counter potential threats to any member economy. The ASEAN finance ministers have conducted four peer reviews since March 1999. The discussions focused on policy measures that contribute to the economic recovery. Among them are measures to stimulate domestic demand, maintain prudent fiscal management and expedite bank

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stability and prosperity, bonded together in partnership in dynamic development and in a community of caring societies.”

<sup>29</sup> ASEAN ,” ASEAN Response to the Financial Crisis [Online web] Accessed on 12 July 2011 URL: <http://www.aseansec.org/7660.htm>

and corporate restructuring. The mechanisms involved in the ASP are the ASEAN Finance Ministers Meeting and the ASEAN Finance and Central Bank Deputies Meeting. Their surveillance-related activities are coordinated and supported by the ASEAN Surveillance Coordinating Unit (ASCU) based at the ASEAN Secretariat in Jakarta. The ADB provides technical assistance, such as training of ASEAN finance and central bank officials, the writing of independent economic reports and studies on specific issues, and capacity building of ASCUs and national surveillance units in some countries. In recognition of the financial interdependence in East Asia, ASEAN has stepped up its cooperation with China, Japan and South Korea. To implement the Joint Statement on East Asia Cooperation, issued at the Manila Summit in November 1999, the ASEAN plus three Finance Ministers, assisted by the ASEAN plus three finance and central bank deputies, have been holding periodic consultations. At their meeting in Bandar Seri Begawan in March 2000, the ASEAN+3 finance and central bank deputies proposed a regional support mechanism that would include setting up a network of East Asian Training and Research Institutes and establishing a regional financing arrangement to supplement existing international facilities. In addition, they agreed to set up a system of monitoring capital flows and to strengthen the regional surveillance mechanism in East Asia.

In May 2000, the ASEAN plus three finance ministers agreed to establish a regional financing arrangement called the “Chiang Mai Initiative.” It consists of two components: an expanded ASEAN Swap Arrangement and a network of Bilateral Swap Arrangements among ASEAN countries, China, Japan and the South Korea.<sup>30</sup> To help countries meet temporary liquidity problems, the ASEAN central bank and monetary authorities agreed to expand the ASEAN Swap Arrangement originally set up by the five founding member countries of ASEAN to provide financial support to members with balance-of-payments difficulties.<sup>31</sup> The arrangement now included all ASEAN countries. The expanded facility increased to a total amount to US\$1 billion. The basic frameworks of a network of bilateral swap arrangements and repurchase agreements among ASEAN countries; China, Japan and South Korea have been agreed upon. This supplementary facility aims to provide temporary financing for members which may be

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<sup>30</sup> Asami, Tadahiro (2005), Chiang Mai Initiative as the Foundation of Financial Stability in East Asia [Online web] Accessed on 18 July 2011 URL: <http://www.asean.org/17905.pdf>

<sup>31</sup> Ibid.

in balance-of-payments difficulties. Financial cooperation in ASEAN is expected to complement efforts at the national level in undertaking corporate and financial sector reforms to promote macroeconomic and financial stability in the region and in the individual member countries. The ASP is an early warning system that is expected to contribute to preventing future financial crisis. The expanded ASEAN Swap Arrangement among Southeast Asian countries and the Bilateral Swap Arrangements between ASEAN and China, Japan and South Korea are aimed at containing the impact of a situation of financial instability in the future. At the global level, ASEAN has articulated its common position on reforming the international financial architecture. In that statement, ASEAN called for closer and more coordinated monitoring of short-term capital flows. In particular, there should be global agreement on the disclosure requirements for such flows and closer collaboration and information sharing among national and international regulators. Measures to strengthen the international financial architecture would need to include a review of the roles of the international regulatory bodies, in order to enhance their capacity and capability to contain and resolve crises. ASEAN believes that global financial stability and development will play an important role in sustaining the economic resurgence of the ASEAN region.

ASEAN leaders are convinced that ASEAN should be the center of East Asian process, after all the idea had originated from them and it was they who had concretized it. Just before the East Asia Summit (EAS) an official press release stated that ASEAN also believes that it should be in the driver's seat in the EAS, and the EAS will be open and outward looking. It was ASEAN which took charge of the membership issue of EAS. By laying the criteria for membership, it put itself effectively in the driver's seat by making them integral to EAS. The discussion on East Asian Community (EAC), ASEAN has not lost its focus; it is energetically pursuing ways to sustain its Southeast Asian identity. The ASEAN Charter and establishment of ASEAN Community are meant to strengthen the regional organization so that the economic giants like China are not able to marginalize the organization. ASEAN is moving ahead with closer political, economic and security integration. Perhaps it is the balancing of one country against the other that has helped ASEAN value and importance. Most of the commentators agree that India's membership was forwarded to prevent China from dominating the EAS. For ASEAN countries, the close integration with East Asian countries is economically, strategically and politically beneficial. By themselves, they do not have the military or economic capability to play a global role, yet their geo-

strategic location, with important sea lanes through which major trade flows has given an extra leverage. For China, Japan, South Korea, Australia and New Zealand these are their life lines. In this situation ASEAN has challenge to maintain good diplomatic relation with these countries in a win-win manner. 1.5 Survey of Literature

Ambatker, S. (2002), *India and ASEAN in the 21st century: Economic Linkages*, New Delhi: Anmol Publication. In this book the author's entire study has been carried out in the aftermath of Asian financial and economic crisis when barring Singapore all other ASEAN-5 countries were severely shaken by the crisis. Naturally, ASEAN's overall economic performance and interaction with India was greatly influenced by the crisis and substantially dealt with this aspect. The related fall out of the crisis was that the majority of ASEAN-5 countries suffered political turmoil and brought to the fore shortcomings in their political institutions. Although the focus of the study is economic interaction nevertheless it has given substantial space and consideration to political issues like, there is dispute for ownership right over South China Sea between China and ASEAN countries because, it is rich in natural resources such as oil and natural gas. These resources have garnered attention throughout the Asia-Pacific region. Asia's economic growth rates have been among the highest in the world and this economic growth will be accompanied by an increasing demand for energy. Apart from this China also wants to spread in the Indian Ocean through assistance from ASEAN countries like Myanmar, Thailand, Malaysia and Indonesia in South Asia through Bangladesh, Sri Lanka, Maldives and Pakistan. In this situation India, also effort peaceful democratization with those countries that has experienced monarchy, authoritarian and communist form of government.

Rao, P.V. et. al (2008), "India and ASEAN: Partners at Summit" New Delhi, KW Publishers. In his book the author assesses the development of the relationship between India and ASEAN. Even though the partnership between India and ASEAN only began to warm about a decade ago, it has been moving at quite a rapid pace since. India became a sectoral dialogue partner of ASEAN in 1992, cooperating closely with the grouping in the areas of trade, investment, tourism and science and technology. In 1995, ASEAN, realizing the growing importance of this South Asian giant, invited India to become a full dialogue partner during the fifth ASEAN Summit in Bangkok, and a member of the ASEAN Regional Forum (ARF) a year later. Since 2002, India and ASEAN have participated in summit-level meetings on an annual basis.

The core idea of the book is based on the successful implementation of India's LEP and how it has shaped the country's relations with ASEAN. This policy, initiated a decade and a half ago, marked a strategic shift in the Indian perspective towards Southeast Asian countries and beyond. The success of India's LEP, as evidenced by intensifying political dialogue, expanding trade and steadily growing people-to-people contacts between the two regions, is because India has responded to national and regional realities. In the mid-1990s India commenced the economic reform process, which, as a result, provided an opportunity for significantly enlarging its economic engagement with the world. At the same time, ASEAN countries - recovering from the financial crisis - were searching for new partners to strengthen their economies and moving towards economic integration as a cushion against future economic shocks. The emergence of India as a regional power, both in the economic and political sense, has served to fulfill ASEAN's need to expand linkages with their neighbors. With special bonds of kinship and age-old cultural connections, ASEAN and India have found in their mutual interest a path to pursue the goal of a deeper relationship.

The book comprises four main sections; first, the early rapprochement between ASEAN and India was engendered by New Delhi's attempts to ease Southeast Asian anxieties about India's growing maritime power. Suspicions, however, were not confined to the ASEAN side. India was aware of being exploited by ASEAN as a counterweight to the increasing strategic and economic clout of China. Therefore, an extensive study of the strategic relations between ASEAN and India is imperative. And because of the quintessential role of China in the bilateral interactions between India and ASEAN, a chapter is devoted to the discussion of China's place in this triangular relationship. While the Indian view of China's strategic interests in SEA has remained skeptical, the Chinese view of India and its engagement with the region is no less contentious, although there is room for cooperation between the two powers - especially in the economic realm - with the countries in this region. The book also presents cases of bilateral relations between India and selected ASEAN members, namely Singapore, Malaysia, Vietnam and Myanmar, analyzing them from the perspective of political, economic and cultural considerations. The analysis on Myanmar and how it has been treated as the object of desire for both India and China is systematic as it provides one of the best examples of how the two powers have been exercising their leverage to gain a firmer footing in ASEAN politics.

Baru, S. (2001), "India and ASEAN: The Emerging Economic Relationship towards a Bay of Bengal Community", India Council for Research on International Economic Relation, Working Paper No. 61. In this paper by author seeks to explore the rationale for the creation of an alternative regional forum comprising of some member countries of ASEAN and SAARC. Author argues that the Bay of Bengal Community would facilitate speedier trade liberalization and increased regional capital flows and after prospects of widening the network for outward oriented grown in this part of Asia. This forum will emerge as the natural bridge between South Asia and SEA and will play a very important role given the inability of SAARC to widen economic links within the sub-continent. The liberalized Indian market would offer meaningful opportunities to the ASEAN economies. Strategically, closer linkages with the Indian sub-continent would go a long way in ensuring the prospect of peace and stability in the region.

Anand, M. (2009), "Indo-ASEAN Relations: Analyzing Regional Implications", IPCS Special Report, May, New Delhi: Institute of Peace and Conflict Studies. The objective of this paper is to highlight the trends in the interactions between India and ASEAN and elaborate the relations between them. While their motivations for developing stronger ties are largely economic in nature, they rest to a large extent on definite socio-political considerations. The paper examines these factors and attempts to provide an understanding of the direction in which their relations are heading along with an analysis of the dynamics affecting it.

Asher, M. ed. al. (2002) "ASEAN-India: Emerging Economic Opportunities", Paper prepared for ASEAN India workshop on Economic Issues organized by the French Center de Sciences Humanities, Institute of Southeast Asian Studies (Singapore) and School of International Studies, JNU (New Delhi) March, 17-18. This paper discusses factors contributing to increased density of economic relations between India and ASEAN, and suggests possible measures and avenues to take advantage of emerging economic opportunities for mutual benefit. In the Post-Cold War globalize era, the role of economic diplomacy has increased density of economic relations will help provide a more conducive context for cooperation in political and other non-economic areas as well.

Prakash, S. ed. al. (1996), India and ASEAN: Economic Partnership in the 1990s and Future Prospects, New Delhi: Gyan Publishing House (republished 2011). In this book mainly discusses about the impressive economic performance of the ASEAN countries

in the recent past has aroused much interest around the world and particularly, in many developing nations of Asia. For such developing economies this achievement is like an “economic miracle” which inspires them to develop economic ties with the ASEAN countries. India, being a neighboring state, is keen to intensify its age-old economic relationship with the ASEAN especially with the launching of the economic reform programme since July 1991 and adopting a LEP in international economic relations.

Reddy, K.R. ed. al. (2005), *India and ASEAN: Foreign Policy Dimensions for the 21st Century*, New Delhi: New Century Publications. In this book author has been mainly exploring in the terms of 21st century relation between India and Southeast Asian countries. For long, India hardly regarded the countries of SEA and South Pacific as priority areas despite the latter’s cultural, political, economic and strategic significance. The long spell of mutual distrust and suspicion period in India’s relations with the countries of SEA and South Pacific was, however, brought to an end following the reshaping and reorientation of India’s foreign policy manifest in the vigorous pursuit of LEP since the last decade of the previous century. While the realization that the idea of looking towards the East is as important as that of looking towards the West dawned on Prime Minister Rajiv Gandhi in the latter half of 1980s. It was Prime Minister Narasimha Rao who concentrated on forging links and enhancing cultural, economic, political and strategic cooperation with SEA and transformed this important urge into India’s foreign policy initiative that culminated in LEP. Positive factors such as the pursuit of ASEAN and Australia’s ‘Look West’ policy coinciding with the adoption of LEP by India, had already registered impressive progress in the field of economy, strategy and cultural relations between India and ASEAN.

### **From Look East Policy to Act East Policy**

India's 'Look East' approach moved to 'Act East' in 2014 under the initiative of Prime Minister Narendra Modi. India's association with ASEAN shapes a standout amongst the most essential mainstays of its 'Demonstration East' Policy, as apparent in the endeavor of different activities by the two sides. The different pastors and bureaucratic authorities meet regularly to give an impulse to progressing joint endeavors and cooperative endeavors, while the best pioneers of the individual countries interface yearly to animate their relations with new desires and thoughts. India has chosen, for

example, to help its organization with the four minimum created economies of ASEAN to be specific, Cambodia, Lao PDR, Myanmar, and Vietnam or CMLV.

With the quick development of ASEAN-India relations in the course of the last two and half decades, gatherings at the levels of Summit, Ministerial, senior authorities, and specialists have turned into the norm. India and ASEAN progressed toward becoming summit accomplices in 2002 and vital accomplices in 2012. As of now, there exist 30 distinctive exchange instruments amongst India and the ASEAN countries concentrating on a different scope of segments. These incorporate a Summit and seven Ministerial gatherings committed to a scope of zones that incorporate remote issues, economy, condition, and tourism. The ASEAN-India Center (AIC), set up in 2013, has supported the India-ASEAN key association by concentrating on strategy look into, approach proposals, and cooperations among think-tanks and different associations in the two locales. The AIC expects to upgrade the conceivable outcomes of India-ASEAN participation by connecting the current information holes among the general population of the two regions. Exchange programs are likewise set up for less demanding association between understudies, senior authorities, negotiators, and media experts

## **1.6 Overview of the Chapters**

The introductory chapter has provided a brief historical background of the study and provided the terms on which Indian and ASEAN to engage each other. It has also discussed the formation of ASEAN as a regional organization in the geo-political era. As a regional organization, how the ASEAN countries have bind up themselves. We have discussed about problems and prospects. For the first time in Asia in a rough way not a clearly Southeast Asian country showing a model of pooled sovereignty to achieve their political and economic interest by cumulatively. Apart from that discussed to engagement of India with ASEAN that, how India's foreign policy looking towards Southeast Asian countries and further discussed the causes of financial crisis of 1997-98 which accelerating regional financial cooperation. Because of this crisis EAC came into existence. East Asian countries have passed a resolution ASEAN Vision 2020 to tackling of financial crisis.

Chapter two entitled "India's Look East Policy and ASEAN" discusses the main reason how India and ASEAN have come together. After the disintegration of SU, there were new changes in India's foreign policy. On those days, India was also suffering financial



crisis. That's the reason why India adopted LEP, there are also several reasons but these two were more effective. India's LEP has become increasingly important element in its foreign policy focus. It gave a new direction and provided a decisive shift in India's traditional focus on foreign policy. The LEP is pursued in a multifaceted manner in diverse areas such as improved connectivity, promotion of trade and investment and cultural exchanges. Once Manmohan Singh (Prime Minister of India) announced that the LEP is more than a slogan, or a foreign policy orientation. It has a strong economic rational and commercial content. We wish to look east because of the centuries interactions between us.

In this chapter, it is discussed about the major achievement of LEP and constructive engagement with various regional organizations. For example, BIMSTEC which included seven countries (India, Nepal, Bhutan, Bangladesh, Myanmar, Thailand and Sri Lanka) provided to India to interact between South and Southeast Asia. For the purpose of rapid social and economic development of the Mekong region countries; Thailand, Vietnam, Laos, Cambodia and Myanmar launched MGC to cooperate in field of tourism, culture and education with India. Likely; Bangladesh, China, India and Myanmar (BCIM) launched 'Kunming Initiative' for exploring of bio-diversity, energy potential and human resources. In second indo-ASEAN Summit India inaugurated the phase II of its LEP. The further promotion of India as a partner EAS (2005), and thereby strengthened India's status as per with the ASEAN plus three, constituted of China, Japan and South Korea. The better exploitation of relation with ASEAN cannot complete if we do not develop the border trade relation of Northeast region of India and SEA. Keeping in mind, the prospects discussed in this chapter as well as about the government plans and possibilities are also mentioned. It is also discussed in brief about the development challenges for the Indian Government in Northeast region.

Third chapter is "Indo-ASEAN Economic and Trade Relations". In this chapter it is discussed about the wholesome growth in the beginning of the 1990s. India has emerged as one of the largest economy not just in Asia but in the entire world. Further discussion is about economic engagement and trade relationship. India has established economic relationship with ASEAN because India would have not evolved proper economic relationship with SAARC. For India the volume of economic exchanges available in South Asia was limited. For example, in 2004-05, India's trade with SAARC countries was only US\$7 billion as against US\$13 billion with ASEAN. The decision taken by India and ASEAN in 1990s to accelerate economic interaction could

not have come a day soon. International and regional changes in terms of geo-political and geo-strategic situation in the recent years introduced the platform for positive development in Indo ASEAN relations. We discussed in this chapter about the bilateral relations of India with major countries of ASEAN like Singapore, Thailand, Malaysia and Indonesia. For promoting trade relations with Singapore, India had signed CECA which included goods, services and investment. India and Thailand shared a maritime boundary in the Andaman Sea. Both countries shared unique civilizational links with Buddhism. They cooperate closely in ASEAN, EAS, BIMSTEC and MGC. We also discussed about the Malaysia and Indonesia, which are cooperating in diverse aspects. In order to expand and diversify the economic linkages India and ASEAN have set up various institutional mechanism through which negotiation being conducted and two parties are making effort to overcome the barriers in deepening interactions. At level of institutional arrangement with ASEAN, India enjoyed with many economic institutions like ASEAN-India Business Summit, ASEAN-India Business Council, ASEAN-India Economic Ministers' Meetings, ASEAN-India Trade Negotiation and ASEAN-India Working Group on Trade and Investment. Promoting the organize trade India and ASEAN had signed a trade in goods agreement (TIGA) on August 13, 2009, which envisaged coming into force with effective from January 1, 2010. It is discussed in this chapter that India-ASEAN merchandise trade from 2000-2001 to 2010-11. It is discussed in brief about the impact of FTA in future of Indo ASEAN trade relation.

Chapter four of the study "Indo-ASEAN: Socio-Cultural and Political Relations" is an attempt to critically evaluate the socio-cultural and political relations with ASEAN countries, because India and Southeast Asian countries are interlinked with each other an ancient era. That era was dominated by the mercantile links also brings Hinduism and Buddhism to the region. The Indian influence is quite visible even in today's SEA, especially in their language, customs and the rituals of the royalty. India's relations with Southeast Asian region during the cold war were visible in bilateral relations with individual countries namely, Singapore, Indonesia and Malaysia rather than ASEAN. It is well known in the period of cold war the world is divided in two factions one is called communist bloc which deals by USSR and second one deals by US called capitalist bloc. The formation of ASEAN in 1967 to contain the communism in this region because US block want to preserve its vested interest in Southeast Asia. Prior to the 1990s, development of close ties between India and ASEAN was greatly stalled due to various political reasons, but principally, because of India's alliance with the Soviet

Union. The affirmation and support of India on the presence of the Soviet in Afghanistan as well as the recognition it gave to the Heng Samarin regime in Cambodia became a significant impediment in establishing ties. In this situation, the ASEAN nations view India as a suspicious manner. After the cold war situation has changed and many causes belongs to India for open its economy, one is disintegration of USSR and second is the financial crisis in Indian economy. The relationship between ASEAN and India is perceived to be beneficial to both parties in various fields of interests including security, political, economic and socio-cultural aspects. ASEAN countries started to think to make partnership with Indian as emerging economy to minimize the China's impact on Southeast Asian region.

This chapter also discusses further the salient features of the Indian Diaspora in the Asia Pacific region in the context of the on-going globalization as well as historically. It briefly discusses the origins and evolution of the Indian Diaspora in a dozen peculiar countries of the region. It is argued that the modern Indian Diaspora was caused by the British colonialism in India and the region. Indians emigrated as indentured, kangani/maistry and voluntary laborers to work on rubber, rice, sugar, tea, coffee, and oil-palm plantations in various British colonies. The Indian traders and various categories of office workers also migrated to Hong Kong, Philippines, Japan, Burma, Malaya, Singapore and Fiji. Indians in these countries have been part of the so-called "Old Indian Diaspora". Elsewhere in the region, namely Australia, New Zealand and Thailand the Indians have been a part of the "New Indian Diaspora" that included engineers, doctors, accountants, managers, IT professionals, etc. Migration patterns and population estimates apart, the major focus of the article however would be on impact of the Indian Diaspora on the economic development, political processes and socio-cultural affairs of the host countries.

We have also discussed non-traditional security concerns between India and ASEAN. The problems of terrorism have affected India and ASEAN, and both wanted to face it and eliminate it by mutual cooperation. The issue of non-proliferation has irritated India- ASEAN relationship, because ASEAN countries stand is similar to US, while, India does not follow<sup>7</sup> the discriminatory signatory treaty which creates haves and have-nots, India has followed the policy of no first use. So it is the responsibility of India to assume the ASEAN about its peaceful mission related to nuclear policy. Today, India is facing a serious challenge as energy consumption continuously increases as India gears towards rapid economic growth.

Fifth and last chapter summaries the core issue of the all the preceding chapters. It answers all the relevant research questions and testified the hypothesis of the study that both region India and ASEAN.

## CHAPTER-2

### Determinants of Indian ASEAN

The birthplace of the Look East Policy (LEP) emerged from political discernment, centering chiefly on manufacturing commonly gainful ties between India with Southeast Asia (SEA) and Japan. Toward the finish of World War II, Prime Minister Jawaharlal Nehru endeavored to draw in Asia by supporting hostile to pilgrim battles, upholding skillet Asianism, and another universal world request in view of not picking sides amid the Cold War governmental issues. It can likewise be said that the LEP for India is a circuitous articulation of wishing to come back to an expansion of India's authentic conduct. At introduce when we discuss "Look East", it implies looking to the ten ASEAN nations and the three East Asian nations, in particular China, Japan and South Korea. However, in 1890s when it was first utilized by Swami Vivekananda (1863-1902), an awesome otherworldly pioneer of India, it signified 'Look Japan'. Awed by Japan's capacity to save its freedom and accomplish modernization, Vivekananda asked the Indian youth to look to Japan for India's development and progress."<sup>32</sup> For the India, the LEP, to a great extent was propelled and conditioned by the domestic economic situation. For a large country like India to catch up with the ongoing process of globalization, it was imperative to extend the domestic and regional economic space, and the ASEAN seemed to be the most appropriate arena for expanding India's economic space."<sup>33</sup> In 1991, impressed by the economic miracles of East Asian economies, the Indian government under the leadership of Prime Minister Narasimha Rao initiated LEP by according more importance to the countries in East Asia, SEA and the Asia-Pacific. A factor which facilitated the process of normalization with ASEAN and the countries of SEA was the collapse of the Soviet Union (SU) and the termination of Cold War. In ost Cold War scenario, India had no choice but to change its foreign policy directions. One of the most trusted allies of India was collapsed now. Thus, in this situation, India started focusing on SEA region with an

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<sup>32</sup> Narsimhan, S. (2005) "India's Look East Policy: Past, Present and Future" in K. Raja Reddy, *"India and ASEAN: Foreign Policy Dimensions for the 21st Century"*, New Delhi: New Century Publication: 28

<sup>33</sup> Ram, A. N. (2002) "India's Look East Policy- a Perspective" in K.V. Keshavan, *Building a Global Partnership: Fifty Years of Indo-Japanese Relations*, New Delhi: Lancers' Book: 75.

opportunity and hope and started shaping the engagement between the two regions with more practical and focused policies.

### **Major determinants of Indo-ASEAN relations**

#### **1. Economic-Social and political tie-ups**

India shares broad social, monetary and political ties with Southeast Asia. Solid civilizational ties are clear from references of Southeast Asia in Indian established works, for example, the Ramayana. Indian traders frequented the area as right on time as first century A.D., encouraging the spread of Hinduism and Buddhism in pre-provincial kingdoms like Srivijaya in Sumatra, Majapahit in Java, Bali, and the Philippine archipelago.

#### **2. Cultural linkages and Strategic Determinants**

Any endeavor to make Asian character would seldom be able to prohibit India given its size, noticeable quality and social customs. While ASEAN was searching for chances to extend its quickly developing economy, India's recently discovered monetary advancement constrained it to advance a „Look-East“ Policy towards ASEAN. The monetary interests of the two India and ASEAN focalized on a stage that refreshed on social shared characteristics. While the Indian association is relied upon to help the Southeast Asian countries to rediscover their Socio-social legacy and to acquire a greater market for their items, the ASEAN association is relied upon to help India in finding the truly necessary outside speculation and synergistic endeavors. Aside from the financial impulses, there are additionally sure joining in observations among them on a few of the key security and key difficulties both have been looking for a long while. The „felt needs“ of the two India and ASEAN have united them since the early 1990's

#### **2.1 Collapse of Soviet Union: Shifting in India's Foreign Policy:**

The uncertainty made by the SU fall regardless, particularly on the safeguard front, the end of the frosty war was an aid in camouflage in so far as India's outside strategy was concerned. Most likely India never felt more secluded in its neighborhood since autonomy than amid the mid-to late 1980s at the territorial and worldwide level. India had little part to play in Asia; it was not trusted by the ASEAN nations due to its approach in Indochina; and in South Asia, it had made a greater number of foes than

friends.”<sup>34</sup> It is critical to take note of a couple of critical changes were made to modify the outside arrangement introduction to suit the changed conditions. Besides consigning the prior neutral focused arrangement to the foundation, a genuine endeavor was attempted to separate the outside arrangement needs with security concerns. With a specific end goal to give more prominent monetary introduction to remote arrangement, a different cell, called the Economic Division, was made, headed by a senior official in the Ministry of External Affairs. Extraordinary endeavors were started to mitigate the worries of littler neighbors in South Asia.”<sup>35</sup> Not with standing these activities, the LEP was planned. This arrangement was gone for more noteworthy financial arrangement with, and political part in, the dynamic Asia-Pacific district when all is said in done and SEA specifically. India plainly considered SEA to be where politico-key and financial conditions displayed it a part to play. It was against this foundation that one could see an emotional change in India's approach and strategies toward SEA. Restoring India's picture as a mindful power what's more, persuading ASEAN that it had more noteworthy stake in peace and security as opposed to simply stretching out its impact to fill the alleged power vacuum in SEA, turned into a most extreme need. The development of ASEAN as a self-sufficient provincial impact and the fabulous monetary achievement the part states accomplished, additionally added to the direness. By at that point, ASEAN too was receptive to India's drives especially since the association confronted the injury of a questionable future in the post-Cold War climate of political flux. Former Cold War image of ASEAN and India belongings to different political camps in the global bipolar system collapse removing major obstacles. And with the disappearance of the strategic divide, that segregated India from the ASEAN bloc of nations, ASEAN could appreciate, understand and positively respond to India's proposals. Many ASEAN countries were also attracted by the economic opportunities that a huge market like India offered after liberalizing its economy. Equally significantly, the China factor too started weighing heavily in several ASEAN quarters, particularly after the closure of the US bases in the Philippines in 1992 and the

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<sup>34</sup> A series of development in that period had considerably raised tensions with Pakistan and China on the borders; the Indian military adventure in Sri Lanka was a disaster; its policy was widely perceived to be strong arm tactics when restrictions were imposed on entry points; and Bangladesh was sore because of what it considered New Delhi's obstinacy over sharing of Ganga waters.

<sup>35</sup> It later came to be known as “Gujral Doctrine”.

emergence of the South China Sea dispute as a major concern when Beijing started articulated its maritime claims more detrimentally. Although, India overtly loathed the idea of becoming a counterbalancing power concerning China, but it did not seem to be averse to the idea of using Southeast Asian worries to advance its political and strategic interests. India was particularly worried about the growing nexus between China and the strategically located Myanmar.

## 2.2 Look East Policy: Looking for a New Identity

India's LEP has come to represent an important core of its foreign policy since the early 1990s. Considerably, this approach has received undisputed support from all governments that came to power in New Delhi since that time, despite the consequences of their political ideologies. According to India's Prime Minister Manmohan Singh; "the LEP is more than a slogan, or a foreign policy orientation. It has a strong economic rational and commercial content. We wish to look east because of the centuries interactions between us."<sup>36</sup> India hardly regarded the nations of SEA, East Asia and South

Pacific as priority area despite their strategic, political, economic and cultural significance. The long gap of alienation led to mutual distrust and suspicion. This period of alienation however, came to an end following the reorientation of India's foreign policy known as LEP<sup>37</sup> since 1990. India's LEP, which was initiated in 1991, marked a strategic shift in India's perspective of the world. It was developed and enacted during the government of Prime Minister P.V. Narasimha Rao<sup>38</sup> and rigorously pursued by the successive governments of Atal Bihari Vajpayee and Manmohan Singh. The adoption of LEP by ASEAN and Australia also coincided with the LEP by India. LEP contributed in enhancing political, economic, cultural and strategic partnership with the countries of ASEAN, the countries of East Asia

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<sup>36</sup> Devare, S.(2006), *India and Southeast Asia: Towards Security Convergence* , Singapore: ISEAS Publications, Institute of Southeast Asian Studies:28

<sup>37</sup> From the onset, India's Look East policy was Japan oriented, not only because New Delhi expected more investment from Japan, but also because in the early 1990s Japan was the first success story of Asia.

<sup>38</sup> In 1994, Prime Minister of India, P.V. Narsimha Rao unveiled the Look East Policy through his famous lecture



and Australia. India's LEP has become increasingly important element in its foreign policy focus. It gave a new direction and provided a decisive shift in India's traditional focus on foreign policy. The LEP is pursued in a multifaceted manner in diverse areas such as improved connectivity, promotion of trade and investment and cultural exchanges. It has also been pursued through constructive engagement with various regional organizations such as ASEAN, East Asian Summit (EAS), BIMSTEC and MGC. Prime Minister Manmohan Singh observed; "India's LEP is not merely an external economic policy; it is also a strategic shift in India's vision of the world and India's place in the evolving global economy. Most of all, it is about reaching out to our civilization neighbors in SEA and East Asia."<sup>39</sup> Practicality remains the essential input driving India's LEP. Several reasons decide India's interest in look at the SEA region;

- The end of cold war, the globalization of national economies, Asian financial crisis, disintegration of SU, India's economic crisis in 1991 and subsequent reforms created momentum for India to look East.
- In tune with the changes of international environment in the 1990s, India adopted the process of globalization to integrate its economy with the world. So, it began to pursue foreign economic diplomacy to seek foreign direct investment (FDI) and access to markets and trade.
- China was involved in SEA in a big way and India could not remain a silent spectator to this development. It had to engage itself with the East to checkmate Chinese influence.
- Another important factor was that India had realized the futility of ideology in conducting foreign relations and shifted to pragmatism in the pursuit of her national interest which naturally led to the LEP.
- The notable success of ASEAN experiment, the failure of SAARC (South Asian Association of Regional Cooperation) and the economic dynamism of SEA made India to look east and benefit from the multilateral interaction.
- In current scenario, India might become the world's third largest economy in 2011 by overtaking Japan in terms of gross domestic product (GDP) measured according to the domestic purchasing power of the rupee, otherwise called purchasing power parity. India is now the fourth-largest economy behind the US, China and Japan.

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<sup>39</sup> Quoted in Kuppuswamy C.S.(2010), India's Look East Policy, Paper No.3662,[Online web]

Accessed on 17 July 2011 URL: <http://www.southasiaanalysis.org/%5Cpapers37%5Cpaper3662.html>

Numbers from 2010 show that the Japanese economy was worth US\$4.31 trillion, with India snapping at its heels at US\$4.06 trillion.<sup>40</sup> The result of corporate sector continued to show profits. The Indian economy has a number of strengths poised to grow rapidly on a sustained basis. India had thus a compelling reason to expand its economic connectivity.

- India's image has been qualitatively upgraded to software and information technology (IT) enabled services. India is today recognized not only as one of the important emerging economies but also as a leader in the field of science and technology, human resource development (HRD) and provision of services. The policy gave an opportunity for resourceful India to come out of regional politics and play a global role in forging partnership with the East befitting the size, population, resources and economic development in India.

### 2.3 New Changes in India's Look East Policy

As against such background, since late 2000, India improved its ties with the CLMB (Cambodia, Laos, Myanmar and Brunei) countries after the 'Vientiane Declaration' signed in November 2000. This re-ctivization of India's LEP is mainly based on several important reasons and they are as follows; First, drastic improvement of Indo-US ties substantially altered India's relations with the countries of SEA. In March 2000, the US President Bill Clinton visited India and this visit resulted in a marked realignment of New Delhi's geostrategic and foreign economic ties. After decades of neglect, the improvement in Indo-US relations created a major spillover effect on New Delhi's relation with ASEAN. "The emergence of the Bush administration, its decision to lift the nuclear sanctions against Pokhran-II nuclear bomb blast in 1998 and the unfortunate event on 9/11, provided the opportunity to realize the promise of a 'natural alliance' between New Delhi and Washington."<sup>41</sup> This

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<sup>40</sup> Shah, Rishi (2011), "India to topple Japan as world's 3rd-largest economy", *The Economics Times* [Online web] Accessed on 30 July 2011 URL: [http://articles.economicstimes.indiatimes.com/2011-09-20/news/30180201\\_1\\_third-largest-economy-power-parity-indian-economy](http://articles.economicstimes.indiatimes.com/2011-09-20/news/30180201_1_third-largest-economy-power-parity-indian-economy)

<sup>41</sup> Bhasin, Avatar Singh (2008), *India's Foreign Relations -2007*, Document Part-1 , New Delhi:

Geetika

Publishers [Online web] Accessed on 28 June 2011URL:

<http://mea.gov.in/staticfile/meapublication/foreignrelations2007.pdf>

new equation with the US also paved way for building better and more extensive security and political links with the American allies in the ASEAN, Japan, South Korea as well as Australia. Secondly, the improvement of relations between India and China remains another important reason. Since late 1990s, New Delhi's movement towards Washington has decisively created the basis for addressing issues that divided India and China for long. It is in the context of a rapidly expanding Indo-US cooperation, which President Clinton described as 're-discovering India, that the re-affirmation of Indo-Russia 'strategic partnership', greater uncertainty in Sino-US ties and the profound impact of the American war against terrorism in the region gave New Delhi and Beijing an opportunity to transform their distrustful relationship. Both the countries agreed on the need for a framework of broad-based dialogue on all issues of mutual concerns, and accelerated the clarification of the Line of Control (LOC), the dispute over Sikkim and sought to liberate their relationship from Pakistan.<sup>42</sup> Further, China's entry into the WTO, its capacity to influence FDI and its strategic and political influence in the region became major reasons for New Delhi to engage the ASEAN countries. This resulted in a new dimension of Sino-India ties, when Atal Behari Vajpayee visited China on June 23-24, 2003 and signaled new step forward in strengthening the all-round cooperation between India and China in the new century.

Thirdly, India's gains in relation with China, gave her the scope to re-think is previously Myanmar policy. The inclusion of Myanmar in the ARF in July 1996, followed by the status of full membership of ASEAN in July 1997, gave New Delhi the opportunity to share a common land border with an ASEAN member state. India's emphasis on developing its eastward trade access to Myanmar clearly illustrated the Indian government's resolve to mend and enhance its historic ties with Myanmar.<sup>43</sup> But, in spite of knowing full well the economic weaknesses of Myanmar, New Delhi's strategy to reshape its historical links and develop its common land border with Myanmar in order to alleviate the poverty and under development in the region has been determined mainly to overcome the reduction of chronic tensions in the Northeast region. By taking

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<sup>42</sup> Ibid

<sup>43</sup> For more detail see Yahya, F.(2003), "India and Southeast Asia: Revisited", *Contemporary Southeast Asia*, 25(1) : 79-103

advantage of Myanmar as gateway to SEA, New Delhi believes to convert the Northeast region from a security burden to a region of economic prosperity. Moreover, by improving the road route between India and Myanmar via Northeast, New Delhi will eventually connect a section of the Asian highway from Singapore to Istanbul. When completed, this entire Asian Highway Project,<sup>44</sup> this route will link up Singapore with New Delhi in South Asia via Kuala Lumpur, Ho Chi Minh City, Phnom Penh, Vientiane, Bangkok, Yangon, Chiang Mai, Mandalay, Tamu, Kalembo, Dhaka and Kolkata. India's initiative to re-activate ties with Myanmar is greatly moulded by the gains that China has made following latter's close ties in the last four decades which made Beijing a reliable strategic partner of Myanmar. India's approach has been not to challenge China's strategic position in Myanmar, but through its LEP tacitly to win over the minds of the Myanmar people by supporting the pro-democracy movement and to detach the military junta from Chinese influence strategically. Fourthly, the drastic changes in the global order in the late 1990s', the appreciable number of foreign dignitaries visit to India from all around the world, made it clear that India's economic and political potential in the global stage has come to be recognized. The opening up of Indian economy in the context of globalization and stable government in New Delhi convinced the leading members of ASEAN to act more positively towards India. In the process of Indo-ASEAN dialogue, the leaders of ASEAN were firmly convinced that India could play a 'major role' in the region and might emerge as the 'stabilizing factor' to contain Chinese growing influence in the Southeast Asian region.

Further, the motivation for ASEAN to welcome India as one of its partners was also connected to how ASEAN is increasingly perceived by its main trading partners in the Western developed world. Since the Asian financial crisis and the threat of terrorism in the region, Western investors had generally started scrutinizing potential investments in the Southeast Asian region more carefully.<sup>45</sup> Similarly, from the Indian point of view,

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<sup>44</sup> The Asian Highway project is a cooperative project among countries (32) in Asia and Europe and the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), to improve the highway systems in Asia. It is one of the three pillars of Asian Land Transport Infrastructure Development project, endorsed by the ESCAP commission at its 48th session in 1992, comprising Asian Highway, Trans-Asian Railway (TAR) and facilitation of land transport projects.

<sup>45</sup> Yahya, F.(2003),p.83

China's strategic linkage with Pakistan has always engaged India more towards South Asia. Moreover, India perceived that engagement with ASEAN might help New Delhi to counter China's influence in the ASEAN region and breakout from the South Asian region. Based on the above mentioned reasons, the Indian Prime Minister Atal Behari Vajpayee has re-activated interest in India's LEP. This was evidenced when he visited several Southeast Asian countries during 2000, 2001, 2002 and 2003. These visits were reciprocated during the same period, by various dignitaries from ASEAN countries like President of Vietnam in December 1999, President of Indonesia in February 2000 and April 2002, Prime Minister of Cambodia in February 2000, Prime Minister of Thailand in November 2001 and February 2002, Prime Minister of Singapore in January 2002, and Prime Minister of Malaysia in October 2002. India's renewed interest in its LEP was met by the visit of the Secretary-General of ASEAN, Rodolfo Severino, to New Delhi in January 2001. In New Delhi, Severino held discussions with the Indian Commerce Minister on ways to develop trade and economic cooperation between India and ASEAN. Thus, India's re-activated and re-accelerated LEP reached its height when the First ASEAN-India Summit took place on November 5, 2002 in Phnom Penh. This Summit highlighted both the principles and the future road map of ASEAN-India Cooperation. India's engagements with the ASEAN not only improved the relations between India and well developed and strategically important nations of ASEAN but also paved the way for the betterment of relationship between India and economically weak (i.e. Cambodia, Laos and Myanmar) and geographically small (i.e. Brunei) countries of SEA. This engagement is multifaceted and spread to various areas like political and strategic relationship.

#### **2.4 Major Achievements of Look East Policy**

India's commitment with Southeast Asian countries through its LEP has achieved some momentum in political, economic and strategic relations with ASEAN. During its nearly two decades long interaction with ASEAN, the question can be asked, whether India has become a stable participant in the ASEAN process or whether India has been able to achieve the expected results from its LEP. More importantly, has the ASEAN accepted New Delhi as a major regional player or only as a marginal player in Asia-Pacific's economic and security galleries? India, through its protracted political, economic and strategic relations with the countries of SEA, has been able to prove its genuine interests towards the region. Through its LEP, India has clearly put up a satisfactory performance in its development of relations with some economically

advanced countries of SEA, though this could not be repeated with others who were economically vulnerable. Major achievements of India's LEP are defined below;

The first involves economic cooperation. India and ASEAN as a regional trade partners, offers huge and attractive interconnected, geographically contiguous market of more than 1.5 billion people. Growth in India's exports to ASEAN countries in the recent past has been much higher in comparison to other in important destinations, though in case of imports, those from other regions have achieved faster growth than ASEAN's imports into India. Thus, economic cooperation and trade scenario have acquired a prominent place between India and SEA, owing to their emerging complementary economies.

Trade ties between them over the years have clearly exhibited sharp increase in India's exports to this area. ASEAN accounted for 36 percent of India's exports to the world in 1980s, which by 1992 increased nearly 6 percent. The second involves security cooperation and expansion of its area of influence in the Southeast Asian region, with a view in becoming a major player in the emerging balance of power in Asia. This security cooperation involves joint operations to protect sea-lanes and pooling resources in the war against terrorism. The Indian Navy has been clasping an effective role in combating piracy in the Malacca Straits, and has offered to cooperate with the littoral states in the implementation of the 'Eye in the Sky' programme for patrolling the piracy-infested Straits of Malacca. The terrorism threat, both from within and across borders as faced by both India and the countries of SEA, has been tackled by both of them through close monitoring, coordination and with joint efforts. Besides this, among other areas where India and the ASEAN members are jointly harmonizing their efforts, are the problems of piracy, insurgency, trafficking of small arms and drugs, illegal migration, environmental pollution, narcotics traffic, other security-related issues, including the safety of the sea-lanes-of-communication (SLOC), which have been indispensable for the development of economic richness of the region. Furthermore, India's recent growing naval activities in the Indian Ocean region, based on Indian Maritime Doctrine of 2004 and its 'Look East' security thrust involving the ASEAN and the 'Rimland' states, farther afield - like Japan and South Korea, has been no doubt a successful exercise in its naval diplomacy. India's naval movements which float in different parts of Asia-Pacific region, carrying Indian designed missile destroyers, holding annual joint exercises with the smaller littoral navies, exercising off shore during extended goodwill tours with the host country's naval vessels and, thereby

establishing its existence in proximal as well as distant seas, constantly reminds one of India's strategic importance in the region. It is a fact that the military contacts and joint exercises that India initiated with ASEAN countries on a low-key basis in the early 1990s are now expanding into full-fledged defense cooperation. India has also quietly begun to put in place arrangements for regular access to ports in SEA. India's defense contacts have widened to include Japan, South Korea and China, which hitherto was never engaged by India in such a multi-directional diplomatic endeavor.

In the sphere of defense, over the last few years, India has steadily expanded its ties with the East and Southeast Asian countries.

The third is its commitment with Southeast and East Asia. The First EAS, which was held in December 2005 in Kuala Lumpur, consist of 16 countries (ASEAN, China, Japan, South Korea, India, Australia and New Zealand) has remained a historic event in emerging global politics. In this meeting of EAS, five issues such as 'financial stability, energy security, economic integration, growth, trade and investment expansion, narrowing down of the developmental gap and eradication of poverty, and good governance' were given special emphasis. This new space in the East Asian region has marked a return of India's active dialogue and participation in the politico-economic processes at work in the larger Asia Pacific region. The road to this first summit has been paved by events in recent years, especially the ASEAN plus formula. This process has also brought together leaders from the ASEAN members with their counterpart from the East Asian countries like China, Japan and South Korea. Indeed, the ASEAN+3 processes have grown beyond summitry to provide a framework for initial Asian Cooperation on diverse transnational issues such as finance flows (with the Chiang Mai Initiative)<sup>46</sup> and public health. For these 13 states (ASEAN plus China, Japan and South Korea), therefore, the EAS represents a logical next step forward from the ASEAN+3 processes. Yet, the EAS is more than a year and next extension of the ASEAN plus and its formation can be termed as the first step for establishing an East Asian Community (EAC) on the lines of the European Economic Community (EEC), a landmark decision to create a forum for dialogue on broad

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<sup>46</sup> The Chiang Mai Initiative (CMI) is a multilateral currency swap arrangement among the ten members of the ASEAN, the People's Republic of China (including Hong Kong), Japan, and South Korea. It draws from a foreign exchange reserves pool worth US\$120 billion and was launched on 24 March 2010.

strategic, political and economic issues of common interest, with the aim of promoting peace, stability and economic prosperity in East Asia. India, being an Asian nation, has participated in the First EAS held at Kuala Lumpur on December 14, 2005. Prime Minister Manmohan Singh, after attending this EAS clearly said that; “It was important for India to be in a group that had the potential to play a major role in global affairs. Its composition, its evolving agenda and format give it the potential to play a major role in global affairs. India’s presence in this group from its very outset is an opportunity we value.”<sup>47</sup> The fourth achievement of India’s LEP has been its active participation in the Initiative for ASEAN Integration (IAI) programme, which has been a regional framework for development of integration, aimed at narrowing the development gap within ASEAN and enhancing regional integration. It was felt by the ASEAN members that the accelerated process of market liberalization for regional integration always had a risk of provoking distributional problems by producing negative effects on the economy of less developed members through intensified competition.

This issue had serious implications for ASEAN that had the development gap predicament when it achieved the ASEAN by accepting the Indochina States (Vietnam, Cambodia and Laos) and Myanmar in the late 1990s. During that time, there was serious breach in development between the old members and the newly joined CLMV (Cambodia, Laos, Myanmar and Vietnam) countries. To overcome this gap, at the Fourth Informal Summit in November 2000, at Singapore the Singapore’s Prime Minister, Goh Chok Tong proposed the IAI. The IAI aimed to narrow development divide between ASEAN’s old and new members, promote equitable economic development, and help alleviate poverty among new members. India being a responsible Dialogue Partner of ASEAN had actively played a very constructive role in this initiative.

India has successfully completed the Railway Training Programmes for 48 trainers from CLMV countries in India. In addition, India is presently implementing a project, Indo Singapore Joint Training Programme for CLMV in English language Training.

India is

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<sup>47</sup> Kuppuswamy, C.S.(2006), “India’s Look East Policy: More Aggressive, Better Dividends”, *South Asia Analysis Group*, Paper no. 1663 [Online web] Accessed on 19 July 2011 URL: <http://www.southasiaanalysis.org/%5Cpapers17%5Cpaper1663.html>



also involved in an Entrepreneurial Development project in each of the CLMV countries. The objective of this project is for India to provide technical and advisory services to CLMV for the establishment of Entrepreneurial, Development Institutes in each of these countries, as part of efforts to train entrepreneurs and prepare small enterprises that face the challenge of globalization. To this point, India has already established Entrepreneurship Development Centers in Cambodia, Laos, Vietnam and Myanmar; it will be set up soon. This active focus of India on the IAI has been looked upon by ASEAN countries as a sign of India's commitment to ASEAN and its forward-looking processes. Therefore, India's ASEAN policy in the 21st Century has become truly multi-dimensional And multipronged in character. The last, but not the least achievement has been that in the last few years, India participated in a number of ARF activities relating to confidence-building measures (CBMs), maritime search and rescue, peacekeeping, non-proliferation, preventive diplomacy and disaster management initiatives and found them productive and useful for the facilitation of the introduction of appropriate CBMs among participants. This participation of India through its LEP has resulted in a win-win situation in her foreign policy domain

## **2.5 Towards Sub-Regional Cooperation**

Regional and sub-regional cooperation has become an increasingly important phenomenon in contemporary international relations and to sketch of regional organizations as a different way, can be found since the World War II.<sup>48</sup> The enduring pursuit of regionalism and sub-regionalism has an underpinning thrust on peace, security and development through exploration, identification and gradual intensification of trade, economic and cultural ties among the geographically contiguous areas.<sup>49</sup> At the time of beginning of the LEP; India and ASEAN have embarked upon multiple bilateral, regional and sub-regional initiatives for the flourishing pursuit of the policy. A remarkable dimension of LEP is the

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<sup>48</sup> Rana, A.P (1979), "Regionalism as an Approach to International Order: A Conceptual Overview," *International Studies*, 18(4):491-535

<sup>49</sup> Ibid;

new found interest in multilateralism. India came up with new multilateral initiatives involving sub-regional co-operation involving Southeast Asian countries. Prominent among them were BIMSTEC, MGC (Mekong-Ganga Cooperation) and BCIM (Bangladesh, China, India and Myanmar).

### **2.5.1 India and BIMSTEC: BIMSTEC**

BIMSTEC is a way of Bengal Initiative for Multi - Sectoral Specialized Economic Cooperation. It has seven individuals; to be specific Bangladesh, India, Myanmar, Sri Lanka, Thailand, Nepal and Bhutan. BIMSTEC was shaped in June, 1997 with four individuals Bangladesh, India, Sri Lanka and Thailand. Afterward, in November 1997, Myanmar was incorporated as a part and in 2003 both Nepal and Bhutan were allowed participation in the forum.<sup>50</sup> Its gives a chance to combination of South Asia and Southeast Asia uniting 1.3 billion individuals - 21 percent of the total populace, a joined GDP of US\$750 billion, and a lot of complementarities.<sup>51</sup> BIMSTEC's destinations extend from making of financial and social thriving in light of uniformity, to improvement of shared advantages in financial, social and mechanical angles. They likewise include intra-local help with the frame of training, research and development as well as beneficial cooperation in the areas of agriculture, industry, expansion of trade and investment, improvement in communication and transport, for the purpose of improving living standards and cooperation with other international organizations.<sup>52</sup> BIMSTEC was started by Thailand as a piece of its Look West Policy through which the nation needed to develop a capable and helpful association with its neighbors situated in its western side, especially with South Asia and Africa. The possibility of such a discussion was invited by India. India's enthusiasm for BIMSTEC ought to be comprehended in the settings of LEP, the disappointment of SAARC, the Myanmar factor and Northeast India. The advance in BIMSTEC has incredible positive ramifications for improvement of India's Northeastern area changing it from a security difficulty to India's passage to the East. India needs to take lead in making BIMSTEC

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<sup>50</sup> BIMSTEC [Online web] Accessed on 2 July 2011 URL:

<http://www.mfa.go.th/bimstec/bimstecweb/html/background.html>

<sup>51</sup> Ibid

<sup>52</sup> Ibid.

a prosperous area by advancing mix inside the area and in this way having a more noteworthy way, both locally and all around. By this association seeing significant advantages which are:

- In 1991, India propelled its LEP and since its starting, one of the essential destinations of India's remote arrangement was to encourage association with its eastern neighbors, i.e. the nations in Southeast Asia. BIMSTEC gave India the chance to keep up a decent association with no less than two Southeast Asian nations Thailand and Myanmar.
- The time of 1990s saw a quick development in local institutionalism and arrangement of exchanging obstructs over the world. However, lamentably India was not associated with any one of these local instruments. It cleared out India with a sentiment seclusion. India firmly felt that its energy o transaction with the enormous real powers on the planet would rely upon its contribution in some persuasive territorial courses of action. India's own provincial game plan, SAARC ended up being a disappointment at that point. SAARC proved unable fortify intra-SAARC territorial exchange. Additionally, Indo-Pak competition was not letting SAARC to achieve an accord on any imperative issue. In this way, India felt that it ought to be associated with some sort of territorial instrument. It was the time when SEA was rising quickly - both monetarily and deliberately. Subsequently, India chose to 21 Ibid; make companions in SEA through which it would be profited both financially and deliberately. In this given circumstance, BIMSTEC was viewed as a linkage between South Asia and SEA and India secured its position in the gathering as one of its establishing part.
- India's Northeast is the gathering purpose of South Asia and SEA. Truth be told, four Northeastern states, Mizoram, Nagaland, Manipur and Arunachal Pradesh have unfenced outskirts with Myanmar, which is the section point to Southeast Asia. Hence, to make the Northeastern locale a genuine entryway towards Southeast Asia through Myanmar ended up plainly vital for India. Henceforth, India set out on a few transport and network undertakings to interface Myanmar and whatever is left of Southeast Asia with India by means of Northeast India. BIMSTEC secured this issue of transport and correspondence under its ambit and Myanmar's association in BIMSTEC made a difference India to upgrade the network.
- India's Northeast is overpowered by revolt, cross fringe relocation, arms pirating, tranquilize trafficking et cetera. Also, Myanmar is thought to be required with every one of these issues. In this way, India was looking for a stage where the two India and Myanmar can express their worries over the said issues and attempt to settle the

question. BIMSTEC was this stage. These were the reasons why India was intrigued on BIMSTEC. Till date, BIMSTEC had two Summits-the first was held in Thailand in 2004 and the second Summit was sorted out in New Delhi in 2008. It has recognized fourteen need zones where all the part nations would participate with each other; these regions are as; exchange and speculation, transport and correspondence, vitality, tourism, innovation, fisheries, farming, general wellbeing, destitution easing, counter fear mongering and trans-national wrongdoing, insurance of bio-assorted varieties/condition and cataclysmic event administration, culture, people to-individuals contact and environmental change. Every part has a separate driving nation with planning nation in charge of the sub-areas. India is in charge of transport and correspondence, tourism, counter fear based oppression and trans-national wrongdoing, security of bio diversities/condition and catastrophic event administration. BIMSTEC nations have marked a Framework Agreement on FTA (BIMSTEC FTA) which means to make an unhindered commerce territory inside BIMSTEC locale by 2017 all in all. In December 2009, Foreign Ministers of all the part nations have marked the Convention on Cooperation in Combating Global Terrorism, Trans-National Organized Crime and Illicit Drug Trafficking.<sup>53</sup> In any case, a lot of that motivation has not been tended to up until this point. The ebb and flow volume of intraregional exchange BIMSTEC isn't extensive (US\$18.14 billion of every 2007), contrasted with ASEAN, EU and NAFTA. Dissimilar to SAARC, slightest created nations (LDCs) and landlocked nations are having higher offer in intra-provincial exchange BIMSTEC. For instance, "intraregional send out offers of Myanmar and Nepal have gone up considerably. Exchange mix of vast economies like Thailand with BIMSTEC has likewise expanded in later a long time. Be that as it may, a vast exchange potential is yet to be exploited."<sup>54</sup> While BIMSTEC has gained noteworthy ground in coordinating with the worldwide economy, reconciliation inside the district has stayed constrained. The BIMSTEC nations have kept up a more elevated amount of security inside the locale than with whatever remains of the world. There is little of cross-fringe venture and availability inside the area. The stream of thoughts, regularly estimated by the cross-outskirt development of administrations, is all low for BIMSTEC. The locale is

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<sup>53</sup> Look East Summit, (2010) [Online web] Accessed on 13 July 2011URL:

<http://www.bimstec.org/PDF/Regional%20Integration%20South%20Southeast%20CII%20Speech.pdf>

yet to conclude the FTA, in spite of the fact that the structure understanding was marked in 2004. In this manner, prohibitive approaches have killed the advantageous impacts of normal social partiality, nearness, and the topographical preferred standpoint that the basic access to the Bay of Bengal that could have yielded. Unless a portion of the essential offices are created, the network among the BIMSTEC individuals will stay at a low level and the maximum capacity of intra-local exchanging will remain unutilized. Be that as it may, one prompt assignment for the approaching Summit in November 2008 is to devise ways and means on the best way to fill the glaring holes that exist in network, transport and foundation and coordination programming like harmonization of traditions and models. The good thing is that the provincial pioneers are presently seized of the issues, and are pushing forward activity intends to make better physical availability and less demanding transport and exchange streams by 2020. They might want chose need undertakings to be finished before by 2014. A global class on 'BIMSTEC and its suggestions for Northeast' was held in Shillong, Meghalaya (9-10 April, 2010). In the class, the significance of BIMSTEC was repeated by the speakers and members. It was affirmed that the Trilateral Highway Undertaking between India, Myanmar and Thailand is under development. Endeavors are likewise taken to enhance framework, at the second India-Myanmar fringe exchange point at Rhi Zowkhathar in Mizoram segment by updating the Rhi-Tiddim and Rhi-Falam street sections in Myanmar. Other than street joins, endeavors of creating rail interface from Jiribam in Manipur to Hanoi in Vietnam going through Myanmar is additionally under way. Advanced network is another zone where work is being carried on especially through optical fiber link connect between Moreh in Manipur and Mandalay in Myanmar. Numerous issues other than transport and coordination's are similarly vital for advancing exchange inside the locale and with different locales. In any case, the district faces another risk of a log jam in development in the wake of the worldwide budgetary emergency. BIMSTEC can confront the new difficulties all the more viably on the off chance that it could accomplish further provincial integration.<sup>55</sup>

**2.5.2 India and MGC:** The MGC was propelled with the Vientiane Declaration on November 10, 2000 in the capital city of Laos, Vientiane with the essential purpose to grow solidarity, congruity and participation in the fields of tourism, culture and training

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<sup>55</sup> Ibid

for the reason for fast social and monetary advancement of the Mekong area nations. India furthermore, the five South-East Asian Nations - Thailand, Vietnam, Laos, Cambodia and Myanmar were the signatories of that conclusive endeavor.<sup>56</sup> The idea of the Project was first proposed by Thailand's Foreign Minister Dr. S. Pitsuwan. Since Ganga and Mekong are viewed as two of the best waterways in Asia the possibility of the Project blossomed out of the need to a linkage between the two civic establishments. It should be possible due to the winning equality between the majority of both the areas in physical appearance, social beliefs, religious customs and in addition their sustenance propensities. The intention of that drive was additionally to render another definition to the part nations in the new worldwide economy, without as a matter of fact mutilating their local personality. At first the name of the activity was Ganga Mekong Swarnabhoomi Project however it graduated to MGC because of a few errors among the member countries. After the BIMSTEC a regional grouping launched in 1997, this project was another collaborative venture by India with its Southeast Asian neighbours. With these local activities India is attempting to enter the ASEAN showcases by upgrading the shared monetary advantages, transportation, infrastructural improvement and vitality security. The East-West Corridor Project and the Trans-Asian Highway are some of the spearheading moves embraced by the six nations to advance transport offices. India has effectively ventured out this bearing and is associated with building the street connecting Tamu (Manipur) to Kalembo, a key correspondence intersection in the focal point of Myanmar.<sup>57</sup> The task has additionally started certain creative measures to enhance air network and for India it is giving sufficient chances to advance the linkages. The fruitful of the undertaking will enrich India with significant extents of making and building up the mainstays of linkages and network. For instance, a flight from New Delhi to Hanoi takes only four hours though a flight from New Delhi to Colombo assumes control three hours and it is a pointer to proximate areas and the potential this factor holds.<sup>58</sup> It is astounding to say that the advancement of India's

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<sup>56</sup> Singh, Swaran (2007), "Mekong Ganga Cooperation Initiative", Occasional Paper No.3 [Online web] Accessed on 25 July 2010 URL: <http://www.jnu.ac.in/Faculty/ssingh/Mekong-Ganga.pdf>

<sup>57</sup> "India in the Mekong-Ganga: Cooperation Initiative" [Online web] Accessed on 9 July 2011 URL: <http://www.news.indiamart.com/news-analysis/india-in-the-making-6691.html>

<sup>58</sup> Irom, Chandan, (2000), whatever happened to India's Look East Policy? The Mekong-Ganga Cooperation, [Online web] Accessed on 9 July 2011 URL: <http://www.manipuronline.com/Features/January2002/mekongganga19.htm>

Northeast Region is of indispensable significance for India's LEP to make sweeping progress and the Brahmaputra Valley is a key viewpoint in making the MG venture compelling. In the event that exchange and industry prosper in the whole area overland exchange by means of Myanmar excessively numerous MGC nations will advance India.<sup>59</sup> India is very hopeful about the possibilities of MGC venture and is persuaded about the adequacy of the fundamental activities in reaping ideal social and monetary increases. The gathering has chosen to advance joint research in the fields of move, music and dramatic structures and compose round-tables for columnists, journalists and specialists in writing, performing expressions, ladies' strengthening, wellbeing and nourishment and the protection, safeguarding and insurance of legacy locales and relics. The MGC venture agreed to empower the foundation of systems administration and twinning plans among colleges in the region, translates classics of Mekong Ganga Countries<sup>60</sup> into other Mekong district dialects and guaranteed the cooperation in book fairs in part nations on a business basis.<sup>61</sup> The part nations additionally settled upon to reinforce participation in the advancement of IT (Information Technology) framework and arranges and advance participation in air administrations and linkages in the region.<sup>62</sup> In the tourism field, the MGC chosen to lead vital examinations for joint advertising, dispatch the Mekong-Ganga Tourism Investment Guide, encourage the movement of individuals in the locale, grow multimode correspondence and transportation connects to improve travel and tourism and advance social religious bundle tours.<sup>63</sup> The objective of MGC was to make the global group mindful of its political assurance and slant to cement the obligations of collaboration among the part nations having subtleties of multifaceted political, monetary, social and authentic foundation. India being in the special position ought to dependably be fiery in deciphering the objectives into substances and would not the slightest bit let it endure

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<sup>59</sup> Ibid;

<sup>60</sup> It comprises six Member countries namely, India, Thailand, Myanmar, Cambodia, Laos and Vietnam.

<sup>61</sup> Baruah, Amit (2000), Mekong-Ganga Cooperation in place, *The Hindu*, Chennai, dated November 11, 2000 [Online web] Accessed on 9 July 2011 URL:

<http://www.burmalibrary.org/reg.burma/archives/200011/msg0005.html> on

<sup>62</sup> Baruah, Amit, Looking East [Online web] Accessed on 10 July 2011 URL:

<http://www.hinduonnet.com/fline/fl1724/17240490.htm>

<sup>63</sup> Ibid;

because of bureaucratic hesitance. Usage of the embraced ventures and various understandings is basic for the ideal acknowledgment of the undertaking. The best possible exercise of the MGC venture requests the use of the current and accessible regular assets in their most ideal route with the adage to take into account the advantages of the occupants of the less created Mekong stream bowl region keeping in mind the end goal to lessen the extending bay with different locales. To trigger off the undertaking all the part nations ought to broaden their agreeable signals and manufacture a sound building of shared certainty. Along these lines, it can be perceived that mix and joint effort among the part nations of MGC activity are fundamental for effectively driving the undertaking and procuring the substantial benefits out of it. In the voyage towards collaboration they may need to face a number of hindrances thwarting the greatness of solidarity yet in the event that shared certainty, common trust also, shared comprehension among them hold on, the fantasy of the Founding Fathers of the project will certainly gain its proper shape. Continuing development and sustainability can be gained through cooperative and passionate gestures based on dialogue motivating mutual urge to focus on the aspects that unite the regions.

### **2.5.3 India and BCIM:**

The Kunming Initiative, which also known as, BCIM Forum, is a Track II initiative<sup>64</sup>, such sub-regional venture to explore the prospects of cooperation by clustering parts or whole of Bangladesh, China, India and Myanmar, specifically the landlocked frontier areas.<sup>65</sup> The basic objective of the Kunming Initiative, as explained by the first conference was to strengthen regional economic cooperation and cultural exchanges among the contagious regions of Eastern/Northeastern India, Bangladesh, Myanmar and Southwestern China within the overall framework of India-China-Myanmar-Bangladesh economic cooperation. It was agreed by the delegates that discussions

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<sup>64</sup> Track II diplomacy is a specific kind of informal diplomacy, in which non-officials (academic scholars, retired civil and military officials, public figures, and social activists) engage in dialogue, with the aim of conflict resolution, or confidence-building. This sort of diplomacy is especially useful after events which can be interpreted in a number of different ways, both parties recognize this fact, and neither side wants to escalate or involve third parties for fear of the situation spiraling out of control.

<sup>65</sup> The Kunming Initiative for a Growth Quadrangle between China, India, Myanmar and Bangladesh, August 14-17, 1999, *China Report*, vol. 36, no. 3, 2000



should be conducted at track-II level to build the needed public support for the sub-regional quadrant. The declaration by the Kunming Conference explains its economic case as follows; “the region is very rich in terms of bio-diversity, energy potential and human resources. There is tremendous scope for trade and services, particularly in the areas of tourism, banking, insurance and software. The quadrant offers a growing market. Business-to-business cooperation must be fostered in goods and services, investment technology transfers and human resources. There is need to encourage collaboration in research and forge strategic alliances between business and institutions.”<sup>66</sup>

The BCIM activity can possibly bring three of India's most imperative neighbors nearer in a joint quest for basic success through the expanding utilization of instruments of territorial joining. Observing the significance of such activity Rajiv Sikri noticed that; It isn't only that we are neighbors sharing basic fringes; every one of us likewise confront comparative openings and difficulties in our particular journeys for fast financial development, national development and prosperity of our people. In our common connections, there is progressively more noteworthy spotlight on financial issues, which will empower us to understand the undiscovered capability of our monetary collaboration and make it similar with the level of our political relationships.”<sup>67</sup> Proper usage of this sub-provincial collaboration could consolidate the assets of the constituent individuals in requests to increase focused casing in drawing in both local and remote speculations and advancing fare for the common advantage of the individuals included. Accordingly, there is a tremendous potential for following up on the Kunming Initiative, particularly the proposition to remake the Stilwell Road the street from Ledo in Assam to the Myanmar Road that interfaces with Kunming, which was built amid World War II.

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<sup>66</sup> Rao, P.V. (2005) “Sub-regional Strategies of Cooperation in ASEAN: The Indian Approach” in K. Raja Reddy, “India and ASEAN: Foreign Policy Dimensions for the 21st Century” Delhi: New Century Publication: 167.

<sup>67</sup> Address by Mr. Rajiv Sikri, Secretary (East), *Ministry of External Affairs*, at the Sixth Bangladesh China-India Myanmar Forum, New Delhi. [Online web] Accessed on 15 July 2011 URL:

<http://www.meaindia.nic.in/speech/200>

6/03/30ss01.htm

## 2.6 Extension of Look East Policy

The LEP was primarily aimed at towards the Southeast Asian nations. But, the dawn of the 21st century is highly acknowledged as the ‘Asian Century’. No doubt, India is a most emerging player in Asia as well as in world. In this scenario, India is gradually expanding its footprints through its widespread neighborhood policy, based on its inauguration of phase II of India’s LEP. This policy was officially declared at the Second Indo-ASEAN Summit, New Delhi, on September 4 2003; “the other aspect of phase of the LEP is the movement away from exclusive focus on economic issues in phase one to a broader agenda that involves security cooperation, including joint operations to protect sea lanes and pooling resources in the war against terrorism. The military contacts and joint exercises that India launched with ASEAN states on a low key basis in the early 1990s are now expanding into full-fledged cooperation. India’s defense contacts have widened to include Japan, South Korea and China.”<sup>68</sup> The further promotion of India as a partner of EAS (2005), and thereby strengthened India’s status at par with the ASEAN plus three, constituted of China, Japan and South Korea.

### 2.6.1 India and China:

In the past few years the relations between India and China developed and diversified in many levels. There is increased emphasis on the economic aspect of their relationship. Both the countries are strengthening linkages in business and industry in a pro-active manner. In the 1990s, India forgetting the trauma of 1962 war with China slowly tried to normalize relations. In spite of mistrust in its relations, Indo-China relationship has been steadily expanding and maturing in recent years. These relations manifested in the regular high level political exchanges, burgeoning trade ties, nascent strategic dialogues cooperation in the regional and international issues of common concern, military to military cooperation so on. In strategic terms, the two countries probe ways and means of cooperation on a range of issues of vital interest like climate change, human rights, religious extremism and terrorism.<sup>69</sup> Ties have improved

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<sup>68</sup> Devare, S. (2006), *India and Southeast Asia: Towards Security Convergence*, New Delhi: Capital Publishing Company:72

<sup>69</sup> Bhadrakumar, M.K. (2009), “Who stands to gain from war hysteria”, *The Hindu*, New Delhi, 21 September 2009

following December 200 Climate Summit at Copenhagen where India and China closely coordinated their negotiating positions. The visit of President Pratibha Patil in May 2010 provided an opportunity for India and China to upgrade and deepen their engagement and help bilateral ties.<sup>70</sup> In spite of booming economic trade the relations between India and China remains fragile. Convergence and divergence and an element of competition mark the relationship between India and China.

### **2.6.2 India and Japan:**

The end of cold war, India's economic liberalization programme and its participation in the ARF - all these developments proved favorable for building Indo-Japan relations. When the relations of these two countries were taking off, India conducted nuclear tests in May 1998, and as a result the relations between the two countries deteriorated. After ignoring India for long, Japan is now all set to woo New Delhi. Indo-Japan global partnership launched in 2000 has provided an opportunity to impart new direction and dynamism to growing bilateral relationship. Japan considers India so crucial in its strategic calculus that it is the third country after the US and Australia with which it has signed a declaration on security cooperation in 2008. Apart from developing bilateral strategic relationship with India, Japan is keen to establish a trilateral or quadrilateral arrangement along with India, the US and Australia.<sup>71</sup> It was expected that the foreign policy of Japan may not be the same as Liberal Democratic Party (LDP) previously followed in favor of India. But these apprehensions proved wrong. Fortunately, Japan's new regime did not take any major difference from its earlier policy towards India. Both expressed their determination to take forward bilateral security cooperation in a meaningful way.<sup>72</sup> However, there were certain apprehensions in India when Democratic Party of Japan (DPJ) formed the government after August 2009 election. For the warm up the relations Japanese Prime Minister Hatoyama Yukio went to India at the finish of 2009 (Dec. 27-29). That the visit occurred at all was remarkable in light of the fact that he had simply been chosen four months earlier and in any case kept to the past LDP government's intend to visit India. One might say that both the LDP and

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<sup>70</sup> Haider, S. (2010), "Uncorking the spirit of Copenhagen", *The Hindu*, New Delhi 19 April 2010.

<sup>71</sup> Varadharajan, S. (2009), "India, Japan reinforce to develop defense cooperation", *The Hindu*, New Delhi, 10 November 2009.

<sup>72</sup> Ibid;

DPJ now look to keep up and construct ties with India - paying little heed to gathering or authority changes. In 2010, Head administrator Manmohan Singh went by Japan in October where he met another DPJ Prime Pastor, Kan Naoto. The two sides reported the finish of arrangements on the new CEPA.<sup>73</sup> In any case, it was not really marked as Indian authorities said that the genuine marking will need to anticipate the consummation of a few conventions on the Japanese side which they portrayed as a genuinely muddled and protracted process. Indian authorities portrayed the CEPA with Japan as the most complete of the considerable number of assertions that we have been capable to finish up so far on the grounds that it covers more than 90 percent of the exchange and a tremendous array of administrations, speculation, IPR, traditions and other exchange related issues. Indo-Japan financial ties have been very constrained given the size of the two economies. Manmohan Singh, in and deliver to the Keidanren<sup>74</sup>, while taking note of that exchange had seen an unfaltering extension, showed that, it would just reach about US\$20 billion by 2012, which he said to his group of onlookers "you will concur with me that Indo-Japan exchange is still at a low limit, aside from being unbalanced."<sup>75</sup> In the region of FDI, Japan's part has extended yet generally based on mergers and acquisitions instead of major new direct venture. Regardless of whether the CEPA will prompt significant enhancements in exchange and venture connections stays to be viewed as it has not yet been agreed upon. Then, Japan's abroad advancement help (ODA) for India has stayed at a reliably abnormal state. India has been the biggest beneficiary of ODA since 2003 for real metro extends in Delhi, Kolkata, Bangalore, and Chennai and the Devoted Freight Corridor amongst Delhi and Mumbai.<sup>76</sup> Little progression seems to have been made on an Agreement on

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<sup>73</sup> Ibid;

<sup>74</sup> Keidanren (Japan Business Federation) is an economic organization founded in May 2002 by amalgamation of Keidanren (Japan Federation of Economic Organizations, established 1946) and *Nikkeiren* (Japan Federation of Employer's Associations, established 1948). Commonly referred to as "*Keidanren*", its 1,601 members consist of 1,281 companies, 129 industrial associations, and 47 regional economic organizations (as of June 15, 2010). [Online web] Accessed on 15 July 2011 URL: [http://en.wikipedia.org/wiki/Japan\\_Business\\_Federation](http://en.wikipedia.org/wiki/Japan_Business_Federation)

<sup>75</sup> Limaye, Satu (2011), India-US and India-East Asia Relations: Better Atmospherics, Similar Substance, [Online web] Accessed on 15 July 2011 URL [http://csis.org/files/publication/1004qindia\\_asia\\_us.pdf](http://csis.org/files/publication/1004qindia_asia_us.pdf)

<sup>76</sup> Ibid;

the Peaceful Uses of Atomic Energy amongst India and Japan. In spite of the fact that the exact contrasts between arrangement positions isn't known openly, it is likely that at the very least Tokyo looks for an Indian responsibility not to test as a state of collaboration and might want to hold the ideal to naturally end the understanding if India does without a doubt test an atomic gadget. India up to this point appears to be just ready to emphasize its one-sided and deliberate ban on atomic unstable testing. In any occasion, at the Indo-Japan Summit in October 2010, the joint articulation called for mediators to land at a commonly attractive understanding for common atomic collaboration at an early date. This appeared differently in relation to the mindful position before entry in Tokyo when Prime Minister Manmohan Singh expressed in a meeting that "we have not set out any due date for finishing up these transactions." At the finish of the October visit, a third round of exchanges was booked for November 2010 and as of this written work it is misty imagine a scenario in which any advance toward a last assentment has been made. Another issue that surfaced in the visit was high innovation sends out. In something of a candid articulation in his joint press appearance with Prime Minister Kan, Singh called for Japan to influence its fare to control directions for such exchange simpler and unsurprising. On protection collaboration, the two nations, which had marked an Action Plan on Security Collaboration in December 2009, concurred that their particular barrier clergymen would meet yearly; this develops the Action Plan call for "general gatherings between the ministers of defense." All in all, India and Japan continue to reach to each other and there has been movement in relations, but the economic dimension in particular remains very weak.

But at the future point of view, Japan had even begun consultations with India on the modality of civil nuclear cooperation as India's importance for Japan is a key factor in this new process.<sup>77</sup> Being two largest democracies, both have a common strategic interest in the maintenance of peace and stability as part of their joint initiatives on maritime security, counter terrorism, disaster prevention and management and energy security.<sup>78</sup>

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<sup>77</sup> Suryanarayan, P.S. (2010), "Japan new civil nuclear diplomacy", *The Hindu*, New Delhi, 29 June 2010

<sup>78</sup> Chellany, B. (2009), "Powering a dynamic Multipolar Asia", *The Hindu*, New Delhi, 30 December 2009

### 2.6.3 India and South Korea:

India and South Korea have shared a close relationship since the establishment of formal diplomatic ties in 1973. The last three and a half decades have seen high-level exchanges and the signing of several crucial agreements<sup>79</sup> leading to a continuous strengthening of bilateral economic relations. However, this strengthening of economic relations between the two countries gained momentum after the beginning of the liberalization of the Indian economy in 1991. The more noteworthy transparency of the Indian economy has not just improved market access for South Korean products however has additionally given speculation open doors for globally aggressive South Korean organizations. This is clear from the way that reciprocal stock exchange expanded from US\$0.55 billion in 1991 to US\$8.86 billion of every 2007. South Korea has likewise risen as an imperative wellspring of FDI for India. Nonetheless, due to a few tax and non-levy boundaries in the two economies, the present size of exchange and speculation is low contrasted with the size and auxiliary complementarities of the two economies.

There is tremendous potential to upgrade monetary participation between the two sides. The expanding size of globalization is both posturing open doors for and difficulties to the two nations. There is potential not just for more noteworthy participation at different multilateral gatherings like the WTO, IMF and so forth. Yet additionally massive degree at the territorial level to fortify reciprocal ties given the moderate advance of arrangements on the Doha round in the WTO. As a piece of its 'LEP', India has been endeavoring endeavors to increase its monetary relations with East Asian economies. Consequently, East Asia has become one of India's largest trading partners in recent years.

South Korea too is looking beyond its traditional trading partners like US and China to sustain its trade and economic progress. Realizing the need for greater economic cooperation, both countries agreed in 2005 to establish a Joint Study Group (JSG) to comprehensively evaluate their economic relations and the feasibility of an Indo-South Korea CEPA. After several rounds of negotiations, the CEPA was finally signed on

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<sup>79</sup> Such as Agreement on Trade Promotion and Economic and Technological Co-operation in 1974; Agreement on Co-operation in Science & Technology in 1976; Convention on Double Taxation Avoidance in 1985; Bilateral Investment Promotion/ Protection Agreement in 1996 etc

August 7, 2009.<sup>80</sup> It is India's second comprehensive deal with any country, the first being with Singapore in 2005. This is also India's first free trade agreement (FTA) with an Organization for Economic Cooperation and Development (OECD) country. The CEPA is more than a FTA as it covers not only trade in goods but also investments, services and bilateral cooperation in other areas of common interest.

## **2.7 Look East Policy and the Northeastern Region**

India's Northeast, also known as the land of the seven sisters, comprises the States of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura, which collectively account for about 8 percent of the country's geographical area and roughly 4 per cent of its population. The region is known for its ethnic, linguistic, cultural, religious and physiographical diversity. Northeast India is the north-eastern borderland of South Asia and also the north-western borderland of SEA.

The region has much more geographical contact and proximity to other national states than the Indian mainland. It is connected to the mainland India by a 21-kilometer long landmass, often described as the "chicken neck", which is less than 2 percent of the 5000 kilometer combined perimeter formed by the seven Northeastern states, while the remainder borders China, Myanmar, Bhutan, Bangladesh and Nepal. The people of Northeast India have distinct ethnic and cultural identities, which are similar with the people of SEA and China than with the people of rest of India and interact mostly with the present day Myanmar. The region had been known for her natural resources and maintained active trans-border trade with its neighbors during the pre-independence period.<sup>81</sup> However, the Partition of India in 1947 caused the extreme geo-political isolation of the Northeast, making it the most regulated, a sensitive border region and the most exposed territory.

In addition, the partition also caused the severance of the inland water; road and railway communications through erstwhile East Pakistan and access to the Chittagong port

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<sup>80</sup> Pravakar Sahoo , Durgesh Kumar Rai and Rajiv Kumar (2009), "India-Korea Trade and Investment Relations" Working Paper No.242, New Delhi: ICRIER

<sup>81</sup> Pommaret, F. (2006), "Ancient Trade Partners: Bhutan, Cooch Bihar and Assam (17th-19th Centuries)", *Journal Asiatique*. 287: 285-303. English translation available [Online web] Accessed on 17 July 2011 URL: <http://www.bhutanstudies.org.bt/journal/vol2no1/v2n/ancienttrade.pdf>

was lost. The Chinese conquest of Tibet and the virtual closure of the border with Burma added to the isolation of the region. This condition has not been conducive to the region's economic and political well-being and set its economy back by at least a quarter century.<sup>82</sup> While colonial rulers built railways and roads mostly to take tea, coal, oil and other resources out of Assam, the disruption of old trade routes remained. Sanjib Baruah termed it as "colonialism's most enduring negative legacy".<sup>83</sup> In this post-Cold War globalized world there is a prospect of undoing the effects of colonial legacies. Since Northeast India is a natural bridge between India and SEA. Economic integration with its trans-national neighbors is expected to open up new opportunities for the region. According to Rajiv Sikri; "India's LEP envisages the Northeast region not as the periphery of India, but as the centre of a thriving and integrated economic space linking two dynamic regions with a network of highways, railways, pipelines, transmission lines crisscrossing the region."<sup>84</sup> In the second phase, which began in 2003, the LEP has been given a new dimension wherein India is now looking towards a partnership with the ASEAN countries, both within BIMSTEC and the Indo-ASEAN Summit dialogue as, integrally linked to economic and security interests of the Northeastern region.<sup>85</sup> The first outcome of India's conscious efforts is the Indo-Myanmar Trade Agreement signed on January 31, 1994 for the establishment of trade based on equality and mutual benefit. The agreement specified that trade should be conducted through the designated custom posts, viz; i) Moreh in Manipur and Tamu in Myanmar, ii) Champhai in Mizoram and Rih in Myanmar and; iii) Other places that may be notified by mutual agreement between the two countries.

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<sup>82</sup> Verghese, B.G. (2001), "Unfinished Business in the Northeast: Priorities towards Restructuring, Reform, Reconciliation and Resurgence". 2001: Lecture [Online web] Accessed on 20 July 2011 URL: [http://www.freeindiamedia.com/economy/19\\_june\\_economy.htm](http://www.freeindiamedia.com/economy/19_june_economy.htm)

<sup>83</sup> Baruah, S.(2005), "The Problem", *Gateway to the East: a symposium on Northeast India and the look east policy*, Seminar, June 2005 [Online web] Accessed on 20 July 2011 URL: <http://www.indiaseminar.com/2005/550/550%20problem.htm>

<sup>84</sup> Rajiv Sikri's lecture 'Northeast India and India's Look East Policy', in CENISEAS Forum 'Towards a New Asia: Trans-nationalism and Northeast India.

<sup>85</sup> "Annual Report 2004-2005", *Ministry of External Affairs*, Government of India. New Delhi, [Online web] Accessed on 21 July 2011 URL: <http://meaindia.nic.in/meaxpsite/annualreport/30ar01.pdf>



The border trade at Moreh and Tamu was formally opened on April 12, 1995. Initially the agreement provided twenty-two items, for the most part horticultural or essential products delivered in the exchanging nations. In 2001, a few more items were added to the rundown of tradable things. There are likewise endeavors to open new exchange course or resuscitating the antiquated land exchange course through Northeast, in which would prompt financial improvement of the Northeastern district. By and by, the understanding as a matter of fact does not go much past agreeing a formal endorse to trades customarily going ahead between the neighborhood populaces in the outskirt zones of the two countries. Despite the fact that, these activities were the result of changing worldwide situation since the finish of Icy War, it is likewise a stage towards the satisfaction of the 'Mizo Accord', which guaranteed to advance Indo-Myanmar fringe exchange. The understanding additionally influenced cross-outskirt to exchange and contacts legitimate which is, as Prabhakara watched, "an element of day by day encounter, to be sure an important state of the general population's presence on the two sides of the outskirt." Outside the universe of formal exchange, he stated, there are normal trades of products and enterprises of numerous sorts. Aside from the thriving border towns, such movement goes on even in the "boundless, relatively imperceptible little settlements that spot the border." To get the destinations of the LEP India is arranging two-sided FTAs with East and Southeast Asian nations and has gone into various agreements and FTAs with Thailand and Singapore. There are likewise plans to make an organized commerce zone with Brunei, Indonesia and Malaysia by 2011 and with the rest of the ASEAN nations like Philippines, Cambodia, Laos, Myanmar and Vietnam by 2016. To encourage exchange and enhance foundation in the area, India has finished up a number of respective and multilateral undertakings, went for upgrading network between the Upper east and SEA. In such manner, India manufactured the 165-km long Indo-Myanmar Friendship Street interfacing Tamu and Kalaymyo-Kalewa, which was inaugurated on February 13, 2001<sup>86</sup>, by the at then External Affairs Minister Jaswant Singh. While having these initiatives the other ongoing significant projects were being developed namely Trilateral Highway which was among the India, Myanmar and Thailand apart from that Trans Asian-Highway, Indo-Myanmar Rail Linkages, Kaladan Multimodal Project, the Stilwell Road, Myanmar-India-Bangladesh Gas and Oil Pipeline and Tamanthi Hydro Electricity

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Project. In 2009 the optical Fiber network between Northeast India and SEA has been operationalized. The optical fiber network between Northeast India and SEA has been operationalized in 2009. With these projects the other initiatives were the Kaladan Multi-Nodal Transit Transport Facility on which India and Myanmar recently agreed that would be helpful in terms of connectivity between Indian ports on eastern seaboard Sittwe Port in Myanmar and then through riverine transport and by road to Mizoram, thereby providing an alternate route for transport of goods to Northeast India. Efforts are also underway to improve infrastructure, particularly road links, at the second Indo-Myanmar border trade point at Rih-Zowkhathar in Mizoram sector by upgradation of the Rih-Tidim and Rih-Falam Road segments in Myanmar. Apart from developing road links, efforts are underway to have a rail link from Jiribam in Manipur to Hanoi in Vietnam passing through Myanmar.

The then Indian Prime Minister Atal Bihari Vajpayee proposed holding of an Indo ASEAN car rally at the ASEAN-India Summit in Bali 2003 to draw dramatic attention to India's geographical proximity with ASEAN countries. The ASEAN-India car rally became a reality in November 22, 2004, which was flagged off in Guwahati. In his speech Prime Minister Manmohan Singh referred to India's Northeast as a gateway to "Asian Century". The ASEAN-India Car Rally clearly reflects the existence of land route connectivity that could facilitate free flow of trade, investment and tourism between ASEAN and India. It could initially involve Cambodia, Laos, Myanmar, Vietnam, Thailand and the Northeastern region. This form of sub-regional cooperation could serve as building blocks for greater economic interaction and integration between ASEAN and India. Through these efforts; the government of India is showing its keenness in developing the Northeast region.

The border between India and Myanmar The Indo-Myanmar border have been inhabited by the ethnic communities for instance, the Singphos, Kukis, Nagas, Mizos, etc., who which was separated under British rule and later on by Burma in 1937. At that period of time the tribe were not able to understand the circumstances and the consequences of it as they were not literate and were ignorant about the future of their political destiny. The ethnic communities had more similarities with the people across the boundary than with their own national. So after the division of the boundary these communities lived together with peaceful coexistence and acted the as a buffer against the instruction for the people who were leaving other side. The affinity of groups with their kin groups across the border and the sense of support (both material and non-

material) they derive from them, have had serious implications.<sup>87</sup> The Partition of British India in 1947 and succeeding political events brought the cutting and restriction of old routes of mobility in the Northeastern region, as well as major demographic mobility shifts; together these two forces give Northeast India the shape and location we see today. Further, there are popular movements after 1947, “which attempts to close off and regulate national borders more rigorously than ever before with a goal to defend national territory against foreign threats and to secure national territory against internal disruption that might be fed by forces across the border.”<sup>88</sup>

All these forces worked against the interests of these trans-border tribes. Despite these divisions and restriction of movements, the trans-border tribes continue to maintain their age-old ties. The end of Cold War and globalization resulted in the softening of national borders and the resultant proposition for a borderless world, enabling the formation of trans-national economic regions. In this backdrop there is hope for the trans-border communities in Northeast India and Myanmar for the re-establishment of the very old relations between their own communities and a brighter prospect for development. The LEP must provide a space for such proposal.

## **2.8 Developments Challenges on Northeastern Region**

though we have seen that the trade between bordering countries have faced the most important expansion but it could not have impacted the Northeast region in particular in other words these expansions did not have little or no benefits to the Northeast economy. The reason behind this was the way of these expansion and it was through the seaports. Despite the large capability and potentialities of trade between India and Myanmar it has been remained insignificant. Amounting to few million per year. The exchange things amongst India and Myanmar are for the most part third nation items

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<sup>87</sup> 58 Datta, S. (2000), “Security of India’s Northeast: External Linkage”, *Strategic Analysis*, Vol. XXIV (8)

<sup>88</sup> Haokip, Thongkhohal,(2011), “India’s Look East Policy: Prospects and Challenges for Northeast India”, [Online web] Accessed on 25 July 2011 URL:  
[http://www.freewebs.com/roberthaokip/articles/Indias\\_Look\\_East\\_policy\\_Northeast.pdf](http://www.freewebs.com/roberthaokip/articles/Indias_Look_East_policy_Northeast.pdf)

and there is no deliberate exertion with respect to the legislature to build up the fringe districts and grow the tradable things. A portion of the discoveries like enhance administration, increment exchange with neighbors, increment agrarian profitability and enhance framework are in particular required in this area. With the reason for receive the rewards of this arrangement and from FTAs with the economies of the East, the key factors are travel plans, expansion of exchange courses and custom check post, simple visa administration making it feasible for dealers, businesspersons and transport administrators to move all through the area. Along these lines, it requires enormous interests in foundation; development of streets, railroads, air transport and correspondence offices, which are to a great extent truant. Lodgings, eateries and resorts should be worked for visitors. The "Shukla Commission on "Changing the Upper east", assessed that such venture would surpass Rs. 25,000 Crores."<sup>89</sup> As conceived in North Eastern India Vision 2020, a significant increment in speculations as well as a huge change in efficiency is required for the Northeastern area to make up for lost time with whatever is left of the nation by 2020. This tremendous speculation can't originate from the legislature alone. Therefore, private speculation and credits from ADB and WB is required. Be that as it may, the present political and security condition can't pull in private speculators. The administration needs to make a safe situation by starting exchange with radical components to acquire peace and steadiness this contention ridden district. Ventures in the Northeastern area need to create products, which can be traded to the neighboring nations. Handling ventures must be set up to produce quality merchandise, which can be offered in universal markets at adequate costs. Horticulture has to be enhanced both as far as generation and as far as profitability. The new North East Industrial Policy 2007 has basically made the entire district an extraordinary monetary zone. The business divisions of different conditions of the area have just profited the sponsorship eaters till now. Something else, the area would simply be a hall between territory India and SEA. India's arrangement of fortifying its ties with eastern neighbors has been restricted to counter uprising endeavors as found in Bhutan and Myanmar. The LEP is utilized as a means to convince the neighboring countries to drive out insurgents taking shelter in these countries. Sincere and political negotiations and not militaristic approach to insurgency will bear lasting solution. However, such

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<sup>89</sup> *Shukla Commission Report on Transforming the Northeast-High Level Commission Report to the Prime Minister, March 7, 1997*

negotiations should also involve, as Samir Kumar Das points out that civil society and all the contending parties as one negotiation may antagonize the other groups.<sup>90</sup> The role of Northeastern states in the LEP is negligible till date. To date, it seems to be a dictated policy of the central government.

The is in sharp contrast to the role played by Yunnan province of China in search of closer relationship with its Southeast Asian neighbors. The Yunnan province plays a role in the institutions of the Greater Mekong sub-region. However, there is little room for India's Northeastern states in the MGC or in BIMSTEC. It is through concentrated efforts in various thrust areas that "Northeast India will be able to stand not only the challenges of the LEP but also to fully participate in the new milieu. Only then, Northeast region can hope to be a part of the bridge connecting India and SEA."<sup>91</sup> Giving the Northeastern states a direct role in this policy by taking advantage of the region's history and shared cultural ties with East and SEA can ensure a successful LEP.

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<sup>90</sup> Das, S. K., "Conflict and Peace in India's Northeast: The Role of Civil Society: *Policy Studies* 42 online [Online web] Accessed on 25 July 2011 URL: <http://staging.ewc.codespdy.com/sites/default/files/private/ps042.pdf>

<sup>91</sup> Ibid.

## CHAPTER-3

### India-ASEAN Economic and Trade Relations

Natural growth in the beginning of the 1990s, India has emerged as one of the largest economies not just in Asia, but the entire world. With the third largest Gross Domestic Product (GDP) and a growth rate of 7-8 percent, India is poised to emerge as a large economic power in the years to come. With a rising middle class and an economy on an upward trajectory, India has large economic potential and provides ample opportunities for economies in the region to link up with its economic renaissance. ASEAN has certainly taken note of this fact and aware that it is in its best interest to include India in a regional framework and thereby, capitalizes on its emerging strength. ASEAN and India also share common interests with regard to regional peace and security. Since the 9/11 attacks on the United States (US), terrorism has become a new threat to global and regional security. Both ASEAN and India are faced with grave vulnerabilities with regard to terrorism and it is in their common interest to work together to build peace and security in the region. Because, peace and stability in this region provides a milieu for people to people contact which will be resulted finally economic cooperation for both in future. With increasing foreign exchange reserves<sup>92</sup> and a prudently managed financial system, India is attracting attention for its strong macroeconomic fundamentals<sup>93</sup>. Goldman Sachs, the world's largest investment bank has confirmed the research findings of the BRICs<sup>94</sup> report- that India's growth will be sustained as predicted, and India could become the second largest economy in the world after China by 2050. Two concrete reasons find out in report which will depend on India's growth in future are; first is that, manufacturing productivity will drive growth. Its performance will improve due to globalization and increased competition. And second is that, India's economic reforms are the reasons for this amazing predicted growth. India's increased openness to trade, investment in information and communication technology and greater financial deepening. With the growing

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<sup>92</sup> India's foreign exchange reserves are US\$293.979 million till date December 2010 [Online web] Accessed on 29 July 2011 URL: <http://www.rbi.org.in/scripts/WSSView.aspx?Id=15469>

<sup>93</sup> Macroeconomics is a branch of economics dealing with the performance, structure, behavior and decision-making of the entire economy. This includes a national, regional, or global economy.

<sup>94</sup> BRIC stands for four countries – Brazil, Russia, India and China.

economic integration of the Indian economy, its growth effects are bound to spillover to other countries as well. With flourishing demand for infrastructure and investments, India can compensate the loss of the US market due to its attempts to reduce its growing trade deficit. With a rising middle class, domestic demand in India is bound to increase day by day in the coming days.

### **3.1 Commencement of Changing in Perceptions of India and ASEAN towards Economic Engagements**

International and regional changes in terms of geo-political and geo-strategic situation in the recent years introduced the platform for positive development in Indo-ASEAN relations. Economic cooperation among states even among those run by socialist or communist philosophies - is today largely the result of comparative benefit primarily driven by economic forces. In the process, it enables states to develop linkages which create common stakeholders in peace and security. In contemporary times, it is the economic changes which have maximum impact on the overall political or security situation of a country. Although it is not clear that political relationship and economic bonds may run parallel to each other, they are generally seen to be in tandem and complementary. In what way they help develop cooperative security between two countries. Interestingly, the players involved in these two processes are usually different. While political relations are largely influenced by the state and the government, economic connection is built by public and private business enterprises, depending upon the political economy of each state. ASEAN leaders are fully aware that unless ASEAN economies are open to the outside world they will not remain competitive. For years, foreign trade in these countries constituted a high percentage of their GDP; therefore, for them, a free and open trading regime has been *sine qua non*<sup>95</sup> for progress. Just as ASEAN countries seem to strongly believe in the logic of their own integration within and with neighboring economies such as China and India, so does India with respect to the ASEAN economy. In terms of the size of its external trade compared with its domestic economy, the need for India to forge closer bonds with the ASEAN economy may not seem apparent. However, as seen earlier, India would defy the logic of economic integration with ASEAN only at its own risk. For

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<sup>95</sup> 'Sine qua non' refers to an indispensable and essential action, condition, or ingredient.

India, the volume of economic exchanges available in South Asia (even assuming full normalization of relations with Pakistan) is limited. In 2004-05, India's trade with SAARC countries was only US\$7 billion as against US\$13 billion with ASEAN. Geography places a restraint on a dynamic economic relationship with Central Asia though India will have to manage sooner than later the politics of gas pipelines from Central Asia across Afghanistan, Iran and Pakistan. With the countries of the Gulf, interdependent relationship energy from the Gulf; exports of consumer goods and the source of large scale skilled manpower from India already exists.

In the era of regional trade and economic integration, it is Southeast Asia (SEA) and East Asia that India needs to turn to and forge a mutually reinforcing relationship. The latter, therefore, assumes a crucial role in India's Look East policy (LEP) prevailing conditions as the ASEAN leaders themselves find that they are standing "at the cusp of a period of extraordinary development on a grand scale involving India, China and ASEAN."<sup>96</sup> Indo ASEAN enhanced economic interaction and integration is becoming both a necessity and a reality. Fortunately, in India there is today a broad consensus cutting across the political spectrum, though not without dissenting voices, on the continuing need for widening and deepening economic reforms and for opening of the economy. The protagonists of keeping it limited on the grounds that the large domestic economy can be self-sustaining are becoming fewer and have also been proven wrong by globalization. The incremental process of economic reforms in India is no doubt continuously watched in Southeast Asian countries as it has direct repercussions on India-SEA economic relations.

The decisions taken by India and ASEAN in the 1990s to accelerate economic interaction could not have come a day too soon. The prevalent trend in East Asia today is the intensification of dialogue between ASEAN and the three major economies of the region, namely, China, Japan and South Korea, including ASEAN which is generally known as ASEAN+3. The ASEAN+3 processes are fast getting institutionalized with cross linkages developing among a wide range of political, economic, security and cultural issues. A vast economic zone is thus in the offing.

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<sup>96</sup> Singapore Minister of State for Trade Vivian Balakrishnan at the India-ASEAN Forum, Singapore, June 2004.



Whether it will be China-centre or whether Japan will continue to be the prime engine for investment and growth remains to be seen. The latter continues to be the biggest economic player in ASEAN. The fact remains that the ASEAN +3 processes are very much to stay and is on the upswing. On this background, Indo-ASEAN relationship is modest. While China-ASEAN relationship has galloped away in the economic and trade field with two-way trade at US\$100 billion, India's two ways trade with ASEAN is only at US\$13 billion. The FTA between China and ASEAN signed at the 10th ASEAN Summit in Vientiane in November 2004<sup>97</sup> caught everybody's attention as it would create the found itself if ASEAN and India had not embarked on a similar process of a summit level dialogue between them in 2002. In spite of having begun rather late, India is nevertheless consolidating its position. Given China's and Japan's overwhelming economic presence in the region, India's strategy lies in working together with these economic powers while trying to create synergies in the process. ASEAN countries would also welcome such approach. The immediate task ahead for India has negotiated and finalizes the ASEAN-India Free Trade Agreement (AIFTA).

### **3.2 India's Bilateral Relations with ASEAN's Major Countries**

**3.2.1 India and Singapore:** in the Post-Cold War, joined with India's have to change its economy in the wake of the 1991 cash emergency, set the conditions for India's developing respective monetary relations with Singapore. The fall of the USSR not just persuaded India to look for other financial and vital accomplices yet in addition prompted an unwinding in pressures amongst Singapore (and ASEAN) and India, which had waited since their contradicting positions over the Cambodian issue. The money emergency likewise prompted the developing acknowledgment that India's state-driven import substitution industrialization show had neglected to convey monetary flourishing and that India expected to change its economy to produce financial development. It was in this setting the then Indian Prime Minister P.V. Narasimha Rao explained the Look East Policy. As right on time as 1991, Singapore was identified as a key accomplice by the then Indian Finance Minister (and now Prime Minister), Manmohan Singh, who in a discourse conveyed at a gathering co-facilitated

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<sup>97</sup> Department of Commerce [Online web] Accessed 15 July 2011 URL:  
[http://commerce.nic.in/trade/international\\_ta\\_current\\_details.asp](http://commerce.nic.in/trade/international_ta_current_details.asp)

by the Indian government and Singapore's Trade Development Board (now International Enterprise Singapore), said that Singapore's enormous vital area, which influenced the island to state home to more than 3000 multinationals; checked Singapore as the place to begin advertising the New India. Singapore, as far as it matters for its, enthusiastically responded and put resources into the Bangalore Information and Technology Park, a joint two-sided venture worth around US\$150 million, propelled amid the then Singapore Prime Minister Goh Chok Tong's 1994 visit to India.<sup>98</sup>

Economic relations between Singapore and India received a major boost with the signing of the CECA on 29 June 2005 after three years of talks.<sup>99</sup> “The CECA envisions free trade in goods and services and promotes investment between Singapore and India. It also promotes mutual recognition agreements (MRAs) to avoid duplicative testing and certification of products in specific sectors where there are mandatory technical requirements and includes an agreement to avoid double taxation of income.”<sup>100</sup> The agreement also included an Early Harvest Scheme (EHS) under which tariffs on 506 products were immediately removed. It would appear that CECA had an immediate impact on Indo-Singapore bilateral economic relations. From 2003-04, Indian exports to Singapore more than doubled and, by 2005-06, Singapore had become India’s fourth largest export market. At the same time, in 2004, India became Singapore’s 12th largest export destination and its 14th largest source of imports. Bilateral trade jumped from approximately US\$5.5 billion in 2003 to US\$11.5 billion in 2005 and US\$19.11 billion in 2008.<sup>101</sup> FDI from Singapore into India also increased, from around US\$873.5 million in 2005 to US\$2.9 billion in 2007 and US\$3.99 billion in 2008. By 2007, over 3000 Indian companies had established operations in Singapore, up from 1644 in 2005.<sup>102</sup> However, despite these gains, a closer study of the CECA and the EHS indicates that the agreement alone may not have been responsible for the growth in

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<sup>98</sup> Ibid;

<sup>99</sup> Singh, S. and S.S. Rahman (2010), “India-Singapore Relations Constructing a ‘New’ Bilateral Relationship” *Contemporary Southeast Asia*, 32(1): 70-97.

<sup>100</sup> Ibid;

<sup>101</sup> Amitendu Palit and Sasidaran Gopalan, (2009), “Singapore’s Trade with China, Japan and India: Similarities and Contrasts”, Working Paper No.54, Singapore: Institute of South Asian Studies [Online web] Accessed on 28 July 2011 URL:<http://www.singstat.gov.sg/pubn/reference/yos09/statsT-trade.pdf>.

<sup>102</sup> “3,084 Indian firms set up shops in Singapore in 2007”, Press Trust of India, 19 March 2008

trade between India and Singapore. According to a recent study, an examination of a sample of “early harvest” items shows that “customs duty elimination ... has had a selective impact on exports and re-export from Singapore to India” and that “an across-the-board robust growth of Indian industry has increased its demand for imports from Singapore”, which, in some segments, may have been merely “reinforced by the duty eliminations offered by the EHS and CECA”.<sup>103</sup> Surely, a portion of the improvements expected in the CECA presently can't seem to want last outcome. The MRAs to encourage the development of Indian experts prepared at different Indian foundations and different areas, for example, broadcast communications hardware, presently can't seem to emerge. So also, substantial and exceedingly advertised activities like the Tata-Singapore International Airlines and the Singapore-Madras passage did not take off.<sup>104</sup> While these very noticeable frustrations can harm financial specialist eagerness on the two sides, given that Singapore is a flourishing territorial center point with an open economy, it is more probable that Singaporean speculators are more reluctant to go into India than the other way around. It has been accounted for that Singaporean organizations have been "baffled... (with) the bureaucratic hindrances to progress" and that "very few Singapore firms have set up any noteworthy nearness in India".<sup>105</sup> Subsequently, the capability of monetary collaboration has remained gigantically underutilized. By and by, the importance of the CECA ought not to be downplayed. It was the main far reaching FTA that India at any point marked and the primary FTA Singapore marked with a South Asian nation. CECA not just opened up one of the quickest developing economies in Asia and the world to Singapore, yet in addition situated Singapore to go about as a passage into SEA and East Asia for Indian financial specialists. The last point was worried by the then Singapore Minister for Trade and Industry (now Foreign Minister) George Yeo who imagined Singapore as the "eastbound expansion of India into East Asia" and felt that Singapore could be to India what Hong Kong is to China. CECA, besides, was additionally a 'way discoverer' or model for India's financial relations with different economies, including ASEAN. In fact, India signed FTAs with ASEAN and South Korea in August 2009. Moreover, even

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<sup>103</sup> Amitendu Palit, Amitendu (2008), “India-Singapore Trade Relations”, ISAS Working Paper No. 46, Singapore: Institute of South Asian Studies: 13 (emphasis in original)

<sup>104</sup> Ibid

<sup>105</sup> S. Narayana, “Openings for S’pore firms in India”, Business Times, 24 July 2009.

while the CECA has fallen short of some of its bolder promises, the jump in trade from 2003 to 2008 is a good indication of the huge potential India holds for Singapore's economy and domestic ventures looking to expand overseas. Finally, further developments should not be discounted as economic reforms and liberalization in India are likely to continue, and will further boost the benefits accruing from the CECA over the long term.

### **3.2.2 India and Thailand:**

India and Thailand, situated in each other's expanded neighborhood, share a sea limit in the Andaman Sea. The two nations share interesting civilizational joins backpedaling a few centuries. The common connection of Buddhism is reflected in standard journeys to spots of Buddhist enthusiasm for India by countless individuals. Hindu components can be found among those reflected in Thai engineering, expressions, form, move, dramatization and writing. The Thai dialect joins Pali and Sanskrit impacts. A huge Indian Diaspora living and working in Thailand is another essential bond. In the course of recent decades India's LEP has been supplemented by Thailand's 'Look West' strategy in bringing the two nations nearer. India and Thailand commended 60 years of their strategic relations in 2007. Lately, political contacts have heightened as reflected in a progression of abnormal state visits by pioneers of the two nations. Exchange and financial linkages and traveler movement keep on growing consistently. The two nations are imperative provincial accomplices connecting South and Southeast Asia. They coordinate nearly in the ASEAN, EAS and BIMSTEC groupings as likewise Mekong Ganga Cooperation (MGC) and Asia Cooperation Dialog (ACD). The usage of the Indo-AESAN Agreement on Trade in Goods from January 2010 is an imperative most recent development of this association.

Economic and commercial linkages form an important aspect of India's partnership with Thailand. The past few years have seen a rapid growth in this area. Bilateral trade has multiplied six times since 2000 to cross US\$6.6 billion in 2010. Global financial and economic crisis impacted the bilateral trade during 2009. The trade figure for 2009 was US\$4.9 billion declining by 17 percent (Indian exports were US\$1.7 billion, down by 34 percent, while Thai exports were US\$3.2 billion declining by 3.6 percent). However, trade for Jan-Dec 2010 reached US\$6.64 billion, an increase of 34 percent over 2009. Bilateral trade for Jan-May 2011 stands at US\$ 3.4 billion. Investment by

Indian and Thai companies in each other's countries is growing. Indian FDI into Thailand is estimated to be around US\$1.5 billion since 1970s. Indian investment in Thailand was around US\$287 million in 2008 and around US\$214 million in 2007 according to the Board of Investment of Thailand. Thailand has invested over US\$65 million in India (April 2000-Dec 2009) according to Department of Investment Policy Promotion of Government of India. Thai sources quote a higher figure US\$800 million Board of Investment; Thailand approved 13 Indian investment applications worth Baht 1.74 billion (about US\$58 million) during JanDec 2010. The major Indian groups doing business in Thailand include; Tata group (automobiles, steel, software), Aditya Birla group (chemicals, textiles), Indo Rama group (chemicals), Ranbaxy & Daiichi-Sankyo Co. Ltd. (since 2008), Dabur, Lupin (pharmaceuticals), Bharti Airtel, NIIT, Punj-Lloyd etc, reflecting the diverse sectors of interest. Among public sector, Indian Overseas Bank, Bank of Baroda, Air India, New India Assurance etc. are present. Leading Thai companies in the fields of Agro-processing, infrastructure, automotive, engineering, banking, housing and hospitality have active and growing business presence in India. Major Thai companies active in India are - C P Aquaculture (India) Ltd., Italian Thai Development Pcl., Krung Thai Bank Pcl., Charoen Pokphand (India) Private Limited, Stanley Electric Engineering India Pvt. Ltd., Thai Summit Neel Auto Pvt. Ltd., Thai Airways International Pcl. and Precious Shipping Limited (PSL) of Thailand, Preuksa Real Estate, Dusit and Amari group of hotels.

For the enhancing tourism and connectivity, air connectivity between India and Thailand is growing with nearly 140 flights per week, reflecting rapidly growing passenger traffic between the two countries. Bangkok is connected by air to 9 Indian destinations. India and Thailand are cooperating closely on improving regional connectivity through initiatives such as India-Myanmar-Thailand Trilateral Highway, Asian Highway Network (under UNESCAP) and BTILS under BIMSTEC framework. About 790000 Indian tourists visited Thailand in 2010, making India one of the fastest growing markets for Thailand for inbound tourism. The number of Thai tourists to India is around 60000 (mainly to Buddhist pilgrimage sites). Both countries have comprised defense cooperation regular joint exercises/joint maritime patrols near the international maritime boundary to counter terrorism, piracy and smuggling; training of officers at each other's Armed Forces Training Institutions and participation as observers in military exercises, staff talks and exchange of trainee visits at various levels. Cultural

exchanges take place under the framework of a Cultural Exchange Programme (CEP) between the two governments. An Indian Cultural centre was opened in Bangkok in September 2009. A Cultural Agreement was signed by the two countries in 1997. A MoU on Cooperation in the field of Education was signed in 2005. During 2009 the Government of India offered nearly 100 scholarships to Thai students under its ITEC and ICCR sponsored schemes. A large number of Thai students are also studying on self-finance basis. Ministry of Human Resource Development provides for secondment of 8 professors every semester for the Asian Institute of Technology (AIT), Bangkok. Government of India contributed Rs. 1.25 crores (Thai BHT 10 million) in 2008 towards construction of a new building for the Sanskrit Studies Centre at Silpakorn University, Bangkok and has deputed a Sanskrit professor. An India Studies Centre is functioning at the Thammasat University of Bangkok since April 1993. In 2008, the Mahidol University of Bangkok started a Masters of Arts course on Indian studies.

### **3.2.3 India and Malaysia:**

Malaysia enjoys several advantages in relation to India, including proximate geographical location across the Indian Ocean, state-of-the-art infrastructure and common legal systems among others. Its diverse ethnic, religious and linguistic mix resonates well with Indian culture. Strategically located in the heart of SEA, it offers a cost-competitive destination for Indian investors addressing the ASEAN region as well as other international markets. There are a large number of Indian professionals in top positions as well as about 150000 Indian workers in a range of economic and commercial activities in Malaysia.<sup>106</sup> Moreover, there is a large community of PIOs in Malaysia who are citizens of that country and are well integrated in the Malaysian society. The population of Malaysian citizens of Indian origin stands at about 1.9 million, which accounts for about 8 percent of the total population of Malaysia. Indians are the third largest ethnic group in Malaysia, after Malays and Chinese. Malaysia officially celebrates customs, traditions and religions of its multi-racial population. The persons of Indian origins (PIOs) are active in various walks of the Malaysian society, economy and polity, including in the government and their rights as Malaysian citizens are also derived from the Malaysian constitution. Members of Indian community have,

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<sup>106</sup> Trade Report between India and Malaysia, [Online web] Accessed on 30 July 2011 URL: <http://madeingujarat.com/IndiaMalaysiaTradeReport.pdf>

however, also articulated their concerns and grievances regarding their standing in the country.<sup>107</sup> The bilateral economic relationship between India and Malaysia has been steadily moving ahead. In February 16, 2011, India and Malaysia had signed trade pact CECA which came into force from July 1 2011. Indo-Malaysia CECA is India's fourth bilateral CECA, after Singapore, South Korea and Japan. The CECA envisages liberalization of trade in goods, trade in services, investments and other areas of economic cooperation.<sup>108</sup> There is an agreement on both sides to foster investment with India allowing Malaysian companies to hold 49-100 percent equity in 84 service sectors while Malaysia provided a similar dispensation for Indian companies in 91 sectors including construction (51percent), computer & related services and management and consultancy (100 percent each).<sup>109</sup> The Indo-Malaysia CECA goes beyond the commitment offered by the two countries under the ASEAN agreement. In all, India will keep 1225 items outside the ambit of tariff reduction, compared to 1298 for ASEAN members. Under Indo-Malaysia CECA, the items on which India has obtained market access from Malaysia include basmati rice, mangoes, eggs, trucks, motorcycles and cotton garments, which are all items of considerable export interest to India. At the same time, adequate protection has been provided by the Indian side for sensitive sectors such as agriculture, fisheries, textiles, chemicals, auto etc. Similarly, Malaysia will keep 838 products in the exclusion list compared to 898 under the ASEAN pact<sup>110</sup>. Malaysia has been a huge source of FDI for India. In fact, Malaysia is the 25th largest overall investor and third largest investor among ASEAN countries with a total inflow of US\$252.97 million during the April 2000-March 2010 period, according to data released by the Department of Industrial Policy and Promotion. Bilateral trade among

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<sup>107</sup> High Commission of India , Kuala Lumpur, Malaysia [Online web] Accessed on 30 August 2011 URL: [http://www.indianhighcommission.com.my/pqs\\_3.php](http://www.indianhighcommission.com.my/pqs_3.php) 17 Overseas Indian Facilitation Center, (2011) “

<sup>108</sup> India and Malaysia Implement Comprehensive Economic Cooperation Agreement (IMCECA)” [Online web] Accessed on 3 September 2011 URL: [http://www.oifc.in/Article/India-and-Malaysia-ImplementComprehensive-Economic-Cooperation-Agreement-\(IMCECA\)](http://www.oifc.in/Article/India-and-Malaysia-ImplementComprehensive-Economic-Cooperation-Agreement-(IMCECA))

<sup>109</sup> India signs trade pact with Malaysia (2011), Times of India [Online web] Accessed on 15 August 2011 URL: <http://timesofindia.indiatimes.com/business/india-business/India-signs-trade-pact-withMalaysia/articleshow/7525809.cms>

<sup>110</sup> Ibid;

the two countries amounted to US\$10604.75 million during 2008-09, an increase of 23.48 per cent over 2007-08, according to data released by the Ministry of Commerce and Industry. India exported goods worth US\$3.42 billion to Malaysia in 2008-09. During April-December 2009-10, India's exports to Malaysia totaled US\$2.14 billion, comprising ships, boats and floating structures, mineral oils and fuels, and organic chemicals, according to data released by the Ministry of Commerce and Industry. Indians play an important role in promoting tourism in Malaysia. Following a 7.1 percent growth in revenues from Indian tourists in 2009, Malaysia expects 650000 visitors from India in 2010, according to the Director General of Malaysia Tourism. Moreover, Indian biotech companies are increasingly looking at making investments in Malaysia. Malaysia is positioning itself as a cost-competitive country and a regional hub for global biotech companies. It is attracting Indian companies with a large number of sops including a 10-year tax holiday, duty exemptions, customized incentives for large investments, access to ASEAN markets through free trade agreements and no restrictions on equity.

### **3.2.4 India and Indonesia:**

Civilizational, cultural, and geographic neighbors, India and Indonesia share striking commonalities in their modern historical trajectories. As the Post -Cold War geo-political canvas of Asia once again bears the flux and promise reminiscent of the early post-independence period, both countries - independently remain wedded to policies that reinforce their cherished strategic latitude. Yet, even as India and Indonesia delicately go about distributing their geo-political equities among a selectively diverse set of strategic and comprehensive partners, both countries share framework defense cooperation agreements with Western partners, the US and Australia, respectively. For all their parallel histories, similar policy preferences and receptivity to independent-minded partners in Asia, it is dispiriting how seemingly unenthusiastic the recent interaction between New Delhi and Jakarta has been. Five years after the inauguration of a New Strategic Partnership, both Prime Minister Manmohan Singh and President Susilo Bambang Yudhoyono remain culpable of the failure to inject content into their bilateral relations. Their recent decision to commence negotiations toward CECA notwithstanding, the Joint Statement issued on the occasion of President Yudhoyono's January 2011 visit to New Delhi constitutes a partial reversal of the aspirations



expressed in the New Strategic Partnership. Opportunities to tether their ties to a set of altogether more ambitious goals are nevertheless available.

Bilateral trade between India and Indonesia totaled US\$9.3 billion in 2008-09, an increase of 32.08 percent over US\$6.99 billion in 2007-08, according to data released by the Ministry of Commerce and Industry. During the period 2008-09, India exported goods worth US\$2.56 billion to Indonesia. During April-December 2009-10, India exported goods worth US\$2.3 billion to Indonesia comprising mainly of organic chemicals, mineral fuels and ships and boats, according to data released by the Ministry of Commerce and Industry. India and Indonesia are targeting bilateral trade worth US\$20 billion by 2020 according to Indonesian ambassador to India, Andi M Ghalib. Indonesia is an important source of FDI for India. It is the 16th largest FDI investor amongst all countries and the second largest amongst the ASEAN countries. FDI inflows from Indonesia into India totaled US\$604.28 million during April 2000-March 2010, according to data released by the Department of Industrial Policy and Promotion.

### **3.3 India's Institutional Arrangements with ASEAN**

In order to expand and diversify the economic linkages, India and ASEAN have set up various institutional mechanisms, through which, negotiations are being conducted and the two parties are making efforts to overcome the barriers in deepening interactions. Indo-ASEAN economic cooperation is being managed and overseen through the following institutional arrangements at the official level;

- ASEAN-India Business Summit
- ASEAN-India Business Council
- ASEAN-India Economic Minister's Meetings
- ASEAN-India Trade Negotiation Committee
- ASEAN-India Working Group on Trade and Investment

The ASEAN-India Business Summit (AIBS) has since 2002, acted as the apex body in dealing with the trade and business negotiations. In order to promote private sector participation in the trade negotiations, identify sectors of greater economic and trade cooperation, and ensure effective functioning of safeguards and reviews in the business agreements, the ASEAN-India Business Council (AIBC) was set up in 2003 comprising of members of the business community including from small and medium enterprises with the key objectives of promoting private sector participation in the trade and

business negotiations and facilitating Indo-ASEAN economic linkages through private businesses. Much of the ground work for ASEAN-India economic cooperation is conducted and finalized through the ASEAN-India Trade Negotiation Committee, set up during the 2nd ASEAN-India Summit held in Bali in October 2003 and the ASEAN-India Working Group on Trade and Investment. India has also established Entrepreneurship Development Centres (EDC) in Cambodia and Vietnam and another EDC is being set up in Laos.

The offer by India's former Prime Minister Atal Bihari Vajpayee for a free trade pact between India and ASEAN at the Phnom Penh ASEAN-India Summit marked the beginning of a new phase in ASEAN-India relations. Following this, at the second Indo-ASEAN Summit in Bali in October 2003, the establishment of an AIFTA was put on the agenda. This was done in the form of a framework CECA between India and ASEAN. According to the agreement, its purpose was to “minimize barriers and deepen economic linkages between the Parties; lower costs; increase intra-regional trade and investment; increase economic efficiency; create a larger market with greater opportunities and larger economics of scale for the businesses of the Parties; and enhance the attractiveness of the Parties to capital and talent.”<sup>111</sup> With the EAS, Indo-ASEAN relations have progressed even further. It is significant that India is being considered as an integral part of the East

Asian Community (EAC). This has been possible due to the consolidated support from ASEAN and China, Japan and South Korea. Their support for India has largely been due to the recognition of India's considerable economic and strategic strengths. On the side of trade, it is one of the principal channels of India's economic integration with ASEAN. With large potential for India and ASEAN countries to develop trade relations, it is one of the primary areas of concentration on both sides. This is especially relevant as there is growing consensus that India's economic structure, being services

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<sup>111</sup> “Framework Agreement on Comprehensive Economic Cooperation between the Republic of India and the Association of Southeast Asian Nations” ASEAN [Online web] Accessed on 30 August 2011 URL: <http://www.aseansec.org/15278.htm>,

oriented, is largely complementary to the manufacturing-oriented economies in ASEAN.<sup>112</sup>

Services trade between India and ASEAN grew at more than twice the rate of merchandise trade. India's share in world trade of commercial services in 2002 was higher than Malaysia, Indonesia, and the Philippines and almost about as much as Singapore's trade in commercial services. The Information and Communication Technology (ICT) services and related services were the major driving force behind services trade in India. "The growth of this sector has been propelled by the nurturing of a pool of skilled ICT manpower, combined with an increasing international demand do such competitive and skilled manpower".<sup>113</sup> According to Gartner Research, "the (Indian) ICT industry is rapidly growing in size and importance to the overall Indian economy. Its impact is rising in terms of being a larger and more significant component of the overall export market, as well as in helping improve the local and global competitiveness of Indian companies across industries."<sup>114</sup> The Indian Software Industry has brought about a remarkable success for the emerging economy. The software industry is the main component of the IT in India. India's pool of young aged manpower is the key behind this success story. Presently there are more than 500 software firms in the country which shows the monumental advancement that the Indian Software Industry has experienced. The Indian Software Industry has grown from a mere US\$ 150 million in 1991-92 to a staggering US\$ 5.7 billion in 1999-2000. No other Indian industry has performed so well against the global competition. According

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<sup>112</sup> Anand, Mohit (2009) *India and ASEAN Relations*" cited in Rahul Sen, Mukul G Asher and Rakishen S.Rajan, (2004), "ASEAN-India Economic Relations: Current Status and Future Prospects," Research and Information Systems for the Non-Aligned and Other Developing Countries RIS Discussion Paper , No.73, May 2004

<sup>113</sup> Ibid;

<sup>114</sup> Iyengar, P. (2006), "India's ICT Industry: Increasing in Global Visibility and Relevance," Gartner Research [Online web] Accessed on 30 August 2011 URL: [http://www.gartner.com/DisplayDocument?doc\\_cd=138416](http://www.gartner.com/DisplayDocument?doc_cd=138416)

to statistics, India's software exports reached total revenues of 46100 crores. s exports in the global market raised from 4.9 percent in 1997 to 20.4 percent in 2002-03.<sup>115</sup>

Table: 3.1 Indian Major Business Entities at ASEAN Countries

<b>Indian MNCs</b>	<b>Operating in ASEAN Countries</b>
Reddy 's Lab, Ranbaxv. Tata Steel	Cambodia
Jindal Steel. Crompton Greaves. Punj Llvod and Tata Steel.	Indonesia
Reliance Industries, Tata Steel. Reddy's Lab. Ranbaxv, GMR Infrastructure. Punj Llvod, Tata Steel and Reliance	Malaysia
Tata Steel, Reddy's Lab and Ranbaxy,	Myanmar
NASSCOM. GMR Infrastructure and Tata Steel	Philippines
Reddy's Lab. Ranbaxy. Tata Steel. Infosys. Wipro. BSNL. Kirloskar. Bharti-Telcv cnturc. Glaxo. NASSCOM. Punj Llvod. Sun Pharma, Tata Steel and Reliance	Singapore
Adilya Birla Group. Ballarpur Industries, Baroda Rayon Group. Uslia Martin Industries, Ranbaxv Laboratories. Lupin Laboratories. Bharat Overseas Bank. Indo-Rama Groups. Punj Llvod and Tata Steel	Thailand
Essar Steel. ONGC. Punj Llvod (Pctro-Vietnam). Sun Pharma. Tata Steel and Reliance	Vietnam

<sup>115</sup> India Software Industry, Business Map of India.Com [Online web] Accessed on 5 August 2011

URL: <http://business.mapsofindia.com/india-industry/software.html>

Tata Steel	Laos
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Source: Arup Barman and Ramananda Singh. (2010) “*Growing Interconnections between India and ASEAN-10: An Essay on Depth of Trade Collaboration*”, [Online web] Accessed on 30 August 2011  
 URL:<http://zunia.org/uploads/mediaknowledge/The%20Growing%20Interconnection%20between%20India%20and%20ASHAN%20Repaired%201280227901.pdf>

It is expected that the Indian Software Industry will generate a total employment of around four million people, which accounts for 7 per cent of India’s total GDP, in the year 2008. Today, the Software Industry in India exports software and services to nearly 95 countries around the world. The share of North America (US and Canada) in India’s software exports is about 61 percent. In 1999-2000, more than one third of Fortune 500 companies outsourced their software requirements to India. Despite these high growth rates, India’s share in the world software market is very low, but India still enjoys an advantage over some of the other nations, which are trying to promote software exports. This is due to the fact that India possesses the world’s second largest pool of scientific manpower which is also English speaking. Coupled with the fact that the quality of Indian software is good and manpower cost is relatively low, it provides India a very good opportunity in the world market. In 2000, the ICT services sector accounted for close to 70 percent of India’s service exports which was the second highest share in ICT exports after the Philippines. This share would only have increased over the years and suggests the strong bearing it has on India’s exports especially to ASEAN. It is clearly understood that the level of Indo-ASEAN economic cooperation can be sustained only through bilateral trade, investments and joint ventures. The role of the governments is no doubt essential, but is merely as a facilitator who can provide a suitable business environment and regulatory framework. Primary effort is required to be made by corporate and individual businessmen. The institutional mechanism set up with chambers of commerce such as the Federation of Chambers of SEA in the form of an annual AIBS preceding the summit meeting of ASEAN and Indian leaders in an ASEAN capital is a useful platform for bringing businessmen of both sides together. FICCI also organizes Indo-ASEAN business leaders’ meeting in India. During the visits of Indian leaders to Southeast Asian capitals or vice versa, business delegations

invariably form part of the state delegation. This trend should be welcomed. Continuous follow-up by businessmen is equally necessary especially since their mutual knowledge and exposure to each other has so far been limited. Unless the information gap that still exists is bridged, business will not flow adequately in both directions.

### **3.4 Indo-ASEAN Economic and Trade Partnership**

Economic and trade cooperation forms an important aspect of the growing strategic partnership between India and ASEAN. The economic performance of India since the liberalization of economic reforms in 1991 has brought a significant change in the partnership, and today the Indian economy is being increasingly integrated with those of its Southeast Asian partners. By the turn of the twenty-first century, there was no way of backtracking India's economic growth. The Indian economic growth rate of 8.5 percent in 2004 and 2005 was quite impressive, followed by a much better growth rate of 9.4 percent in 2006. Because of which, India has emerged as the 12th largest economy when measured by the size of its GDP in the market rate, and the 5th largest economy in terms of purchasing power parity (PPP). Moreover, there are huge targets for India's economic growth rate in the future. India's potential economic growth rate has led ASEAN Secretary General Surin Pitsuwan to say that India will be a future engine of growth in the Southeast Asian region. The two-way merchandise trade between India and ASEAN had witnessed a significant leap from a paltry US\$7 billion in 2000-01 to US\$57 billion in 2010-11, representing an impressive eight-fold increase in a span of 10 years (see Table 3.1). India's share of total ASEAN exports has increased from 7.49 per cent in 1996-97 to 8.27 per cent in 2010-11, while ASEAN's share of India's total exports has moved from 7.08 per cent in 1997-98 to 10.86 per cent in 2010-11. This way, ASEAN members account for roughly 10 per cent of India's global trade resulting in the former becoming India's 4th largest trading partner behind the EU, China and the US. The main items of India's exports to ASEAN are agricultural products, chemical and related products, engineering goods, textiles and readymade garments, while India imports food and related items, raw materials, intermediates and manufacturing goods. Given ASEAN's economic significance, India still does not figure prominently as a trade partner for ASEAN. But India's total trade turnover with ASEAN has increased ten times since 2000-01 to 2010-11 (see table 3.2). In the ASEAN, Indonesia and Singapore are important trading partners. Both countries account for more than half of India's export to ASEAN during the current fiscal year 2010-11. In recent times, India's exports to Malaysia and Thailand have improved

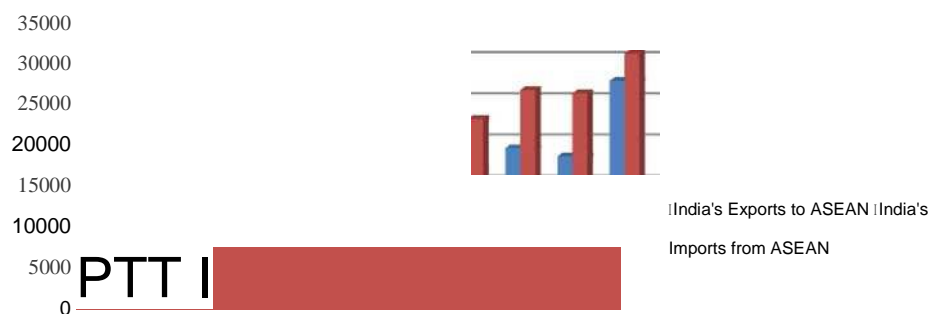
significantly from US\$773.69 million in 2001-02 to US\$3956.98 million in 2010-11, and US\$633.13 million in 2001-02 to US\$2792.80 million in 2010-11 respectively. Overall, with the exception of a few new members in ASEAN, the volume of exports has increased from 2005-06 to 2008-09. A similar trend can be observed in the case of India's imports from ASEAN. Most notably, India's imports from Indonesia and Thailand have increased more than nine and ten-fold respectively during the period between 2001-02 and 2010-11. In addition, Malaysia and Singapore have imported significantly from India during this period. Overall, Singapore has continued to remain the largest market in ASEAN for India's merchandise exports, followed by Indonesia, Malaysia and Thailand.

**Table 3.2 India-ASEAN Merchandise Trade From 2000-01 to 2010-2011**

YEAR	India's Exports to	Export Growth	India's Imports	Import Growth	Trade Turnover	Balance of Trade
2000-2001	2913.78	30.22	4147.48	-10.41	7061.26	-1233.7
2001-2002	3457.01	18.64	4387.22	5.78	7844.23	-930.21
2002-2003	4618.54	33.60	5150.17	17.39	9768.71	-531.63
2003-2004	5821.71	26.05	7433.11	44.33	13254.82	-1611.4
2004-2005	8425.89	44.73	9114.66	22.62	17540.55	-688.77
2005-2006	10411.30	23.56	10883.67	19.41	21294.97	-472.37
2006-2007	12607.43	21.09	18108.48	66.38	30715.91	-5501.05
2007-2008	16413.52	30.19	22674.81	25.22	39088.33	-6261.29
2008-2009	19140.63	16.62	26202.96	15.56	45343.59	-7062.33
2009-2010	18112.71	-5.37	25797.96	-1.55	43911.67	-7684.25
2010-2011	27277.81	50.59	30607.96	18.64	57885.77	-3330.15

**INDIA'S MERCHANDISE TRADE WITH ASEAN (2000-01 TO**

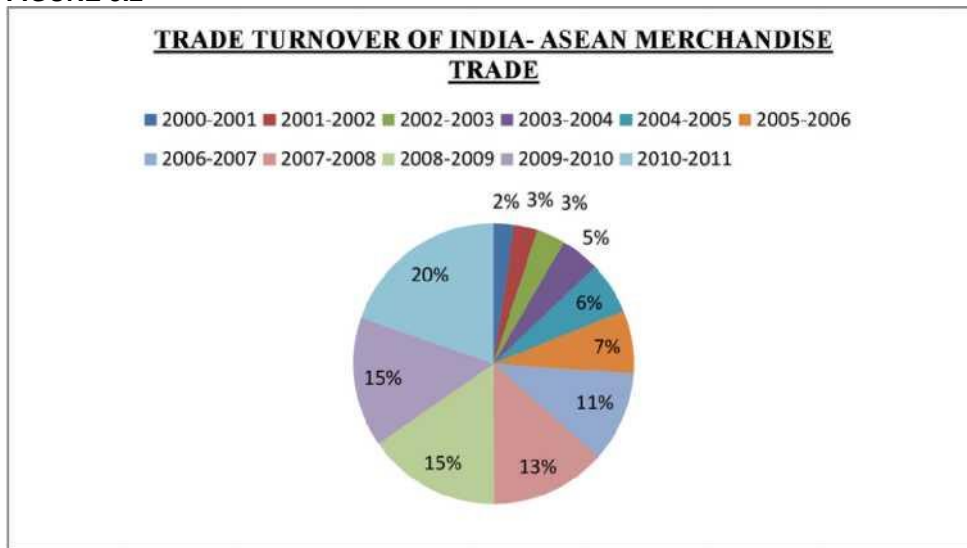
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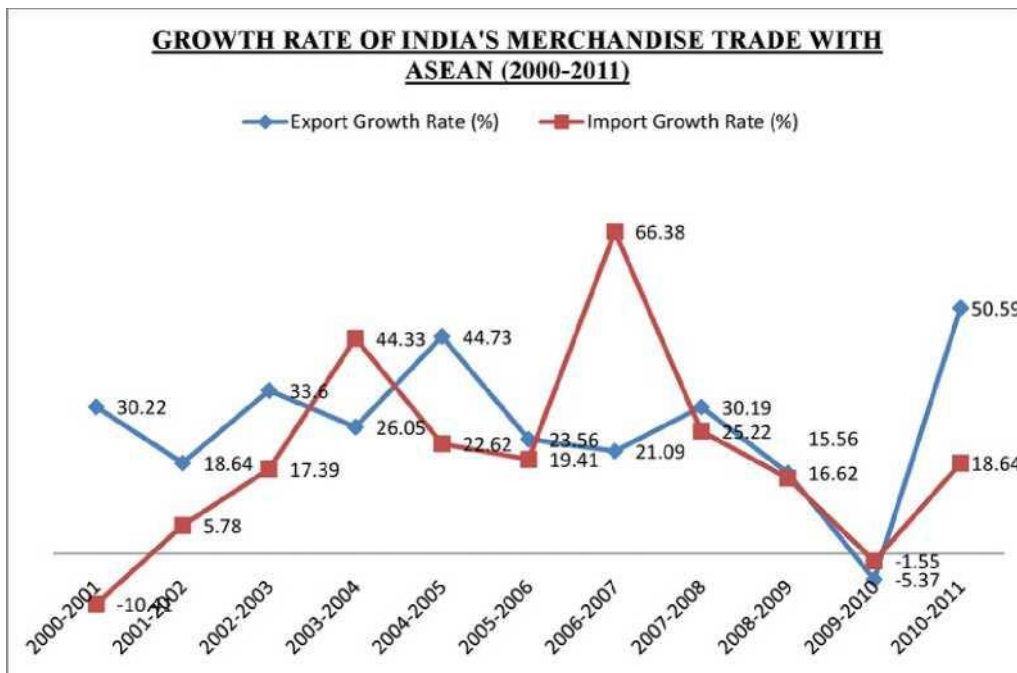


Source: Refer to Table 3.1

**FIGURE 3.2**



Source: Refer to Table 3.1



**FIGURE 3.3**

However, Indo-ASEAN trade though increasing is not substantial enough compared to global figures and needs to be increased further to realize the potential between the

countries. The present level of trade volume is well below the actual potential. Since India's imports from ASEAN have outpaced those of its exports, the balance of trade has been largely in favour of ASEAN during the last ten years. But the important aspect is that the volume of trade continues to improve since 2001 except for 2009-10, which is a result of the global financial crisis. However this year the trade volume has bounced back to cross the US\$50 billion mark. By working closely together both sides would be able to contribute positively to each other's recovery from the current global financial crisis.

India and ASEAN are also investment partners. The amount of Indian investment in ASEAN has reached US\$21.8 billion (2004-2010) equivalent to 25 percent of the country's total foreign investment, while ASEAN members have also invested significantly in India. The amount of ASEAN members excluding Brunei, Cambodia and Laos's investment in India during the last nine years (period from April 2000 and April 2009) has been US\$8253.23 million. Singapore topped the rankings followed by Malaysia and Thailand in the ASEAN's biggest investors in India (see Table 3.3). However, the level of investment flowing in both directions is not beyond the actual potential. There are huge targets for expanding the Indian investment in ASEAN and vice versa. This would require both sides to create the suitable climate, while opening

Table 3.3 Country-wise EDI inflows from ASEAN since April 2000 to April 2009

Country	US\$ in Millions	% of FDI Flow
Singapore	7933.73	9.05
Malaysia	230.82	0.28
Thailand	44.86	0.05
Indonesia	34.04	0.04
Myanmar	8.96	0.1
Philippines	0.70	0.00
Vietnam	0.12	0.00
<b>Total</b>	<b>8253.23</b>	

Source: Arup Barman and Ram an an da Singh, (2010) *“Growing Interconnections between India and ASEAN-10: An Essay on Depth of Trade Collaboration”*, [Online webj Accessed on 30 August 2011 URL: [http://zu n i.a. ors ■ u pi o ad s medi a ■ kn owl cd ac ■ T lic& o20G row in a 0 o2 01 n tc rconn ccti on & o2\\_Qbct ween 0 o20I nd ia& p20a nd%20ASIEAN%20 Repaired 1280227901.pdf](http://zu n i.a. ors ■ u pi o ad s medi a ■ kn owl cd ac ■ T lic& o20G row in a 0 o2 01 n tc rconn ccti on & o2_Qbct ween 0 o20I nd ia& p20a nd%20ASIEAN%20 Repaired 1280227901.pdf)]

more and more areas for investment. The decision making process also has to be improved.

### 3.5 Indo-ASEAN FTA and Its Implications

The appreciation of free trade, initially put forward by Adam Smith in "The Wealth of Nations" in 1776, was first demonstrated theoretically by 19th century English economist David Ricardo. Ricardo showed that in a world where labour is the only factor of production, if each country specializes in the good in which it has a comparative advantage, then all countries can gain from trade. The intuition is that this kind of specialization maximizes global production of goods and enables countries to enjoy greater levels of consumption through international trade. Ricardo's seminal work has spawned a rich literature in international trade theory showing that even under more general conditions, Ricardo's conclusion that free trade is mutually beneficial continues to hold good. Given the overwhelming theoretical basis favoring free trade, it is somewhat surprising to find that free trade is almost never observed in practice. Free trade, in its purest form, refers to the unfettered export and import of goods and services between one country and another with no government intervention on either country's side. However, barriers to free trade are an observed phenomenon and manifest themselves as; i) tariff barriers: A tax on imports that are invoked by countries mainly to protect the domestic industries from the possible consequences of greater competition, ii) non-tariff barriers: These can be in form of quantitative restrictions on imports/exports (quotas) or existing government regulations governing technical and safety standards for products that can have the effect of restricting imports. Another form of non-tariff barrier to free trade is found in "Domestic Content Requirements" that are regulations wherein importers are forced to import goods that contain minimum prescribed amounts of domestically produced components. Such restrictions are commonly imposed on the domestic operations of foreign firms that engage in FDI in production facilities in the regulating country. Apart from that, it should be noted that there can be a number of other regulatory/administrative measures that can be put in place to indirectly restrict import quantities.

Following the commitments of international trade rules and keeping in mind the loss and profit in future. India and ASEAN had signed the "ASEAN-India Trade in Goods

Agreement (TIGA) in Bangkok on 13 August 2009 after six years of negotiations. The signing of the ASEAN-India TIGA paves the way for the creation of one of the world's largest FTA - market of almost 1.8 billion people with a combined GDP of US\$ 2.8 trillion.<sup>116</sup> The ASEAN-India FTA (AIFTA) will see tariff liberalization of over 90 per cent of products traded between the two dynamic regions, including the so-called "special products/" such as palm oil (crude and refined), coffee, black tea and pepper. Tariffs on over 4,000 product lines will be eliminated by 2016. At the earliest. The ASEAN-India TrGA entered into force on 1 January 2010,<sup>117</sup> The schedule of tariff reduction commitments undertaken by the AIFTA is very different among the member country. For example, India has different commitment to Philippines and to the ASEAN member countries. Like that ASEAN countries also have a separate tariff reduction schedule towards India. The tariff lines are divided into four broad categories, viz., Normal Track (NT), Sensitive Track (ST), and Special Products (SP). Highly Sensitive Lists (HSL) and Exclusion List (EL) according to the intensity of tariff reduction or elimination commitments. In the case of tariff lines included in the EL AIFTA members are allowed to retain their base rates, i.e., the most favored nation (MFN) applied rates as of July 1, 2007. Under Article XXIV of GATT 1994, the member countries have general commitment to review the EL for improving market by every year. Obviously, there will be pressure to reduce the number of tariff lines kept in the EL. and to include any new product into the privilege list. Interestingly, as Table 3.4 indicates the proportion of tariff lines kept in the EL vary considerably among countries. While India keeps around 10.7 percent AIFTA members in this respect, keeps nearly 18.3 percent of the tariff lines under this category. On the whole, when all the AIFTA schedules of commitments are put together around 10 per cent of the tariff lines would be there in the EL. It follows from the above that nearly 90 percent of the tariff lines are subject to reduction commitments.

Country	EL	NT- 1	NT- 2	SP	ST	HSL- A	HSL- B	HSL- C	Total
India	10.7	63.9	10.3	0.3	14.8	Nil	Nil	Nil	100

<sup>116</sup> See: ASEANWEB [Online web] Accessed on 30 August 2011 URL:

<http://www.asean.org/5738.htm>

<sup>117</sup>Ibid.

Brunei	12.8	68.6	11.3	Nil	7,4	Nil	Nil	Nil	100
Cambodia	2.0	80.4	4.1	Nil	13.2	0.2	Nil	Nil	100
Indonesia	7.6	4L8	4.7	Nil	39,5	Nil	0,1	6.3	100
Lao PDR	2.8	69.5	8.6	Nil	19.2	Nil	Nil	Nil	100
Malaysia	9.9	59.2	14.6	Nil	15.1	Nil	0.3	0.9	100
Myanmar	14.1	64.4	7.5	Nil	14.0	Nil	Nil	Nil	100
Philippines	13.0	58.9	17.0	Nil	6.8	Nil	Nil	4.4	100
Vietnam	18.3	60.3	8.9	Nil	7.0	0.4	1.2	4.0	100
Thailand	12.2	67.0	8.9	Nil	11.7	0.2	Nil	Nil	100

For understanding reduction commitments under different Tracks and Lists it is very necessary to observe the base rate from which tariff are to be affected. The base rates of the TIGA are the applied rates as of July 1, 2007, except for products identified as SP. It is a major difference from the WTO negotiations because as is well known in the WTO system the reference rates for tariff negotiations have always been the bound rates. Implications of taking applied rates as base rates are quite far-reaching for product lines and countries where there is considerable difference between bound and applied rates.

India is a country with two different rates especially in the agriculture product. In WTO negotiations because of high bound rates even extreme commitments for reduction did not have much direct impact on the applied rates of agricultural products and hence on trade flows. Whereas in the AIFTA negotiations, since the base rates are the applied rates, the resultant reduction commitments would have immediate direct impact on the applied rates. As we shall confirm subsequently there will be immediate and steep reduction in the applied rates right from the very launch of the FTA on January 1, 2010. The tariff reduction under the AIFTA is effected on the applied rates and not on the bound rates. A bound rate entails a drastic cut in the upper limits. FTA member including India are free to raise their MFN rates like WTO bound Levels. But, it will not be of much consequence in the case of products in which AIFTA producers are significant suppliers in the international market. Viewed in this sense there is a major

element of implicit tariff reduction even in the case of the EL. Admittedly, in the case of tariff lines included in the EL there is no reduction commitment vis-a-vis the base rates, i.e., applied rates as on July 1 2007. But, clearly, these base rates, which are going to be the upper limits to which tariffs can be raised in the AIFTA regime, are much lower than their corresponding WTO bound rates. Therefore, the EL also represents an implicit tariff cut as far as their upper limits are concerned. We shall examine the implications of the scaling down of upper limits of import duties later.

Next in the order according to the degree of protection granted during the transition period is the HSL. Here the member countries are bound to reduce tariffs but not as suddenly as in the cases of Normal or Sensitive Tracks. Annex 1 of the TIGA specifies three different HSL, Category A requires members to reduce applied MFN rates 50 percent. In Category C what is stipulated reduction of MFN rates by 25 percent. Obviously, category 'C' is the most attractive one among the HSL in terms of protection given during the transition period. The proportions of tariff lines kept under the HSL also vary significantly among members. Surprisingly, India does not keep any tariff line under these Lists. Indonesia has nearly 6.4 percent of the tariff lines kept under the HSL. Interestingly out of these 6.4 percent 6.3 percent belongs to the HSL Category C. Malaysia (1.2 percent), Philippines (4.4 percent), Vietnam (5.6 percent) and Cambodia (0.2 percent) are the other members using the HSL facility

There is an element of mystery around the category of SPs, which comes next in the order of protection allowable during transition. Surprisingly, the SPs appear only in India's schedule of commitments. Tariff schedules of other AIFTA members do not mention of any SPs. Even in India's case SPs constitute only around 0.3 percent of the tariff lines. It appears as if an exclusive group specially designed for the five product groups declared as SPs, viz., crude and refined palm oil, coffee, black tea and pepper. None of the AIFTA members except India designate them as SPs. Further, there is hardly any uniformity in the reduction commitments among these five product groups. Therefore, instead of specifying a common pattern, the Annex of the TrGA gives separate schedules of reduction for each SP, which are applicable paradoxically only for India. Given the base rates in Table 3.5, the reduction commitments specified for the SPs are much steeper as compared to different categories included under the HSLs.

Table 3,5 Tariff Reduction Schedule for Special Products

Tariff Line	Base Rate	Not later than 1st January				31.12.2019
		2010	2013	2016	2019	
Crude Palm Oil	SO	76	64	52	40	37,5
Refined Palm Oil	90	86	74	62	50	45
Coffee	100	95	80	65	50	45
Black Tea	100	95	80	65	50	45
Pepper	70	68	62	56	51	50

Note: The original table gives rates for all the years between 2010 and 2019.

Source: Agreement on Trade in Goods under the Framework Agreement on Comprehensive Economic Cooperation between the Republic of India and the Association of Southeast Asian Nations,

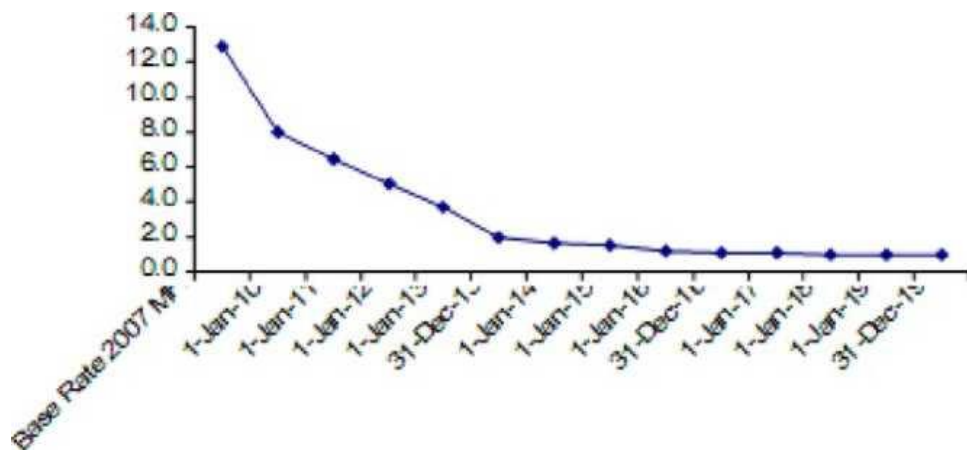
The categories left, viz., the ST and the NT represent tariff lines earmarked for drastic cuts. As Table 3.4 shows, in India's case they together constitute around 89 percent of the tariff lines. In most AIFTA members they together account for more than 85 percent of the tariff lines. In the case of the ST the base rates will have to be brought down to 5 percent by December 31, 2016, Notably, Cambodia, Laos, Myanmar and Vietnam are granted five more years to achieve the target of 5 percent. Given the logic of the AIFTA system for the ST products the stipulated 5 percent will be the limit to which tariff can be raised in the future? The real drama of steep reduction in tariffs is to be seen in the case of the NT, which is divided into NT 1 and 2. In NT 1 for India, Brunei, Indonesia, Malaysia, Singapore and Thailand the reduction process will commence on January 1, 2010 and complete elimination would be achieved by December 31, 2013. Philippines, Cambodia, Laos, Myanmar and Vietnam would be given a grace period up to December 31, 2018 for completely eliminating the tariffs. As Table 3.4 reveals about 64 percent of India's tariff lines are under NT 1. In about four years tariffs would be completely eliminated against these product lines. Further given the logic of the AIFTA system, zero will be India's upper limit or 'bound rate' in all these tariff lines. In NT 2

the elimination process is little more drawn out. Complete elimination would be achieved before December 31 2016 for Brunei, Indonesia, Malaysia, Singapore. Thailand and India. But, Cambodia, Laos, Myanmar and Vietnam can wait till December 31, 2021 for achieving complete elimination. Around 10.3 percent of India's tariff lines belong to the NT 2.

Is India offering too much for getting too little in return? Let us explain as to why we think India has given more if not too much for what she has been offered by the rest of the AIFTA membership. The impact of the TIGA on India's tariff structure can be graphically depicted as shown in Figure 3.4. What the Graph plots is India's average tariffs vis-a-vis ASEAN countries except the Philippines. The tariff curve takes a nose dive on the day of inception and reaches near ground level in the initial three to four years itself. From the average base rate of around 12.9 percent it gets reduced to just 1.7 percent by January 1, 2014 and further to 1 percent by January 1 2017.

**Figure 3.4 Average Rate of Tariff of India in AIFTA**

#### INDIA



**Source:** Refer to Table 3.6

Graphs showing average tariffs of AIFTA countries against India give a more stark appearance. This is clear from Tables 3.6 and 3.7, which present data on average



tariff and the rates of reduction in the average rates. Obviously, India is ahead of other AIFTA members in pace as well as depth of tariff cuts. The relatively steeper cuts in India's tariff may be justified by giving the reason that her base rates were higher. But, notably within four years India's average rates against ASEAN countries would be lower than the average rates charged against India by the ASEAN nations, except Brunei and Singapore. It should be admitted here that our calculation regarding India's reduction commitments is at best an under estimate. In the context of WTO negotiations tariff cuts undertaken by different countries are compared with reference to bound rates. If we compare the reduction commitments of the AIFTA members with reference to the MFN bound rates, as opposed to the base rates, the reduction commitments of India would appear much sharper than the method we have used.

The reasons for the difference in the pattern of tariff reduction may be obvious from the foregoing discussion, which may be summarized here. New members of the ASEAN, viz., Cambodia, Laos, Myanmar and Vietnam are given a grace period of five years in reduction commitments in NT as well as STs. But India's reductions will be voluntarily applicable to the new members as well. The Philippines is also given four to five years extra time, but India is free to follow the Philippines pattern in her tariff policy vis-a-vis imports from that nation. Further, as Table 3.4 shows Vietnam, Philippines, Myanmar and Laos's are allowed to keep higher proportion of the tariff lines in categories other than the NT. The older group of ASEAN countries also places more tariff lines in categories other than the NT to moderate the depth of the tariff cuts. Indonesia for instance keeps 39.5 per cent of her tariff lines in the ST<sub>r</sub>. Even the distribution of tariff lines between NT 1 and 2 have a bearing on the aggregate average rate at which the tariffs are cut.

YEAR	Table : 3.6 Average Tariff Rates of Members according to AIFTA-Commitments									
	India	Brunei	Cambodia	Indonesia	Laos	Malaysia	Myanmar	Philippines	Vietnam	Thailand
<b>Base Rate 2007 MFN</b>	<b>12.9</b>	<b>4.3</b>	<b>14.3</b>	<b>7.7</b>	<b>10.1</b>	<b>8.9</b>	<b>5.8</b>	<b>6.9</b>	<b>12.6</b>	<b>11.6</b>
1st Jan 2010	8.0	2.7	14.3	8.7	8.4	5.9	5.3	5.4	10.9	8.0
1 <sup>st</sup> Jan 2011	6.5	2.3	12.7	8.2	8.2	5.0	5.0	5.2	10.9	6.6
1 <sup>st</sup> Jan 2012	5.0	1.9	12.2	7.5	7.7	4.2	4.8	4.9	10.2	5.1
1 <sup>st</sup> Jan 2013	3.7	1.4	10.7	6.9	6.9	3.5	4.4	4.7	9.3	3.3
31 <sup>st</sup> Dec	2.0	1.1	NA	6.9	NA	3.2	NA	NA	NA	2.5
1 <sup>st</sup> Jan 2014	1.7	0.9	10.2	6.4	6.2	2.6	4.2	4.1	8.3	2.1
1 <sup>st</sup> Jan 2015	1.5	0.7	8.7	6.1	5.9	2.1	3.8	3.9	7.7	1.7
1 <sup>st</sup> Jan 2016	1.2	0.6	8.2	5.6	4.6	1.6	3.5	3.3	6.8	1.2
31 <sup>st</sup> Dec	1.1	0.3	NA	5.3	NA	1.0	NA	NA	NA	0.7
1 <sup>st</sup> Jan 2017	1.0	0.3	7.1	5.2	4.4	1.0	3.2	3.0	6.3	0.7
1 <sup>st</sup> Jan 2018	1.0	0.3	5.5	5.1	3.4	1.0	2.7	2.8	5.1	0.7
31 <sup>st</sup> Dec	NA	NA	1.9	NA	2.5	NA	1.2	2.1	2.8	NA
1 <sup>st</sup> Jan 2019	1.0	0.3	1.6	5.1	2.1	1.0	1.2	1.9	NA	0.7
31 <sup>st</sup> Dec	1.0	0.3	NA	4.7	NA	1.0	NA	1.1	NA	0.7
1 <sup>st</sup> Jan 2020	NA	NA	1.5	4.7	1.8	NA	1.1	1.1	2.6	NA
1 <sup>st</sup> Jan 2021	NA	NA	1.3	4.7	1.8	NA	1.1	1.1	2.5	NA
31 <sup>st</sup> Dec	NA	NA	0.7	NA	1.0	NA	0.5	NA	1.6	NA

Note: N. A. refers to Not Available specific duty items are not included. Source: Estimated from A further vital point that should not be lost sight of is the use of specific duties for protecting domestic production, Thailand (104), Malaysia (93) and Brunei (114 tariff lines) are the major users of specific duties in the new AIFTA club (See Table 3.8), Needless to say that specific duties lack transparency and hence are less agreeable to informed negotiations. They are more restrictive than what they appear to be especially when the prices keep low. In fact, the ASEAN countries, since they have started reducing tariffs on intra-ASEAN trade as well as on MEN trade much earlier, are known to be practiced in using less transparent new protectionist tools for commercial

policy purposes. It seems that Indo-ASEAN negotiations emerged to have failed in addressing the use of such gray area measures for commercial policy purposes.

**Table 3.8: Specific Duty Items of AIFTA Members**

Country	No. of Specific Duty	Total No. of Lines
India	11	12169
Brunei	114	9759
Cambodia	10	7893
Indonesia	17	8207
Lao PDR	15	7756
Malaysia	93	9594
Myanmar	1	9954
Philippines	0	8415
Vietnam	0	9983
Thailand	104	7608

Note: total number of lines includes all tariff lines- were tariff policies are reported Source: AIFTA Tariff Schedules of members, 2009 cited in K N Harilal (2010), ASEAN India Free Trade

Area: Noises of Dissent from Deep South [Outline web] Accessed on 5 September 2011 URL:

<http://www.unitedwoild.m/pdPS tate%20pi a mi i n s?/o2 0b oa rd/o20research %20 paper. PDF>

### 3.6 Rules of Origin in AIFTA

Rules of origin (RoO) are used to determine the country of origin of a product for purposes of international trade. They are used to determine which goods will enjoy preferential tariffs to prevent trade deflection among FT A members. Preferential trading arrangements, whether FTAs or customs unions, put RoO in place mainly to limit tariff preferences to the members and prevent third parties benefiting from such concessions. In FTAs they assume more importance on account of the need to prevent trade deflection. The FTAs do not maintain common external tariffs. In its place the FTA members maintain their own external tariffs. Hence, tariffs may differ between member countries. In this setting, in the absence of RoO any particular commodity can enter through the country with the lowest duty on the item in question and get re-exported to other countries in the FTA. This is trade deflection. RoO prevent such

simple trans-shipment of goods by requiring products to originate in exporting member countries. However, if weak RoO norms were designed it would lead to trade deflection, making protection of domestic value added by way of border restrictions almost impossible. Member countries in the AIFTA region for instance would be forced to forgo their autonomy in deciding the height of border restrictions. In the long run all members will be forced to scale down their tariffs to the level of the lowest tariff charged by any one of the member in the FTA.

Under origin requirements, preferential tariff treatment is available for the following two categories of products. One is that; wholly produced or obtained products such as plants, animals and products obtained from plants and animals and, second is that: not wholly products or obtained products which, however meet the such criteria; i) Value addition is at least 35 percent or more with provisions for regional accumulation; ii) Non-originating materials have undergone change in (6-digit) tariff sub-heading, iit) Final process of manufacture is in the exporting country . There have been some criticisms that the RiO in AIFTA are relatively lax and therefore could facilitate entry of non-member country goods into India through the preferential route. The value addition criteria for Indo- Singapore CECA and for Indo-Thailand FTA are at least 40 percent or more. Additionally, the change in tariff classification norm for non-originating material in these mentioned bilateral agreements are at the 4-digit level, which is also relatively more restrictive than the six digits in ASEAN agreement. Another structural difference between AIFTA and Indo-Singapore CECA pertains to the absence of 'Advance Ruling' mechanisms in AIFTA while it is present in the Indo-Singapore CECA. This mechanism allows the importer/exporter prior to importation or exportation to utilize a competent customs authority to determine whether or not the concerned product qualifies as an originating product. Advance ruling is mostly applied to determine classification, origin and customs value and is a proven trade facilitation tool providing transparency and certainty in customs operations. In addition to SL and NL, bilateral safeguard measures can also used to ensure adequate protection of the domestic industry. In the case of an influx of large quantities of foreign goods, safeguard measures are allowed for a period of up to three years with a probable extension of up to one additional year. These measures, however, cannot be applied for a product import from a country<sup>7</sup> which accounts for less than three percent of total

imports of the product from other parties by the importing country. The agreement has also placed emphasis on transparency, simplification and harmonization of custom procedures and prohibition on imposition of non-tariff barriers (NTBs).

### **3.7 India-ASEAN FTA and Vision for India's Growth**

Shared and sustained economic growth is the most powerful driver of poverty reduction and is critical to achieving development outcomes, including the Millennium Development Goals (MDGs). There has been a continuous and sustained reduction in the number of poor people in the world (despite the definitional confusion on "poverty") and the fact that continued growth has been instrumental in achieving this outcome is hardly contested by any economist or policy maker. Economic growth improves livelihoods, creates job opportunities and raises household and government incomes. Higher household incomes directly reduce poverty<sup>7</sup> and help people afford the basic necessities of life. Growth also increases government revenues that can be invested into schools, roads, and hospitals. These are critical investments for growth and development a healthy, well educated workforce is a more productive workforce. And a prosperous society is more peaceful and stable. Growth and human development are therefore mutually reinforcing. One cannot be sustained without the other. Evidence supports the idea nations more open to trade tend to be richer than those that are less open. Columbia University economist Arvind Panagariya wrote in a paper 'Miracles and Debacles: Do Free-Trade Skeptics Have a Case?': "On the poverty front, there is overwhelming evidence that trade premises is a more trustworthy friend of the poor than protectionism. Few' countries have grown rapidly without a simultaneous rapid expansion of trade. In turn, rapid growth has almost always led to reduction in poverty".<sup>118</sup>

Seen in this light, it is therefore amply clear that any policies to liberalize trade and remove protectionist government policies will help the Indian economy in the long run by making Indian industries more efficient and productive, by providing the Indian consumers access to cheaper and larger variety of products and generate employment for the rapidly expanding labor force. However, there are possibilities downsides to

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<sup>118</sup> For detail see: [http://www.columbia.edu/~ap2231/Policy1\\*](http://www.columbia.edu/~ap2231/Policy1*)  
u20Papcrs/miraclcs°o20and°o20dcbaclcs- panagariva-rev-March 04.pdf

FTA as well. Evidence from across the globe suggests that there is a very real chance that FTA will result in domestic job losses as industries tend to resort to layoffs in an attempt to cut costs and compete effectively with the industries in other FTA countries. Moreover, FTA can also create significant diversions from important issues such as environmental concerns, human rights conditions for workers and workplaces as well as other social issues like child labor and decline in overall levels of education. India's growth story in the last decade has been nothing short of remarkable. Yet, India has been lagging in terms of social sector priorities such as health, education, basic infrastructure constraints like safe drinking water and hygiene and a vast majority of its population living under extreme poverty. Public Private Partnership (PPP) in highway project has played a very important role in connecting all the major cities of India and through technological up gradation input cost has been minimized. For example the Golden Quadrilateral project<sup>119</sup> establishes better and faster transport networks between many major cities and ports. It provides an impetus to smoother movement of products and people within India. It enables industrial and job development in smaller towns through access to markets. It provides opportunities for farmers through better transportation of produce from the agricultural hinterland to major cities and ports for export, through lesser wastage and spoils. Finally, it drives economic growth directly through construction as well as through indirect demand for cement, steel and other construction materials. It gives an impetus to track transport throughout India. Apart from that Bharat Nirman is also a good example of rural development programme which can help in telecommunication. To achieve universal primary education government has started *Sarva Shiksha Abhiyan* in 2000. Self-help group (SHGs) programme is an initiative to achieve financial inclusion especially among women. One of the key components of the National Rural Health Mission (NRHM) is to provide every village in the country with a trained female community health activist i.e. Accredited Social Health Activist (ASHA). It will help in reducing child mortality and maternal health. National AIDS Control Organization (NACO) envisions an India where every person living with HIV has access to quality care and is treated with dignity. Effective prevention, care and support for HIV/AIDS is possible in an

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<sup>119</sup> The Golden Quadrilateral is a highway network connecting India thus forming a quadrilateral of sorts

environment where human rights are respected and where those infected or affected by HIV/AIDS live a life without stigma and discrimination. It is in this context that India laid out its MDGs which are included eight areas like; i) Eradicate extreme poverty and hunger; ii) Achieve universal primary education; iii) Promote gender equality and empower women; iv) Reduce child mortality; v) Improve maternal health; vi) Combat HIV/AIDS, malaria and other diseases; vii) Ensure environmental sustainability and; viii) Develop a global partnership for development<sup>120</sup> Whether the trade liberalization and other multilateral agreements are being pursued by the nation with its trading partners across the globe will help in achieving the stated MDGs is an open question at this stage. A lot will depend on the seriousness and will of the policy makers in the years ahead to foster an enabling government infrastructure that works on well defined priorities and a vision that will help India achieve growth with development and progress. The track record of the country in balancing these objectives have been dismal so far; but perhaps the future will evolve in a more optimistic way riding on the success of the ongoing trade and other policies that are pursued by the government.

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<sup>120</sup> For more detail see: <http://www.undp.org/mdg/basics.shtml>

## CHAPTER-4

### India-ASEAN Socio-Cultural and Political Relations

The socio-cultural and political relations between India and Southeast Asia (SEA) date back to the pre-Christian period. It was dominated by the mercantile links. The cultural links have also brought Hinduism and Buddhism in proximity to each other in the region. Both India and ASEAN share deep socio-cultural and political linkages. The Indian influence on the South-East Asia (SEA) is quite visible even in the present day. This has been felt in the realm of language, customs and the rituals in the region, especially in the royalty. The concepts of Hindu kingship, administrative institutions and ceremonies became deeply embedded in the royal culture of several SEA states irrespective of the fact that many of them in the present times follow Islam and witnessed Islamization. The migration from India has been relatively small towards South East Asia both in scale and in geographic scope. And the contacts between India and South-East Asia were largely driven by considerable economic benefits through the former's contacts with the latter. In the economic realm, prevalent were the export of gold and spices from the region to India, whereas in recent times the relationship is marked by the remittances sent back to the home country by migrant Indians settled in SEA. In the early days India supplied goods but in the latter or the contemporary phase it primarily supplied labour. On the other side, during the colonial period, the interaction between SEA and India was limited largely due to the reason that the interaction was shaped by and dependent on the colonial masters. A bulk of Indians at this time migrated to the SEA as plantation workers.

India's relations with the SEA region during the Cold War were marked more clearly in terms of bilateral relations with individual countries like, Singapore, Indonesia, Malaysia etc. rather than with the SEA as a region or even with ASEAN as a regional organization. Indian Prime Nehru's experience of the Non-Alignment Movement (NAM) influenced the entire Southeast Asian region through the Cold War period. In times of need, India did receive support from some of the SEA states, especially Malaysia during the 1962 Sino-India and the 1965 Indo-Pak War. Many of the SEA states also support India's stand on Kashmir.

The SEA states also explicitly extended cooperation to India during the 1971 Bangladesh crisis and were also among the first few in the world to recognize Bangladesh as an independent sovereign state. Despite having historical linkages with



the region and support from the ASEAN countries on the above mentioned critical issues, the India and SEA relations has been termed by many scholars' s a missed opportunity which has not fully realized its true potential. In this context both social and cultural linkages have the potential to play a decisive role. The relationship between countries at the level of culture has been one of the essential instruments of international relations. It is also regarded as the third pillar of foreign policy. Despite the different dimension added to the cultural relations, they have become a tool of foreign policy with a purpose to cultivate understanding and to achieve cooperation between the national societies for mutual advantages. "As the component tools or parts of cultural relations often tend to transcend the government prescribed 'modus operndi', there came into existence many independent bodies with little or no scope of being regulated by the machinery of state, to pursue their destined activities with an end of achieving desired results"<sup>121</sup>.

#### **4.1 India's Socio-Cultural Interaction with ASEAN Countries**

In the age of globalization, mutuality of interest of comprehensive and human security encompasses, socio-political, economic or cultural dimensions. This can make an important contribution to the building of security convergence between two nations or regions. In the context of India and SEA, the contact has been historically driven by non-state actors like, traders, artisans, scholars, priests and artists who strengthened the bilateral relationships between the two societies and cultures. Former Indonesian Foreign Minister Ali Alatas has states that, "India and ASEAN can do more for each other's security by cooperating in the field of economic and social development than if they cooperated in the political and security field alone. For if they succeed in that kind of cooperation they help remove the environment of poverty and ignorance in which terrorisms thrives, they help remove the distrust and the tendency to miscalculation that often results in the interstate wars and also address the issue of globalization and the constant socio-political issues of our time"<sup>122</sup>. In the present day, culture has come to

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<sup>121</sup> Reddy P.M.(2005) , "Cultural Relations between India and Australia," India and ASEAN: Foreign Policy Dimensions for the 21<sup>st</sup> Century, in K. Raja Reddy (ed.) New Delhi: New Century Publication: 206.

<sup>122</sup> Alatas, A.(2002), "International Relations in the Era of Globalization: Challenges and Opportunities for India-ASEAN Cooperation", in *India-ASEAN Partnership in an Era of Globalization: Reflections*

the forefront of global politics. Interstate tensions and conflicts are being attributed to the differences in cultures. They often take the colour of ethnic or racial divides as has been studied by Samuel P. Huntington in the “clash of civilization”<sup>123</sup>. The SEA region and the ASEAN regard Islamic extremism post the 9/11 as an external influence and actor against their local version of Islam. India also regards a battle against terrorism as one not exactly with Islam as a religion but with the idea of extremism. Over the years, the ASEAN and Indian socio-cultural cooperation has expanded to include newer dimensions like health and pharmaceuticals, human resource development, science and technology, people-to-people contacts, transport and infrastructure, small and medium enterprises (SMEs), tourism, information and communication technology (ICT), agriculture, energy and Initiative for ASEAN Integration (IAI). All the present day cooperation projects between them are funded by the ASEAN-India Fund (AIF)<sup>124</sup>.

‘The Partnership in these areas is carried out through the implementation of the Plan of Action (PoA) to implement the ASEAN-India Partnership for Peace, Progress and Shared Prosperity, which was adopted by the leaders at the 3rd ASEAN-India Summit in November 2004 in Vientiane’<sup>125</sup>. The PoA is carried out through activities under the various existing ASEAN sectoral work plans. The 7th ASEAN-India Summit held in October 2009 realized that also steady progress was made in the direction of implementation of the ASEAN-India Partnership for Peace, Progress and Shared Prosperity. The Summit also agreed on a greater and new version of the Plan of Action to implement the said partnership so that both the countries can seize the opportunities available to them and overcome the emerging global challenges arising from the global financial crisis and evolving political and economic landscape.<sup>126</sup> The subsequent new ASEAN-India Plan of Action for 2010-2015 proved to be a positive development for

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by *Eminent Persons*, edited by Research and Information System for the Non-Aligned and Other Developing Countries (RIS) New Delhi: RIS:123.

<sup>123</sup> For more detail see: Huntington, S. (1993) “The Clash of Civilizations” [Online web] Accessed on 14 September 2017 URL: [http://www.bintjbeil.com/articles/en/d\\_huntington.html](http://www.bintjbeil.com/articles/en/d_huntington.html)

<sup>124</sup> ASEAN Annual Report 2009-10 [Online web] Accessed on 14 September 2011 URL: <http://www.asean.org/publications/AR0910.pdf>

<sup>125</sup> For more detail see: ASEAN Document Series 2004” [Online web] Accessed on 14 August 2017, URL: <http://www.asean.org/ADS-2004.pdf>

<sup>126</sup> Chairman’s Statement of the 7<sup>th</sup> ASEAN-India Summit (2009) [Online web] Accessed on 14 September 2011 URL: <http://www.asean.org/23588.htm>

both India and the states of SEA. The Plan was developed and adopted by the Leaders at the 8th ASEAN-India Summit in October 2010 in Ha Noi.<sup>127</sup> India has also been contributing to the implementation of the IAI Work Plan and its elements like the Entrepreneurship Development Centres (EDC) and the Centres for the English Language Training (CELT) in Cambodia, Laos, Myanmar and Vietnam. India also agreed to support the establishment of a CELT in Indonesia. Prime Minister of India during the 6th ASEAN-India Summit held in November 2007, announced an initial contribution of US\$5 million was set up in 2010 to support cooperative projects and the ASEAN-India Green Fund (AIGF). It promoted technologies that can reduce the impact of climate change and mitigate the same.<sup>128</sup> In addition, the ASEAN-India S&T Development Fund with an initial fund of US\$1 million was established to encourage collaborative R&D and technology development between ASEAN and India. In 2007, India made a contribution of US\$1 million to the ASEAN Development Fund (ADF).

#### **4.1.1 Culture: As a Soft Power**

Culture has been described as a “soft power” tool. The influence of it has been drastic and in growing proportions in the spread of globalization. According to the propounder of the term soft power, Joseph Nye- “soft power is the ability to get what one wants by attracting others rather than threatening or paying them. It is based on culture, political ideals and politics.” As far as India and SEA are concerned undoubtedly the Indian culture has had a long historical unparalleled and extraordinary cultural imprint on SEA. Cultural and economic strength have not necessarily been in a linkage. Culture in itself has the potential to act as a penetrating force. India has, till the last decade of the 20th century has been rather disinterested in emphasizing its age old soft power in its foreign policy and diplomacy globally. India’s cultural linkages date back to the existence of the temples of Angkor Wat and to the deities and characters from Ramayana and the Mahabharata including, Rama, Vishnu, Garuda and Ganesha. The ancient Indian languages- Pali and Sanskrit find resonance in the languages of the Southeast Asian languages. Various Indian dance forms like *Kathak and Bharatanatyam* and the

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<sup>127</sup> Chairman’s Statement of the 8<sup>th</sup> ASEAN-India Summit, (2010) [Online web] Accessed on 14 September 2011 URL: <http://www.asean.org/25487.htm>

<sup>128</sup> ASEAN in Global Community, Annual Report 2010-11 [Online web] Accessed on 14 September 2011 URL: <http://www.asean.org/publications/AR1011.pdf>

traditional systems of *Yoga* and *Ayurveda* have been known to the SEA as well. In SEA there is great susceptibility to a variety of India's cultural attractions in terms of Indian films, dance and music. India's film stars like Amitabh Bachhan, Rajinikanth or Shah Rukh Khan has become icons of India's cultural image. But largely it has happened as a commercial enterprise and seldom has had a backing of a conscious and organized policy initiative. Cultural connections are strengths and assets for both India as well as Southeast Asian countries. The two are poised to learn, enrich, strengthen and achieve from each other in this direction. This also includes the networking of universities and Indian higher educational institutions with the ASEAN University Network. Some of India's best known educational institutions like the Manipal Medical College, Delhi Public School and Bharatiya Vidya Bhavan have choose to open branches in Malaysia and Singapore respectively. The well-known IIT, Mumbai has entered into an arrangement to enroll eligible students from the National University of Singapore. Meanwhile, a large number of Indian students are coming to the management universities in Bangkok. Singapore and Manila even as students and officials from SEA are going for higher studies and training in science and technology, medicine, IT and agriculture in India.

However, on the policy level especially in regard to ASEAN Centers in India or India Centers in ASEAN a lot still requires to be done. Singapore took a creditable initiative in setting up an Institute of South Asian Studies (ISAS) in 2004. The Plan of Action to Implement Indo-ASEAN Partnership for Peace, Prosperity and Progress which their leaders formalized in November 2004 includes such fields. Active implementation of the steps to enhance academic and cultural exchanges would be necessary in the coming year.

#### **4.2 The Indian Diaspora in Asia-Pacific Region**

Diaspora means dispersal. Until very recently the term was confined to refer to the Jews living in different parts of the world outside Israel. But in the present times the purview of the term Diaspora has been broadened to refer to any population group settled abroad with close links with its homeland. Diasporas can be defined as "ethnic minority groups of migrant origins residing and acting in host countries but maintaining strong

sentimental and material links with countries of origin - homelands".<sup>129</sup> The Diaspora of any country provides a human dimension to the linkages between two countries or regions. It transmits ideas and cultural norms of the country of its origin to faraway places. The Diaspora is also seen to act as an effective catalyst in bringing investments and technology, example.- the Chinese Diaspora's contribution has been remarkable in promoting China. It is an important player in creating a more secure and durable relationship between the countries of its residence and origin. The Indian Diaspora, like its counterparts in the Chinese, Korean, the Filipino or Japanese Diaspora of about 20 million spread around the world there is a sizeable number in this region, principally in three countries, Malaysia, Singapore and Myanmar. They are also in a small number in Thailand, Indonesia and Brunei. In the context of the Indian Diaspora in Asia-Pacific region the roots go back to medieval times. The Indian cultural influence to the SEA and parts of Pacific region predates to the spread of Islam. The influence was felt in terms of languages, literature as well as religious customs and societal norms. The Indian traders and scholars and religious preachers were the chief actors for this. The Indian Diasporas got fully assimilated into their respective host societies. As Tinker put it; "Yet none of these contacts led to a distinctive Indian population overseas. Indian priests and officials married local women, and within a few generations were indistinguishable from local people. Even Bali, the most complete Hindu cultural colony is no little India. Hindu culture has been transmuted into something authentically Balinese".<sup>130</sup>

However, the population of the PIOs in Asia-Pacific before the British colonization was very small. Between 1834 and 1937 about 30.0 million Indians migrated to different parts of the world, and about 24.0 million returned home during the same period.<sup>131</sup> It is difficult to say with certainty as to how many Indians migrated to the Asia-Pacific region to date; perhaps about 10.0 million. Until 1957 about 4.2 million Indians

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<sup>129</sup>Bolt, Paul J. (1996), "Looking to the Diaspora: The overseas Chinese and China's Economic Development: 1978-1994", *Diaspora: A Journal of Transnational Studies*, 5 (3), pp. 467.

<sup>130</sup> Tinker, Hugh (1977), *The Banyan Tree: Overseas Emigrants from India, Pakistan and Bangladesh*, Oxford: Oxford University Press.

<sup>131</sup> Jain, Prakash C.(1990), *Racial Discrimination against Overseas Indians: A Class Analysis*, New Delhi: Concept Publishing Company:10

immigrated into Malaysia<sup>132</sup> and perhaps as many into Burma. Between 1873 and 1920 about 69,000 indentured laborers were recruited for Fiji<sup>133</sup>, Australia and New Zealand can claim no more than half a million Indian immigrants to date, and perhaps another half a million for the rest of the countries of the Asia-Pacific region. During the early period of the British rule, several parts of Asia-Pacific were ruled from the Indian subcontinent. The British rulers resulted in bought a large number of Indian immigrants to Burma, Malaya and Singapore. They went as plantation workers and farmers.

The story of these people who toiled for decades under difficult conditions to carve a place for themselves in the local societies is a painful but glorious one. Presently there are over 4.0 million Indians-both PIOs and Non-Residents Indian (NRIs) in the Asia-Pacific countries. This represents about 20 percent of the total numerical strength of the global Indian Diaspora. The relevant data about Indian Diasporas in the region are presented in Table 4.1. Indians have come to form a recognized minority in all the Southeast Asian countries except Indo-China. In each of these countries, the process of assimilation and/or integration differs according to the political and social opportunities that are present. Indonesia, Thailand, Myanmar and the Philippines allow ethnic communities to integrate at their own pace. In elevating the cultural linkages to a greater level, in the contemporary times Indian communities have been recognized as one of the important political groups in the region. This has allowed integration to take place selectively between Malays and Muslim Indians.<sup>134</sup>

**Table 4.1 Estimated Number of Indian Diaspora in Asia-Pacific Region till date**

Country	NRIs	PIOs	Total Number of Overseas Indians
Australia	2,13,710	2,34,720	4,48,430

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<sup>132</sup> Lal, Brij V. (1983), "*Girmitiyas: The Origins of the Fiji Indians*", Canberra: Journal of Pacific History.

<sup>133</sup> Ibid

<sup>134</sup> K.S. Sandhu and A. Mani, (1993), "*Indian Communities in Southeast Asia*" Singapore: Institute of Southeast Asian Studies: XXI.

Brunei	7,000	47	7,047
China	NA	NA	6,700
Cambodia	1500	0	1500
Fiji	800	3,12,998	3,13,798
Hong Kong	2300	14,250	37,250
Indonesia	15,000	70,000	85,000
Japan	NA	NA	22,335
Laos	250	50	300
Malaysia	150,000	1,90,0000	20,50,000
Myanmar	3,160	353,400	3,56,560
New Zealand	37,000	70000	1,07,000
Philippines	47000	3,000	50,000
Singapore	270,000	320,000	5,90,000
South Korea	6,721	11	6,732
		111	
Thailand	90,000	60,000	1,50,000
Vietnam	750	30	780

Total	8,45,191	3,338,506	4,233,432

**Source:** The Ministry of Overseas Affairs, [Online web] Accessed on 15 September 2011 URL: <http://moia.gov.in/writereaddata/pdf/NRISPIOS-Data.pdf>

#### **4.2.1 Contributions of the Indian Diaspora to the Asia-Pacific Region**

By the above analysis it is largely clear that the presence of the Indian diaspora has been a historic phenomena in the SEA region. Indian Diaspora has contributed to the multifaceted development of the Asia-Pacific region and SEA. It is widely believed that the modern organized Diasporas have significant ramifications for international relations and international politics between their host countries and the country where they stay. Between India and SEA, the Indian Diasporic linkages have also been strengthened by Netaji Subhash Chandra Bose and his heroic struggle for India's independence. These things act as a unifying factor among diverse Indian ethnic and religious groups in SEA. The concept of being associated with one common geographical area was only evident during World War II period and later too between India and SEA.

The liberation of the Indian subcontinent from the British yoke was important for the sea as well.

with the formation of the Indian National Army (INA) to liberate the Indian subcontinent from the British colonial rule. While addressing in 1943, Netaji Subhash Chandra Bose had put forward that, "time has come for three million Indians living in East Asia to mobilize all their available resources including money and manpower"<sup>135</sup>. The journey of the INA covered a number of SEA countries, from Singapore to Malaya, Thailand and Burma in its fight against the British till 1945. SEA remembers it as a brave and patriotic chapter in their history.

After the Indian independence, a relatively small number of Indians living in SEA returned to India while most choose to stay.

A number of ethnic have been involved in various political, business and the professional fields. The President of Singapore, Mr. S.R. Nathan is of Indian origin along with a number of other important people in Singapore including several leading

<sup>135</sup> Ghosh, K.K. (1969), "*The Indian National Army*", Meerut: Meenakshi Prakashan: 139.



businessmen, lawyers, doctors, diplomats, academics and sportsmen. In Malaysia also there are political leaders of Indian origin. In most countries of SEA, the Indian community has made notable contribution to the local economic and social life.<sup>136</sup> The Indian business communities are doing quite good in Singapore, Thailand, Indonesia, and Malaysia. Indian origin global businessman L. N. Mittal set up his first steel plant in Surabaya, Indonesia and then went on to become the world's largest steel producer. India values the role that the Person of Indian Origin (PIO) have played in the countries they live. Singapore's former Foreign Minister emphasized the cultural dimension in Indo-Singapore and India-ASEAN relations in his speech. He said that, "In our cooperation with each other, we are fortunate to enjoy close historical and cultural ties. This promotes mutual trust and confidence, which makes for good rapport between our peoples. As we focus on developing economic and political links, it is important that we continue to strengthen our cultural links."<sup>137</sup>

#### **4.2.2 Pravasi Bharatiya Divas and India's Diaspora Policy**

Prime Minister Nehru in post independent India pledged India's support to those who might face oppression overseas. While discussing India's Diaspora policy of the country one recalls Nehru. He said that, the Indians overseas 'should always give primary consideration to the interests of the people of those countries; they should never allow themselves to be placed in a position of exploiting the people of those countries, cooperate with them and help them, while maintaining their own dignity and self-respect.' However, some of Nehru's words have been controversial too. The persons of Indian origin claimed India as their 'homeland' but he very clearly recognized the fact that, they had to make their lives where they lay their heads.<sup>138</sup> Certainly, this hints towards the importance that he attached to the positive role Indians could play in overseas territories by assimilating themselves in the host countries without inviting any uninvited clash and problems. Nehru did not want the presence of Indians to ever create a negative impact on India's relations with the host countries and nor to bring a bad name back to India. The conditions of the overseas Indian community deteriorated

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<sup>136</sup> Ibid

<sup>137</sup> S. Jayakumar, Statement at the First ASEAN-India Dialogue Session, Jakarta, 24 July 1996.

<sup>138</sup> Vijay Prasad , Dusra Hindustan [Online web] Accessed on 25 September 2011 URL:

<http://www.india-seminar.com/2004/538/538%20vijay%20prashad.htm>

in most of the host nation especially Myanmar, Malaysia, Fiji and some of the African and Caribbean countries in due course of time.

In the recent history the India's Diaspora policy over the last 15 years has proved to be a mixed experience. With India's strong economic growth and larger and deeper integration with the global economy the Indian origin population emerged as a powerful agent of investment and economic development. Prime Minister, Manmohan Singh called for greater participation of PIOs in India's social development in various fields such as infrastructure, healthcare and education.<sup>139</sup> In the present times, India has been formally engaged in developing a symbiotic relationship with the PIOs across the globe. It has done so by making many Diaspora policies.

India's increasing interest in its Diaspora is due to a number of reasons. Before 1991 the government of India was hesitant invite foreign contributions, businesses or investment and thus the diaspora Indians were a useful agent of technology, trade and investment. Also around the same time ethnic Indians started attaining high-level jobs as executives of multinational corporations and business entrepreneurs. The general success of the Indian community, especially in the United States and Canada gave a positive influence to the overall idea and led to a more proactive approach of Indian governments to its citizens abroad. Since 2003, the government has hosted an annual Diaspora Conference, the PBD that is designed to serve as a platform for interaction between overseas Indians, the Indian Government, and interested segments of the Indian society, such as businessmen and cultural and charity organizations.<sup>140</sup> At the PBD meet in Mumbai on January 7, 2005, Prime Minister Manmohan Singh announced dual citizenship<sup>141</sup> for all overseas Indians who migrated from India after January 26, 1950. This was facilitated in those countries that allowed for dual citizenship under their local laws. It worked as a major assurance to Indians abroad to strengthen and maintain their legal linkage with India in the future. Just as in the US, Canada and the

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<sup>139</sup> Shekhar, V (2008), Malaysian Indian in India's Diaspora: 2486. [Online web] Accessed on 16 September 2011 URL:<http://www.ipcs.org/article/india-the-world/malaysian-indians-in-indias-diaspora-policy-2486.html>

<sup>140</sup> Ibid

<sup>141</sup> Dual Citizenship is a unique form of Multiple Citizenship may be defined as enjoying dual nationality, where a person can have voting rights of two nations simultaneously in case the laws of those countries allow one to do so.

UK, the Indian Diaspora has played a useful and effective role in SEA too. In SEA, Indian Diaspora has proved itself as hub of knowledge and technology. The IT sector has won India huge reputation globally and the Indian Diaspora has a lion's share in this becoming a reality. In Singapore, Indonesia, Malaysia, Thailand and Brunei, the numbers of Indians has grown significantly. They hold important positions in several fields including the financial services, banking industry, medicine and IT. The Indians are largely apolitical, professional, and modern in their approach. Through them a new India is being projected and painted on the Southeast Asian scene. It is necessary that there is a closer dialogue between the new generation of Indian professionals and businessmen and the existing Indian communities in Southeast Asian countries who have lived there for decades. For example, in Singapore, the number of Indian expatriates is estimated at 70000; whereas the population of PIO is around 320000. The two groups may have different backgrounds and experience but yet they have one thing in common and that is their origin. These cultural bonds could synergize in other areas such as economy, business, IT and tourism. This would not only be in their mutual interest, but also of Singapore and India even as the two countries are promoting close links in a host of fields including under the Comprehensive Economic Cooperation Agreement (CECA). In the coming years the Indian Diaspora would continue to be an anchor of assurance between India and SEA.

#### **4.2.3 Challenges for India and Way Ahead**

Certainly the story of all PIO outside India is not alike. In Myanmar, the story is not entirely satisfactory, most of them remain without the nationality of the country of their residence for decades. Indian minority is among the worst affected by the country's rapid modernization drive following its independence. About 30 percent of Malaysian Indians have been left behind by the country's modernization, industrialization and globalization policies.<sup>142</sup> A large number of PIOs, living in many of the developing countries like Fiji and Malaysia are in situations of poverty, deprived of social rights and political marginalization. The economic and political rights of ethnic Indians in these societies have witnessed both moderate and violent contestations from native socio-political agencies. This has brought both moral and political challenges for the

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<sup>142</sup> Devare, S. (2006), *India and Southeast Asia: Towards Security Convergence*, New Delhi: Capital Publishing Company: 175

Indian Government. In what ways can India help the cause of ethnic Indians without being misunderstood as interfering in the domestic affairs of the host country and without jeopardizing its relationship with the host country, remains a serious question. As India often asks for investment from overseas Indians it also becomes its responsibility to help their social and economic development especially in politically and/or economically challenging environments. Vayalar Ravi, Minister of Overseas Indian Affairs, visited Malaysia from August 12-16, 2006 to discuss the issue of migration of Indian workers with the Malaysian Government.<sup>143</sup> India's External Affairs Minister, Pranab Mukherjee, expressed concern over the political and economic conditions of ethnic Indians in Malaysia in the Parliament. Ethnic Indians have a role to play in India's efforts toward global integration and national development.<sup>144</sup> But India's 'balancing act' and 'case-by-case' approaches have not been able to address any of the problems facing ethnic Indians in at least Malaysia. These approaches are largely been seen as strategies aimed primarily at maintaining goodwill at both ends, or 'safe exit' rather than a concerted policy framework for the social and economic development for the Malaysian Indians. To facilitate economic empowerment of Malaysian Indians and help in making the ceremonial PBD meetings more meaningful, the Indian Government has requires to adopt a three-pronged policy framework. The politics of rhetoric needs to be replaced by a conscious effort towards empowering the Malaysian Indians from the the Indian Government. The long-standing demands of the Malaysian Indians as enumerated in the High Level Committee Report on Indian Diaspora (December 2001) was decided to be resolved and fulfilled on a priority basis. The Indian Government also could initiate various capacity-building programme that aim to develop the human resources among ethnic Indians in Malaysia. Also along the model of India's capacity-building initiatives in the CLMV (Cambodia, Laos, Myanmar and Vietnam) countries, the Indian Government can open up Centers for English Language Training and Entrepreneur Development Centers in Malaysia. It can also take up the project of establishment of PIO University in India on an urgent basis. It can offer technical education to deserving Malaysian Indian students. These initiatives will

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<sup>143</sup> Annual Report, 2006-2007, Ministry of External Affairs Government of India [Online web] Accessed on 2 September 2011 URL: <http://www.mea.gov.in/mystart.php?id=500412689>

<sup>144</sup> Ibid

enable Malaysian Indians to better utilize resources available both in Malaysia and India.

The Indian Government can also facilitate the creation of an Indian Diaspora corpus fund. It would be potent to generate resources for the implementation of some of the initiatives proposed above. The scope of the funding can be extended further to run some of the capacity-building programme for the benefit of poor ethnic Indians. These initiatives will definitely require both financial and administrative support from the Malaysian Government, which has largely agreed for such initiatives. The Malaysian Government has suggested opening up of branches of Indian educational institutions in Malaysia with reservations for ethnic Indians. These initiatives will also strengthen the bilateral relationship between India and SEA region.

#### **4.3 India's Security Cooperation with ASEAN Countries**

Since India reconnected with SEA security issues were not a priority for either India or ASEAN. While the ASEAN leaders were prepared to experiment on the prospects for a deeper economic relationship with India, they were intensely waive of a security entanglement with New Delhi, "As they prepared to launch the ASEAN Regional Forum (ARE) in the early 1990s. the ASEAN leaders explicitly told India not to press its case for membership and when New Delhi did push for it, it was rejected."<sup>2</sup> ASEAN was concerned that India would bring the whole baggage of its difficult problems with Pakistan and China into ASEAN. While India was eventually admitted into the ARF in 1997, there was an explicit understanding that India would play a low-key role for the moment and as its economic interaction with the region expanded it would be possible to eventually consider wider political and security relationship. In India's own understanding of the history of its Look East Policy (LEP). the first phase was focused exclusively on economic and institutional partnership. It was only in the second phase that began with the turn of the millennium, which the security<sup>7</sup> dimensions of the LEP came to the fore. As India's External Affairs Minister Yashwant Sinha pointed out in September 2003; "the Look East

Policy began to move away from exclusive focus on economic issues in phase one to a

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<sup>75</sup> For more details see Dixit, J.N (1996), *A/y South Block Years: Memoirs of a Foreign Secretary*, New Delhi: UBS Publishers, cited in Mohan, C.R. (2008), “India's Geopolitics and Southeast Asian Security” *South Asian Affairs*, broader agenda that involves security cooperation, including joint operations to protect sea lanes and pooling of resources in the war against terror. The military contacts and joint exercises that India launched with ASEAN states on a low-key basis in the early 1990s are now expanding into full-fledged cooperation”<sup>145</sup>

A central feature of India's new security engagement with SEA was a steadfast naval diplomacy that was unveiled in the early 1990s, Shedding decades of military' isolationism, India now opened up to service exchanges with major powers as well as the regional actors in the Indian Ocean littoral.<sup>146</sup> Although India's preliminary naval interaction with the US got considerable international attention, India devoted special attention to military' engagement with the Southeast Asian nations. India's new naval outreach to SEA was not a mere consequence of its new interest in the US, but part of an effort to develop its own independent security relationship with the region. Throughout the 1980s. India confronted a growing suspicion of its maritime intentions, especially naval capabilities. India had the immediate need to remove the misperceptions, rooted in SEA's wariness of India's strategic partnership with the Soviet Union (SU). It has been argued; for New Delhi, getting in touch with Southeast Asian capitals directly, in order to establish contacts in defense matters, meant that it had cut itself off from the paradigm of derived relationships. The improvement in

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In his speech before a joint session of India's Parliament in August 2007, then Japanese Prime Minister Shinzo Abe described India as part of “broader Asia” that spans “the entirety of the Pacific Ocean, incorporating the US and Australia,” Abe noted that these states comprise an “arc of freedom of prosperity” of “like-minded countries” that “share fundamental values such as freedom, democracy and respect for basic human rights as well as strategic interests.” -Ministry of External Affairs, Government of India. 2003, “Speech by External Affairs Minister Shri Yashwant Sinha at Harvard University,”<sup>118</sup> 29 September 2003 [Online web] Accessed on 30 September 2011 URL: <http://www.mea.aov.in.speech.2003/09/29ssO9.htm> Roy-Chaudhury, R. (1998), “The Role of Naval Diplomacy' in India's Foreign Policy”, Foreign Service Institute, *Indian Foreign Policy*, and Vol. 2 New Delhi: Konark: 194-206.

Isabelle Saint-Mezard, (2005) *Eastward Bound: India's New Positioning in Asia* (New Delhi: Man oh ar; 293

relations with Southeast Asia was not considered an upshot of the rapprochement with Washington. It thenceforth became a strategic objective in its own right, one that New<sup>7</sup> Delhi intended to follow<sup>7</sup> actively.”<sup>2</sup>

The new outward orientation of the Indian Navy steadily gathered momentum in the 1990s with wide-ranging contacts bilaterally and multilateral!}'. India began to expand its joint naval exercises with all the nations of SEA, stepped up its port calls in the region and received ships from the region at its own ports. The Indian Navy conducted naval exercises for the first time in South China Sea in 2000, While the visit was seen by some as a challenge to China, by entering its strategic waters, the Navy also included simple exercises with the PLA Navy.<sup>147 148</sup> At the end of 2004. the Indian Navy was quick to respond, on its own, to the tsunami disaster and later joined the navies of the US. Japan and Australia to provide relief in SEA. The scale and scope of India's tsunami relief operations that involved thirty-two ships in five different operations on the Indian coast. Maldives, Sri Lanka and Indonesia was impressive. This signaled both the operational readiness of the Indian Navy and its immense potential to contribute to future humanitarian and other contingencies in SEA.<sup>10</sup>

Ill 2005. The Indian Aircraft carrier. INS *Viraat*<sub>5</sub> arrived for the first time in the ports of SEA - Singapore. Jakarta in Indonesia and Klang in Malaysia. In the spring/summer of 2007, the Indian Navy sailed all the way up to *Vladivostok* and conducted a series of bilateral and multilateral exercises with a number of nations that included major powers like the US, Japan. Russia and China as well as regional actors like Singapore, Vietnam and the Philippines.<sup>11</sup> India has also been keenly interested in supporting the efforts of the littoral states of the Malacca Straits, including the conduct of bilateral naval patrols, to promote security<sup>7</sup> in this vital sea lane.<sup>12</sup> India's recent military diplomacy culminated in large-scale naval exercises with the US. Japan. Australia and Singapore

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<sup>20</sup> Stratfor (2000), "India challenges China in South China Sea" [Online web] Accessed on 5 September 2011 URL: <http://www.atimes.com/ind-paLBD27DIO1.htm>

<sup>148</sup> See Sakhuja, Vijay (2005), ' Indian Naval Diplomacy; Post-Tsunami', Institute for Peace#  
Conflict Studies, New Delhi, 8 February 2005 [Online web] Accessed on 0 September 2011 URL:  
<http://www.ips.or.aarti.cle/navvindiannaval-diplomacy-post-tsunami-1640.htm>

<sup>11</sup> Mohan. C. R.(2007)"East Asian Security: India's Rising Profile", *RSIS Commentaries*, 81 2007.  
Singapore: RSIS, [Online web] Accessed 10 September 2011 URL:

in the Bay of Bengal. While these exercises raised alarm about a potential "Asian NATO"<sup>149 150 151</sup> India is focused more on expanding its own regional profile rather than the creation of a new alliance. This was reflected in the Indian Navy's initiative to convene for the first time an Indian Ocean Naval conclave in February 2008. Only littoral navies from South Africa to Australia were invited. That the navies of the US, China and Japan were not invited is explained by Indian officials in terms of geography, but there is no mistaking the enduring intent of India to affirm its own independent engagement of the Indian Ocean littoral.

Beyond the expanded reach and scope of its naval diplomacy, India laid from the early 1990s embarked on wider and more institutionalized cooperation with the military<sup>7</sup> establishments of Southeast Asian nations. India and Malaysia signed a memorandum of agreement on defense cooperation in 1993 under which India began to train the air force personnel of Malaysia. Training of Singapore military personnel also expanded steadily and culminated in a more comprehensive arrangement in 2003 when the two countries signed a bilateral defense cooperation agreement. Since then India has given Singapore a more convenient and wider access to training facilities in India<sup>152 153</sup> India in turn obtained for its Navy a useful arrangement under which it could frequently call at the Changi naval base. Some of the more recent agreements signed by India hint at the possibility' of going beyond training to transfer of arms. For example, the declaration on strategic partnership issued by the Indian and Vietnamese Prime Ministers in July 2007 states; "recognizing the important role that India and Vietnam are called upon to play in the promotion of regional security, the two leaders welcomed the steady development of bilateral defense and security' ties between their countries

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<http://www.rsisedu.Publication Perspective/ R S150 812007. pdf>

<sup>12</sup> Khurana, G.S. (2005) "Cooperation among Maritime Security Forces: Imperatives for India and Southeast Asia", *Strategic Analysis*, 29(2): 295-316.

<sup>151</sup> Bidwai, Praful (2007) "Five Nation Drill Presages Asian NATO?", [ Online web] Accessed 12 September 2011 URL: <http://oriamaal.antiwar.com/bidwai/2007/09/08/five-nations-naval-drill-prcsaacs-asian-nato>.

<sup>152</sup> Naidu, G.V.C (2004) "Whither the Look East Policy: India and Southeast Asia", *Strategic Analysis*\* 28(2):331-46,

<sup>153</sup> Mohan, C.R. (2007) "The importance of being Vietnam", *Indian Express* (New Delhi) [Online web] Accessed 15 September 2011 URL: <http://www.indianexpress.com/news/the-importance-of-being-vietnam-204292>



and pledged themselves to strengthen cooperation in defense supplies, joint projects, training cooperation and intelligence exchanges."<sup>33</sup>

defense cooperation agreement signed in 2001. A joint declaration on strategic partnership issued in New Delhi in November 2005 said, "President Yudhovono welcomed India's offer of cooperation with the Department of Defense of the Republic of Indonesia in the procurement of defense supplies, defense technologies, joint production and joint projects. At the moment, India's arms exports are rather limited. As it privatizes its defense industry and begins to co-produce advanced weapons systems with various traditional producers, India might eventually be in a position to meet some of the needs of the Southeast Asian countries.

Underlying India's unfolding military diplomacy in SEA is a basic political change. For nearly four decades, India had withdrawn into a shell of military isolationism that became the flip side of its foreign policy of non-alignment. From being a lone ranger, India has begun to emphasize

the virtues of offering security cooperation to friendly neighbors in Asia and the Indian Ocean Region. While India's security diplomacy covers many regions, it is the most advanced in SEA. The ASEAN leaders, who were reluctant to countenance a larger security role for India in the region, have over the last decade and a half recognized the value of strategic partnerships with India. As the perceptions of India's rise began to take hold in the region and the awareness of a fundamental transformation in the security environment of the ASEAN, the old reservations on India yielded to some new enthusiasm for security cooperation with India, this resulted in the ASEAN supporting India's membership of the East Asia Summit (EAS) process, when it was launched in 2005. The seeming incongruity of bringing India into an avowedly East Asian forum was explained by Singapore's Senior Minister Goh Chok Tong when he revealed some of the thinking that went into this decision in early 2005; "with India's rise it will be increasingly less tenable to regard South Asia and East Asia as distinct strategic theatres interacting only at the margins. US-China-Japan relations will still be important, but a new grand strategic triangle of US-China-India relations will be superimposed upon it, conceptualizing East Asia holistically is of strategic imperative.

See Joint Declaration between the Republic of India and the Republic of Indonesia. New Delhi, 23 November 2005[Online web] Accessed 15 September 2011 URL: <http://www.mea.gov.in/mvstart.php?scaidata=1^See%20Joint%20Declaration%20between%20the%20Republic%20of%20India%20and%20the%20Republic%20of%20Indonesia%20-%20New%20Delhi%20-%2023%20November%202005&id=1005&x=Q&Y=0> shortsighted and self-defeating for ASEAN to choose a direction that cuts itself off from a dynamic India<sup>17</sup>

#### 4.4 Non-Traditional! Security Concerns between India and ASEAN

After 9/11 unpleasant incident, non-traditional security (NTS) issues have become increasingly common in almost all parts of society, both domestically and internationally; in the policy and the research agendas of governments, in non-governmental organizations, in academic circles, as well as in the general public and the media. Traditionally, security' has been defined in geo-political terms and confined to relationships among nation-states, dealing with issues such as deterrence, the balance of power and military strategy'. However, the traditional understanding of security' has increasingly been questioned in terms of how security (and non-security) should be explained, and by what kind of approach. We see an increasing number of NTS threats, nationally and internationally, arising from very different fields, such as financial turmoil, internet leaking, ecological degeneration, drug-trafficking nuclear proliferation, new terrorism and even SARS and Bird Flu, all of which have never before in the course of human history laid such serious impact on any individual country' or international community. What makes it worse is that governments and research agencies do not know' how to define these threats, let alone cope with them. In India, for instance, academics and government bureaus are both interested in and puzzled by NTS issues, and they are beginning to pull more natural and human resources into dealing with them. Yet, they find it very difficult to priorities in solving or easing NTS threats given so many different needs, and the relatively limited resources that are readily available.

India's commitment is strongly reflected on its expression of consent on the Treaty of Amity and Cooperation (TAC) in SEA on October 2003 during the second ASEAN-India <sup>154 155</sup>

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<sup>17</sup> "Reconceptualising East Asia", Keynote address by Senior Minister Goh Chok Tong at the official **launch** of the Institute of South Asian Studies, Singapore, 27 January 2005 [Online web] Accessed on 30 September 2011. URL: <http://www.isasnus.org/events/addresses/1.htm>.

SARS (Severe acute respiratory syndrome) is a serious form of pneumonia. It is caused by a virus that was first identified in 2003. Infection with the SARS virus causes acute respiratory distress (severe breathing difficulty) and sometimes death.

Summit in Bali, Indonesia. Further, ASEAN and India also signed a Joint Declaration for Cooperation in Combating International Terrorism which symbolizes tangible initiatives in strengthening cooperation in the fight against terrorism.<sup>156</sup> Functional cooperation can also be noted in various cooperation projects sponsored and funded by the ASEAN-India Fund (AIF) including the human resource development, people-to-people contacts, people-to-people exchanges, small and medium enterprises, science and technology, health and pharmaceuticals, information and communication technology, tourism, transport and infrastructures, energy and agriculture.<sup>157</sup> The relationship between ASEAN and India is perceived to be beneficial to both parties in various fields of interests including security, political, economic and socio-cultural aspects. The collaboration of ASEAN and India has exceeded the realm of functional cooperation in order to cover both political and security dimensions of ensuring peace, security, stability and development over the region. In this light both India and ASEAN countries recognize some common NTS threats like, problem of terrorism, issue of maritime security, issue of non-proliferation, issue of energy security, issue of human right, migration, issue of climate change and natural disaster relief

**Problem of Terrorism:** Terrorism has been a major obstruction on the realization of regional stability goal. It imposes direct threat to the security of the community and hinders economic development. Terrorism is not new in Asia, in fact Asia is considered as the hub of terrorists. Terrorism already exists centuries ago in different forms and methods: however, there is a growing virulence and strong connections to trans-national organizations such as *Ai Qaeda* that makes terrorist groups stronger through time,<sup>158</sup> not to mention the mounting sophistication of technology and development of weapon of mass destruction (WMD)<sup>159</sup> ASEAN and India both share concerns about terrorism

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ASEAN Secretariat (March 2010), "ASEAN-India Dialogue Relations," Association of Southeast Asian

Nations. [Online web] Accessed on 29 September 2011 URL: <http://www.aseansec.org/573S.litm> ASEAN, 2011

<sup>J</sup> Paul J. Smith, "Confronting an Emerging Challenge," *Terrorism in Asia*, [Online web] Accessed 30 September 2011 URL: [http://web.mit.edu/JipofEwww/hapr/spnna02\\_wto/terrorism.pdf](http://web.mit.edu/JipofEwww/hapr/spnna02_wto/terrorism.pdf)

<sup>159</sup> Mohan, C.R. (2003), "India and the War on Terror," *The Hindu*, 12 September [Online web] Accessed on 30 September 2011 URL: <http://www.thehindu.com/thehindu/2003/09/12/stories/2003091201571000.htm>



frequent terrorist attack in India since the US war on terror merely focus on the replacement of Taliban with a new government, till pushed India to develop its own means in countering terrorism flaunting its nuclear capabilities as well finding oilier allies. The 9/11 attack on the US, which the ASEAN strongly condemned, is considered as a direct challenge to ASEAN's goal of attaining peace, progress and prosperity within the region and the realization of ASEAN Vision 2020. Thus, ASEAN signed with the US in August 2001 the ASEAN-US Declaration on Joint Action to Counter Terrorism during the 7<sup>th</sup> ASEAN Summit in 2001, The 2001 Declaration calls for the cooperation among the front line law enforcement agencies of ASEAN in combating terrorism. It also encourages development on regional capacity to build software programs enhancing the existing capabilities to investigate, detect, monitor, and report on any identified terrorist acts. Persistent with the goal of totally eliminating, or not, minimizing terrorism in Southeast Asia, the ASEAN Plan of Action was already adopted outlining the prevention, control and neutralization strategies of trans-national crimes<sup>47</sup> However, concrete solutions to the problem of terrorism in the SEA region cannot be directly addressed by the ASEAN because some instances of terrorism are actually cases of rebellion and secession movements which are technically internal affairs such as those in Thailand, There are also cooperation between some insurgents such as for example in Indonesia and entities in neighboring states such as some Malaysian people. Arabinda Achaiya argued that there is potential for cooperation between ASEAN and India because they have a common desire to fight terrorism as each has been facing terrorist threats in their respective domains,<sup>49</sup> ASEAN's Indonesia could serve as India's bridge towards the Muslim community while India's experience in dealing with minorities could be an example to ASEAN states thereby letting each other learn from the others experience.<sup>50</sup> Recognition of Hits area for cooperation is shown in the ASEAN-India Joint Declaration for Cooperation to Combat International Terrorism which aims to prevent, disrupt and combat international terrorism through

the exchanges and flow of information, intelligence and capacity -building. <sup>164</sup> <sup>165</sup> Issue of Nuclear Non-Proliferation: Atoms for Peace program initiated by US President Eisenhower, the US in assisting non-nuclear states in the development of peaceful nuclear capability. It opened doors for the trainings of foreign nuclear scientists and engineers and declassification of reports in plutonium processing and nuclear-related information <sup>162</sup> This program introduced the idea of nuclear technology development in India. After India acquired the powerful reactor supported by Canada and the US, the Canada-India Reactor- US (CIRUS), it cultivated India's expertise in fast reactors and thorium fuel cycle which eventually led to a vision of spearheading the world in terms of nuclear technology. In the aftermath of India gaining its independence in 1947. Prime Minister Jawaharlal Nehru and his Congress Government launched their very first nuclear program to exploit their natural thorium reserves in response to the rapidly increasing demand for electricity<sup>1</sup>. However, the decision to develop the complete nuclear fuel cycle led India to acquire the technical capability- to build nuclear weapons. The defeat of India in the 1962 war with China triggered India's urge to pursue its nuclear ambitions. The weaponization of India's nuclear capabilities was further authorized by Prime Minister Rajiv Gandhi in 1980s which was sparked by the acts of Pakistan in forwarding its efforts in acquiring nuclear weapons and the nuclear threats imposed by Islamabad during the Brass Tacks crisis.<sup>166</sup> After the collapse of its ally and

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<sup>17</sup> Yong, Ong Keng., "Mobilizing Multi litoral Resources in the War against Terrorism: The Role of ASEAN inside and Outside of Southeast Asia Association of Southeast Asian Nations Secretariat [Online web] Accessed on 28 September 2011 URL: <http://www.asean sec,ora 15399> Jonathan Head, "ASEAN stumbles over War on Terror," *BBC News* [Online web] Accessed on 28 September 2011 h <http://news.bbc.co.uk/1/hi/asia-pacific/1638522.stm> Acharya, A. (2006), "India and Southeast Asia in the Age of Terror: Building Partnerships for Peace." *Contemporary Southeast Asia*, 28 (2): 297-321.

<sup>5</sup>> Ibid:

<sup>165</sup> ASEAN Secretariat, "ASEAN-India Joint Declaration for Cooperation to Combat International Terrorism", ASEAN | [Online web] Accessed on 20 September 2011 URL: <http://www.asean sec. ora/ 15276.htm>

<sup>166</sup> Dana Dillon and Baker Spring, (2006) "Nuclear India and the Non-Proliferation Treaty," *The Heritage Foundation* [Online web] Accessed on 20 September 2011 URL:

<http://www-heritage.org/Research/Reports/2006/0yucleamdiand-the-non-proliferation-treaty>

the emergence of China as a new regional power, India needed to reassert itself in the world stage. It began to develop closer relationship with the US. Thus, in May 1994. Indian combat aircrafts were already utilized to deliver nuclear weapons, and in the year 1996 nuclear warheads were further developed. On May 1998, two nuclear tests were approved by the Indian government which proclaimed India's nuclear status.<sup>167</sup> Significantly, in July 2005 India and the US entered into an agreement called the Next Step for a Strategic Partnership (NSSP) and a year later into a civilian nuclear and space cooperation. These agreements are deemed in contrast with the nuclear non-Proliferation Treaty (NPT). However, India is neither a party nor a signatory to the NPT since 1970s. This is because India perceived NPT as a discriminatory instrument which creates division of "nuclear haves" and "have nots" among countries and the problem of nuclear proliferation can only be solved when there is complete global disarmament." India adopted a nuclear 'no-first-use' doctrine or doctrine of 'retaliation only'. Primarily, this doctrine is for deterrence from external nuclear threats from other countries against India and its military. In cases that deterrence will fail, India will not hesitate in resorting to retaliatory strikes inflicting losses to the adversary. But then again, it is further reiterated in the doctrine that the nuclear weapon will not be used to threaten any non-nuclear states/<sup>0</sup>

4.4.2 As ASEAN-India relations surfaced, issues started to arise as India's nuclear possession was seen as in conflict with ASEAN's stand on non-proliferation of nuclear weapons. ASEAN's ten full members entered into the SEA Nuclear-Weapon-Free-Zone Treaty known as the "Treaty of Bangkok", which entered into force on March 1997, The notion of this treaty<sup>7</sup> stemmed from the ASEAN's Declaration on Zone of Peace, Freedom and Neutrality (ZOPFAN). In addition, this treaty creates a responsibility to all the member states not to develop, manufacture or acquire, possess or control nuclear weapons. It is further predetermined that member states should not participate or assist in any nuclear activities including the transfer, funding, manufacturing and acquisition of nuclear weapons. This is for the avoidance of member states in becoming nuclear weapon stations in the region as well as the prevention of nuclear weapon testing and

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" NTI, "India Profile: Nuclear Overview," Nuclear Threat Initiative: Working for a Safer World Organizational Research Library |Online web| Accessed on 20 September 2011 URL: h t t p:

//www.nti.org/research/profiles/india/nuclearmdex.html

NTI. 2010



dumping of radioactive wastes that could impose serious threats in the region,<sup>57</sup> ASEAN reiterated its call to all nuclear weapon-possessing states to perform their obligations and commitments as specified in the NPT towards the realization of the treaty's goals of general and complete disarmament.<sup>5\*\*</sup> However, the fact India is not a party to the said treaty makes its nuclear weapon activities, including testing and proliferation problematic to ASEAN. A<sup>168 169</sup>

4.4.3 Potential conflict may then arise with these two conflicting sides on nuclear proliferation; the India's commitment to NSSP and civilian nuclear and space cooperation with the US and the ASEAN's role in enforcing the NPT.

4.4.4 Nevertheless, India's possession of nuclear weapons, while contradictory to ASEAN's traditional stand may not necessarily shake the latter's stability' considering that ASEAN has been able to stabilize regional security despite the existence of closer nuclear powers such as China. Considering traditional security issues such as the conflicting territorial claims over the Kashmir Region and the issue in the Korean Peninsula, which may lead to nuclear exchanges that could impose serious threats to the neighboring non-nuclear states.<sup>59</sup> India's concern that the NPT only widens the gap between the nuclear states and the non-nuclear states and increase the potential for horrific conflict becomes somewhat evident and leaves ASEAN with no choice in this regard.

4.4.5 Taking into account of various political factors that would motivate non-nuclear states to develop nuclear technology, such doubts of US security guarantees, erosion of nonproliferation regimes, insecurity over the rise of China, a cross-state conflict, or demonstration of nuclear capabilities by North Korea<sup>r.1></sup> and India's nuclear weapon policy for deterrence and its nuclear capability offers an avenue for ASEAN in ensuring

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<sup>168</sup>

Ibid;

<sup>169</sup> Ibid;

James Martin Center for Non-proliferation Studies. "Southeast Asia Nuclear-Weapon-Free Zone Treaty (Treaty of Bangkok)," Inventory of International Non-proliferation Organizations and Regimes [Online web] Accessed on 30 September 2011 URL:

[http://www.nti.org/research/asia/asean/asean\\_secretariat.htm](http://www.nti.org/research/asia/asean/asean_secretariat.htm)  
 "Joint Communique: The 31<sup>st</sup> ASEAN Ministerial Meeting. Manila, Philippines, 24- 25 July 1998." Association of Southeast Asian Nations [Online web] Accessed on 30 September 2011 URL: <http://www.aseansec.org/3661.htm>

security and peace and order in the region, as well as, to balance the emerging military strength of China and North Korea. Overall, however, India and ASEAN in this regard perceive the achievement of peace and order in the region in different ways and Ibis is where potential policy conflicts can occur. The former asserts that only when all states have nuclear capabilities then the region will be secured from any threats because of the fear for retaliation while the latter insists that complete and total nuclear disarmament is the key towards achieving stability<sup>7</sup> and security' in the region. The fact that five out of eight declared nuclear weapon states (Russia, China, Pakistan, India and North Korea) are in Asia, makes complete nuclear disarmament difficult to attain and this only heightens insecurities and threats among the non-nuclear states sharing borders with the nuclear <sup>170 171 172 173</sup>

4.4.6 states. Thus, in this case, the importance of international efforts managing non-proliferation was highly acknowledged in regulating the movement and activities of nuclear technologies in asserting their state's power and influence in global affairs/<sup>1</sup>

**4.47 Issue of Climate Change and Natural Disaster Relief:** There is also convergence between ASEAN and India on lion-traditional security challenges, particularly in the areas of climate change and natural disaster relief. SEA, with its densely-populated coastlines and huge agricultural sectors, is particularly vulnerable to climate change. According to Asian Development Bank (ADB) and World Wildlife Fund (WWF) projections, ASEAN countries, particularly impoverished ones like Cambodia and Laos, could face significant risk from energy shortages and declining crop yields in the near future, while low-lying 'megacities' such as Manila and Jakarta will be highly vulnerable to rising sea levels, tropical storms, droughts and heat waves. Meanwhile, in India, monsoon seasons are getting more difficult to predict and may become shorter

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<sup>v</sup> Mitchell B, Reiss, "Prospects for Nuclear Proliferation in Asia," NBR Forums [Online web]

Accessed on

30 September 2011

U RL: <http://nhrforum.sixbr.org/publications/statistic/asia/pd%20saQ5%2011proIifcraon.pdf>

<sup>w</sup> Reiss, 2010

in duration<sup>174 175 176 177 178</sup> (as evidenced by the prolonged drought that affected two thirds of the country last year), cyclones could become more frequent and intense and crop yields could decrease by 30 percent by 2050<sup>TM</sup>. The two parties also share a common commitment to assisting each other with disaster relief, an avenue for cooperation that was visibly demonstrated by the 2004 Indian Ocean earthquake and tsunami that rocked South and SEA. one of the deadliest natural disasters in recorded history. While ASEAN and India have facilitated cooperation in the area of iron-traditional security<sup>7</sup> by, for instance, creating an Indo-ASEAN Network on Climate Change and the Green Fund, there remains great potential for further collaboration in the future, such as cooperation in die agricultural sector to meet the challenge of food security<sup>h4</sup>

**4.45 Issues on Energy Security:** Along with the growing population and rapid industrialization, a secure and adequate supply of food and energy throughout the country

or a region is necessary. Energy is a vital input in modes of production for economic development. And thus, there is a need for energy security defined as the continuous availability of energy in varied forms in sufficient quantities at reasonable prices, to fuel economic growth<sup>55</sup>. Still, India is facing a serious challenge as energy consumption incessantly increases as India gears towards rapid economic growth. As the second fastest growing energy market in the world, there is a need for India to maintain its annual growth rate of 8 percent to achieve its goal of totally eliminating poverty in the country<sup>6</sup>. As the world's eleventh largest energy producer and the sixth largest

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<sup>174</sup> Srinivasan, M R,(2007) "Key issues. Challenges for India's Nuclear Energy Policy" *The Hindu*,

[Online

web | Accessed 30 September 2011 URL: <http://www.hinducoin/afrindia60/stories/20Q7081550441200.htm>

Devraj, Ranjit (2009), "Climate Change: India's Monsoon Predictions More

Uncertain", *Global Issues* 27 June 2009 [Online web] Accessed 28 August 2011 URL: <http://www-doba.issu.es/ore/news/2009/06/27/1961>

<sup>w</sup> Ibid;

<sup>177</sup> Manmohan Singh (2009), "Prime Minister's Statement at the 7<sup>th</sup> India-ASEAN Summit", *Indo-Burma News*; 24 October 2009 [Online web] Accessed 5 August 2011 URL:

[http:// www. m d o h i r m a n e u s . n e t / a r c h i y e s - 1 / 2 0 0 9 / o c t o b e i - 2 0 0 9 / p r i m c - m m i s t e r - s - s t a t c m e n t - a t - t l i c - 7 t h - m d i a - a s e a u - s u m m i t](http://www.mdohirmanews.net/arc hi ye s-1 /2009/octob ei-2009/primc-mmister-s-statcment-at-tlic-7th-mdia-aseau-summit)

consumer, the domestic coal reserves of India account for 70 percent of its energy needs. The 30 percent remaining is met by oil with at least 65 percent being imported. Coal is the major source of energy in India: yet, its coal reserves cannot meet India's energy needs in the long term run/<sup>179</sup> Further India's coal is of poor quality' burdening the state with the environmental concerns of coal as the dirtiest hydrocarbon fuels. India's coal is also not appropriate for use in steel and other major industries thereby adding to the need for better and reliable coal source India resorted to importing gas, which is considered as more environmental friendly, from neighboring countries such as China, Iran and Myanmar. This is also to aid the growing deficit of gas availability in the country'. The proven huge reserves of gas in Myanmar allows South Korea's Daewoo International to operate and own 60 percent of its gas-rich A-1 block, in which India's Oil and Natural Gas Corp, Ltd, (ONGC) holds 20 percent stake, while GAIL India Ltd, and Korea Gas Corp each hold 10 percent, Myanmar later on appointed GAIL India Ltd. responsible for the marketing of gas from the A-1 block. With this responsibility, pipelines installation is considered as an option for India for the transportation and exploitation of gas reserves/<sup>179 180 181 182</sup>

However, the trans-national nature of the pipeline project received strong domestic opposition in Bangladesh for the installation of the Myanmar-Bangladesh-India gas pipelines. Negotiations then played a significant role in reaching an agreement to allow the construction and the installation of the pipelines under certain conditions including the agreement to allow Bangladesh to use the pipeline to export its gas to India or import

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Government of India-Planning Commission, "Integrated Energy Policy: Report of the Expert Committee," [Online web] Accessed 5 August 2011 URL: <http://planning.nic.in/go/online-reports>, accessed 5 August 2011

<sup>179</sup> Zissis, Garin (2007) "India's Energy Crunch," *Council on Foreign Relations*, [Online web] Accessed 6 August 2011 URL: [http://www.cfr.org/publication/12200/indias\\_energy\\_crunch.html](http://www.cfr.org/publication/12200/indias_energy_crunch.html)

<sup>180</sup> Hate, Vibhuti "India's Energy Dilemma," *South Asia Monitor: Center for Strategic and International Studies*, Washington DC [Online web] Accessed 10 August 2011 URL: <http://www.southasiainstitute.org/india/energy-dilemma.pdf>

<sup>181</sup> Zissis, 2007

<sup>182</sup> Kumar. Anand (a) (2005), "India-Myanmar Gas Pipeline Through Bangladesh-Pipe Dream?," *South Asia Analysis Group*, Paper No. 1216 [Online web] Accessed on 15 September 2011 URL: [http://www.southasiainstitute.org/papers/13/paper\\_1216.html](http://www.southasiainstitute.org/papers/13/paper_1216.html)

it from Myanmar<sup>183</sup> Extraction of gas reserves is not just a sole interest of India in Myanmar, but rather, it is one way of establishing an economic link with the ASEAN,<sup>184</sup> India eventually developed an integrated energy policy to ensure its energy security and to address the energy concerns of the country. Further measures include the improvement of the investment environment in energy reactors, enhancement of energy efficiency and saving, enhancement of domestic hydrocarbon reserves' exploration, building strategic oil reserves, reduction of energy poverty and responding to the issues of climate change and sustainable development. In support of these measures, further actions were already taken such as the continuous construction and installations of trans-national pipelines and securing oil-navigation sea routes.<sup>185 186</sup>

India's response towards sustainable development actually goes in harmony with the Regional Energy Policy<sup>7</sup> and Planning in ASEAN for Sustainable Development which puts premium in achieving a clean and green ASEAN. ASEAN thereby aims at ensuring the protection of the environment, the sustainability<sup>7</sup> of its natural resources and the high quality life of its people,<sup>7^</sup> In this regard, activities such as gas extraction and pipelines installation of India to address its energy concerns, cannot fully guarantee the achievement of sustainable development that the ASEAN highly gives importance to. Nevertheless, India extracting gas from Myanmar, in one way or another, is a big help to Myanmar's economy. This development in Myanmar then, as a member state of ASEAN could alleviate the institution's status in the region by providing potential sources of development income, benefitting ASEAN as a whole, India, with the help of

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<sup>183</sup> Kumar(a), 2005

<sup>184</sup> Anand Kumar (2006). "India-Myanmar Gas Pipeline: Disentangled At Last" *Asia Analysis Group*, Paper No. 22 [Online web] Accessed on 15 September 2011 URL:

<http://www.southasiananalysis.org/papers/19%5Cpaper1822.html>

<sup>7</sup> DARE (2009) "Implementation of Integrated Energy Policy must to ensure India's Energy Security: OIL" [Online web] Accessed on 25 September 2011 URL:

<http://www.dare.co.in/news/implementation-of-integrated-energy-policy-nijst-to-ensure-indias->

[energy-security-cii.htm](http://www.dare.co.in/news/implementation-of-integrated-energy-policy-nijst-to-ensure-indias-energy-security-cii.htm)

<sup>7\*</sup> ASEAN (2006), "Regional Energy Policy and Planning in ASEAN for Sustainable Development,"

[Online web] Accessed 26 August 2011 URL: [http://www.asean-sustainable-](http://www.asean-sustainable-energy.net)

[eneruv.net documents/libraries/001.Minutes%20Workshop.pdf](http://www.asean-sustainable-energy.net/documents/libraries/001.Minutes%20Workshop.pdf)

Myanmar, can solve its issues of scarcity or energy sources. The energy sector can therefore be a win- win relationship between the two.

4.4.6 **Human Rights:** The ASEAN has always promoted human rights and this is very visible in its Charter. According to Article 14 of the said Charter: “In conformity with the purposes and principles of the ASEAN Charter relating to the promotion and protection of human rights and fundamental freedoms, ASEAN shall establish an ASEAN human rights body”.<sup>187</sup> However, in spirit the struggle for the encouragement for the protection of human rights of the member-countries still runs short. There have been discussions within the ASEAN to organize a human rights body to further their efforts on addressing issues on human rights. The Working Group for the ASEAN Human Rights Mechanism was established and in 2000, it submitted a draft agreement for the establishment of an ASEAN Human Rights Body (AHRB), Alongside with the establishment is the need to come up with the Terms of Reference for the proposed AHRB.<sup>188</sup> However, recently, ASEAN took another historic step in developing regional cooperation in human rights when it adopted the Terms of Reference for the AHRB last July 20, 2009 which the Foreign Ministers agreed to name as the ASEAN Inter-Governmental Commission on Human Rights.<sup>189</sup>

4.4.7 Consequently, on October 23, 2009, the Foreign Ministers from ASEAN inaugurated their first human rights commission in Thailand.<sup>190 191</sup> Diplomats have said that the human rights mechanism of the ASEAN launched in Thailand was merely designed to make ASEAN more attractive and improve its prospects to potential trading partners such as the US and European Union (EU).<sup>78</sup> For years, ASEAN has struggled to fight off the human rights abuses among its members in the region. Myanmar being

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<sup>77</sup> ASEAN Secretariat, Charter of the Association of Southeast Asian Nations *ASEAN Secretariat*.

[Online web | Accessed 30 August 2011 URL: <http://www.aseansen.org/21069.pdf>

<sup>188</sup> Working Group for an ASEAN Human Rights Mechanism [Online web] Accessed 30 September 2011

URL: <http://www.asianhumanrights.org/aboutus.htm>

<sup>78</sup> ASEAN Secretariat (2009) Press Release Another Step Forward for Regional Human Rights Cooperation

Phuket, Thailand, 20 July 2009 [Online web] Accessed 30 September 2011 URL: <http://www.asean.org/spr/Another-Step-Forward-for-Regional-Human-Rights-Cooperation.pdf>

Fuller, Thomas (2009) ASEAN Inaugurates Human Rights Commission, **The New York Times**, Asia Pacific (Online web) Accessed on 30 September 2011 URL: <http://www.nytimes.com/2009.10.24/world/asia/24asean.html>

a case in point. Its other members such as Vietnam have also drawn criticisms from international entities for human rights abuses. These difficulties have been seen as a factor for slowing down the development of the region's trade and industry. The ASEAN commission, however, is perceived as toothless because it lacked the needed powers to punish the wrongdoers.<sup>192</sup> Thai Prime Minister Abhisit Vejjajiva defended the Human Rights Commission and at the same time, recognized its limitations. He also stressed that the new commission was still important when it comes to highlighting abuses and putting pressure on member countries. The Thai Prime Minister also imparted that the issue of human rights is not about condemnation but about awareness.<sup>193</sup>

Though some ASEAN countries have become increasingly bold in their criticism of other members like Indonesia, for example, which has warned Myanmar that the scheduled elections which will be held next year will not be taken seriously unless the military-run stale include member's pro-democracy leader Aung San Suu Kyi's party, there are still other member countries which seemingly ignore the issue. Thus, the region has turned a blind eye towards the country's reported human rights abuses. Furthermore, many member countries of the ASEAN continue to maintain investments in Myanmar despite stiff sanctions from the US and Europe Just like Thailand which buys large quantities of natural gas from Myanmar to help run its domestic power grid,<sup>194</sup> India, on the other hand shares the same priority on the issue of human rights as ASEAN docs, internally at least. The country' also has its *own* commission addressed to protect the human rights of it people. It is known as the National Human Rights Commission (NHRC) and in 1993. the Protection of Human Rights Act was created and il was also amended last 2006. The Act "provides for the constitution of the NHRC, Stale Human Rights Commission for Slates and Human

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Hookway, James (2009), 'Tough Start for ASEAN Human Rights Commission', *The Wall Street Journal* [Online web] Accessed on 30 September 2011 URL: <http://online.wsj.com/article/SB1256293016352033551>. Item I T> Ibid:

<sup>193</sup>**Ibid;**

<sup>194</sup>Hookway (2009)

Rights Courts for better protection of human rights and for other matters connected with it<sup>195</sup> The most common human rights abuse that India faces internally is the discrimination towards the untouchables. Although there are existing laws and policies which address these abuses, they are not faithfully implemented by the local Indian authorities. Hence, the untouchables have continued to bear the burden of being discriminated. Though the ASEAN, EU and US keeps on insisting and pushing for India, China and Russia to pressure Myanmar to improve human rights by calling on them to stop supplying arms to the regime, India stays adamant. The EU parliamentarians urged the three countries to use their economic and political leverage with the authorities of Myanmar in order to bring about substantial improvement in the country.<sup>196 197 198</sup> Just recently, last March 25, 2010, India prepared to welcome a member of Yangon's military junta. Furthermore, sources from the Defense Ministry said that it was quietly re-equipping the neighbour's navy, defying sanctions from the West and a UN resolution. <sup>1</sup> Due to Cyclone *Nargis*, which brought damage and destruction to Myanmar, the country has requested India for an unspecified number of fast inshore boats and interceptors to patrol its rivers and deltas. The boats are reported to be of the type used mostly by the Indian Coast Guard. Further, being defiant from Western complaints, India has been a supplier of field guns and light artillery to Myanmar way back in 2004. It has also been conveyed that the country is training some military personnel from Myanmar. Thus, India supplying military goods to Myanmar has made the EU, US and UK infuriated. However, in spite of the ongoing protests to Myanmar's human rights record, India still continues to sustain relations with Myanmar for certain economic and strategic reasons. First, India has to keep balance with China. Certainly, China will win over Myanmar if India goes along with ASEAN and other

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National Human Rights Commission, (1993), 'The Protection of Human Rights Act 1993', *National Human Rights Commission* [Online web] Accessed on 30 September 2011 URL: <http://nhril.nic.in/Publications/HRAActEng.pdf>

EU Business (2010), Euro-MPs urge China, India, and Russia to pressure on Myanmar. *EU Business* [Online web] Accessed on 30 September 2011 URL: <http://www.eubusiness.com/news-eu/myanmar-rights-on.201>

<sup>M</sup> Dutta. Sujan (2010), 'India ignores west, invites Myanmar general'. *The Telegraph* [Online web] Accessed on 30 September 2011 URL:

<http://www.telegraphindia.com/1100326/story/12264416.jsp>

<sup>BS</sup> *ibid.*



Western entities quest to overcome Myanmar's abuses. Secondly, India also wants Myanmar's help in dealing with insurgencies that exist alongside its borders. Finally, New Delhi is interested in Myanmar's gas supplies.<sup>sr></sup>

4.4.8 Migration; India has a high rate of migration internally and externally. Migration internally has been caused by marriage and externally is caused by a larger factor which is the search for employment.<sup>S7</sup> Internally, India has paid little attention to its migration policies. As a result of the lack in migration policies, there has been extreme development and entrenchment of urban slums in the country.<sup>199 200 201 202</sup> Moreover, the large number of migrants has created a lot of strain especially for those who are on the same job market.<sup>^</sup> Over the last few years, India has been working on its first migration policy which aimed to protect Indians who go abroad in search of employment. The creation of this new draft policy that worked off by a research unit funded by the Ministry for Overseas Indian Affairs (MOIA) attached to the Centre for Development Studies (CDS). The research unit is also reported to have done work related to migration of Indians and on the Indian Diaspora.<sup>203</sup> The research unit was established by the Minister for Overseas Indian Affairs Vayalar Ravi. He also announced a grant of Rs. 14.70 million. The head of the unit, S, Irudayarajai is the one who prepared the draft document on the proposed migration policy, He said that the draft policy looks into the qualification requirements that a person should possess before he leaves for a job outside the country (because) today anyone and everyone leaves the moment the visa arrives and lands into trouble. The draft policy also seeks to offer sufficient incentives for all NRIs who make their hard earned money in the country. The draft policy, which is still in its preparatory' stages, sets to incorporate a broader definition of migrants from a range of unskilled and semi-skilled overseas workers to those which include professionals and students. It is believed that once the

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<sup>199</sup> Ibid;

<sup>s7</sup> AZAD India Foundation (2002), "Migration in India" *AZAD India Foundation* | Online web] Accessed on

September 2011 URL: <http://azadindia.org/asia1-issues/migration-in-india.html>

Ram, S, (1993), "A Case for Internal Migration Policy in India" *Population Geography*, [Online web] Accessed on 28 September 2011 URL, <http://www.ncbi.nlm.nih.gov/pubmed/12179084>  
AZAD India Foundation (2002)

<sup>30</sup> India Enews(2006), "India working on Migration Policy", *India Enews* | Online web] Accessed on 28 September 2011 URL; <http://www.indiacnews.com/hri/20060915/22420.html>

draft policy is finalized, it will most probably become a new law,<sup>204</sup>

Currently, the major migration policy that governs India is the Emigration Act of 1983 which monitors foreign passages and the safety of only unskilled and semi-skilled workers. Alternatively, the objective of the new policy is 'to prevent human smuggling and to facilitate movement of Indians for both employment and studies;' The policy also Focuses on key areas such as 'preparing the migrants before they leave, controlling and monitoring the licensing of agents and brokers, safeguarding the migrant's rights in countries of temporary residence, maximizing their remittance potential, and facilitating reintegration upon their return'.<sup>205 206</sup> On the other hand, ASEAN has emerged as a major area for cross-border movements of labour in the last two decades. That is why the ASEAN initiated a Declaration on the Protection and Promotion of the Rights of Migrant Workers in 2007, The declaration aims to promote the welfare of migrant workers by furnishing sending and receiving states with their obligations on labour migration.<sup>91</sup> The ASEAN Declaration on the protection of the rights of migrant workers has been a great and significant leap towards the better promotion of the security and respect for migrant workers' rights in the region. It spells out the basic principles and sets an outline of the responsibilities of both the origin and destination countries. This ASEAN Declaration is seen as exceptionally ground-breaking because it is the first of its kind in the region. It is very distinct in a sense that it specially addresses the protection and promotion of rights of migrant workers from the region's point-of-view. Further, it is being carried out in terms of the responsibilities of origin, transit and destination so that a systematic and orderly migration process is guaranteed.<sup>207</sup> In order to further advance the coordination of economic and social policies among the ASEAN countries especially with regard to the issue on migration,

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<sup>204</sup> Handique, Maitrejee (2009), "India Plans New Policy on Temporary Migration". Live mint.com [Online web] Accessed on 28 September 2011 URL: <http://www.livemint.com/2009/06/29221009/1ndia-plan-new-poj-icv-on-lemn.html>

<sup>205</sup> **Ibid;**

<sup>206</sup> ASEAN Secretariat (2009), "ASEAN Declaration on the Protection and Promotion of the Rights of Migrant Workers" ASEAN Secretariat [Online web] Accessed on 28 September 2011 URL: <http://www.w.aseansec.org/19264.htm>

<sup>207</sup> ASEAN WEB. "The ASEAN Declaration on the Promotion and Protection of the Rights of Migrant Workers" | Online web | Accessed on 25 September 2011 URL: <http://www.aseansec.org/a/19264.htm>

proposals have been forwarded for the inauguration of a regular mechanism for discussions and discourses on the countless issues presented by migration. It has been proposed that an ASEAN Forum on Labour Migration be established. It has been proposed that "the Forum would aim to deepen understanding of the role being played by the cross-border movements of workers in enhancing the flexibility and dynamism of the region's economies and societies, to build trust and confidence through dialogue on emerging problems and issues, to help national authorities anticipate future challenges by considering what demographic trends and current economic and political developments suggest about the likely impact on migration pressures and to enhance bilateral and multilateral cooperation for effective governance of labour markets and migration."<sup>208</sup> Labour migration has clearly manifested a huge contribution to the competence of the region's economies. The suggested proposal of an ASEAN Labour Forum notes that the availability of large supplies of workers from neighboring countries has made possible the dramatic modernization of physical infrastructures over a very short period of time, stabilized prices during periods of rapid growth, reduced the cost and made available all kinds of services, and enabled countries to meet ambitious targets for public health and education, not to mention the expansion of mining, agriculture and manufacturing, and tourism. However not all impacts brought about by migration are beneficial. Considerable problems are also posed by labour migration like "the population of migrants in an irregular situation has grown significantly in a number of countries raising a variety of issues, from one of protecting the interests of low skill native workers to protecting migrants from exploitation on account of their status, Resettlement processes are a major challenge for reform since they have frequently been characterized by excessive rent-seeking activities. Migrant workers are still not receiving equal wages as native workers in spite of laws providing for non-discriminatory treatment.

They cannot organize trade unions and are often excluded from the coverage of social security."<sup>209</sup>

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<sup>208</sup> ASEAN Forum on Labor Migration: A Concept Note and Proposal [Online web] Accessed on 25 September 2011 [URL:

http://www.asean-labour-migration.org/asean\_forum\_on\_labour\_migration.doc

<sup>209</sup> Ibid;

So far, there is no clear policy or provisions on migration that exists between the ASEAN and India, India being a big source of labour fetches large remittances for its domestic economy. In fact, India has been able to capture one-tenth of the world's remittances ever since 2003, This fact all the more proves that India should really pay enough attention to the development of its Migration policies. The High Level Committee on the Indian Diaspora reported that since 2001, the largest number of Indians in Diaspora, which is about 35 percent of diasporic Indians, lived in Asia and this becomes a reason for the ASEAN to be more concerned on migration issues specifically that of labour.<sup>47</sup> In this most general sense, migration improves the regional, social, economic, political and cultural aspects of exchanging countries. This has positively resulted to less disparities and more toleration among exchanging entities. If the ASEAN and India will address migration issues and incorporate these issues into their partnership, both of them will benefit because these people-to-people exchanges help integrate the region closer together and thus, it can further strengthen the ASEAN-India line.

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<sup>f</sup> Naujoks, Daniel (2009), "Emigration, Immigration, and Diaspora Relations in India", *Migration Information Source* [Online web] Accessed on 5 October 2011 URL: <http://www.miarati.org/InformationSource/DisplayArticle.aspx?ID=745>

## **Chapter-5**

### **Conclusion**

The look east policy was formulated in 1991 to open up in order to maintain relation with South East Asian countries. Under this look east policy India became the sectoral partner with South Asian countries, but in 2014 the policy of India towards these countries and changed the policy from look east to Act East. India is looking east, west, north and south but everywhere in a dilemma. For whom do we need to look east or west or anywhere else? Definitely, the most probable response you will get from the government is, for the welfare of our people, especially the most underprivileged one. But do they really mean it? Even a little amount of skepticism will compel you to tell; no. Look at the way our government takes care of the people dying of poverty, left destitute due to contentious development policy and rebelling against its own so called “democratically elected government”. A majority of Indian people are aggrieved with the current policies of the government, be it internal or external. Sometimes, people are heard saying that; foreign policies are made according to the ‘national interest’ of a country. But, does the national interest differ from the interest of the people? Even a realist like Machiavelli had concluded that, a nation cannot flourish on the corpses of its people. A strong empire, he says, can be based on citizens who love, and not fear, its ruler either it is a democracy or a monarchy. It would be too idealistic as well as ambitious to believe that the state would look after the welfare of all citizens equally well. Its primary commitment is to those who constitute and run it. India’s commitment to the Look East Policy and the ASEAN-India Free Trade Agreement (AIFTA) could be seen in this light.

From the early 1990s, when India launched its LEP, its relationship with East Asia has come a long way. The LEP is responsible in making India an immutable part of the Asia-Pacific’s strategic discourse. The current phase marks the beginning of an energetic relationship on the economic, political and strategic fronts. A number of institutional mechanisms have been put in place so that there is a regular interaction at all levels and simultaneously bilateral linkages with individual member-states have also been strengthened. Now that India has become a Summit partner of ASEAN, it provides an opportunity for the top leadership to visit Southeast Asia every year for political interaction. Unlike in the past, it appears; the current phase of the LEP is much more substantial. While developing links with ASEAN and other ASEAN led multilateral institutions. India is also pursuing to qualitatively improve bilateral links with

member-states. Three distinct features of the LEP, they are: i) India has managed to develop a multi-faceted relationship; ii) a successful defense diplomacy has been put in place; iii) unlike in the past, India is not averse to participate in regional multilateralism - security or economic. ASEAN's experimental economic engagement with India, after many disappointments, has begun to yield fruit. Although its economic ties with ASEAN are yet to gain the depth of China, the expectations of India's strong economic performance and the prospect that it will emerge as one of the world's four largest economies has created a sound basis for India's relations with ASEAN. With faster economic growth, it is inevitable that India's military and strategic capabilities will become consequential. As India embarked on purposeful big power diplomacy with the US, China and Japan. ASEAN's profound reservations about security cooperation with India have begun to melt. After a tentative start that focused on military exchanges, the security cooperation between India and ASEAN is beginning to broaden to include more substantive areas like training and future arms transfers. India's positive relation with all the major powers and ASEAN's own sense of new vulnerabilities has made New Delhi an attractive partner. As they recognized that the rise of India is a reality, ASEAN had little difficulty in inducting India into the East Asia Summit.

The important question is not whether India will ever match the power potential of China neither the region sees India as a "counterbalance" to China. As long as India is seen moving forward purposefully, it will remain a valuable partner for Southeast Asia. The principal objective of ASEAN is to construct a broad framework in which the changing balance of power in and around SEA can be managed. A rising India generates options that did not exist before. The new India's willingness to abandon its traditional bluster about leading Asia, its emphasis on pragmatic cooperation rather than ideological posturing, a new recognition in New Delhi of its own limitations, and its willingness to defer to ASEAN's initiative on regional security have created a new basis for security cooperation between the two. ASEAN understands that a dynamic India will serve its pursuit of a regional balance of power. As the smallest of the great powers, India, in turn, has the biggest stake in seeing that ASEAN remains a coherent, strong and autonomous force in Asia. Since economic reforms India have underpinned high growth rates, rapidly expanding domestic market and rising international competitiveness in services, information technology and a range of manufacturing products. India's rapid growth has escalated its demand for imported resources, energy, technology, consumer products as well as new export markets. The LEP has facilitated East Asia's rising share of India's international trade and made the region more important for India's growth. By looking East, India has

significantly strengthened institutional ties with East Asia and made itself a 'member' of the emerging Asian Economic Community.

Having examined the LEP by exploring its links with India's reforms, growth prospects and integration with East Asia, three general observations can be made: - Firstly, India has used the LEP to support economic reforms and liberalization, sustain its rapid growth, facilitate its economic integration with East Asia and promote equity-based domestic development. While initially used to send a strong signal to the world of India's economic liberalization, the LEP has increasingly become a vehicle to push for India's participation in Asia's economic integration. Secondly, India has built up strong institutional links with East Asia through a web of engagements at bilateral, sub-regional and regional levels. While Singapore and Thailand facilitated India's initial engagement with ASEAN in the 1990s, ASEAN facilitated India's engagement with the whole East Asia in the early 2000s. India has now developed a more balanced relationship with each of East Asia's economic powers, namely - ASEAN, China, Japan and South Korea. Finally, India has become an influential member of Asia's emerging economic community and has used its influence to shape agendas for Asia's economic integration. India's potential as an economic superpower has already made it an equal partner of ASEAN, China, Japan and South Korea.

Being part of the Asian Economic Community is expected to provide India not only with a hedge in an increasingly fragmented world trading environment, but also with a platform from which to become a global economic superpower. Based on these observations, what does the future hold for the LEP and India's economic relations with East Asia? India and East Asian countries are likely to continue to deepen their economic integration because their rapidly growing economies will demand more imports and exports, boding well for the expansion of bilateral trade. East Asia will remain India's external source of growth and the Indian economy will become more important to East Asia. India's LEP and institutional foundation laid in supporting economic engagement will continue to reinforce this trend. Yet to accelerate the pace of its economic integration with East Asia, India needs to overcome institutional obstacles and improve its investment climate, which will be targeted during India's next stage of reform and liberalization. This change will include opening its market wider for competition, revamping its rigid labour laws and transforming the role of its government to provide better services to markets and society. Successful reform within India will significantly affect its economic relations with East Asia. While the Indian economy generally complements the economies of East Asia, India's future reforms may change this, particularly its trade will be complementarily with the developing ASEAN economies and China. Much of developing East

Asia's competitive advantage in manufacturing is a result of India not being liberalized its labor market, which consequently ties its abundant cheap labor to an inefficient agricultural sector. Serious labour market reform could lead India in developing a greater manufacturing sector.

Such an expansion may result in a greater competition with China and ASEAN member countries, producing two positive impacts. Firstly, India may attract more manufacturing-oriented foreign direct investment from East Asia. This would integrate India into part of East Asia's production and supply networks that currently avoid India. Secondly, India's continuing economic liberalization would encourage East Asian countries to reform and adjust their policies to make their businesses more competitive. In other words, India's reform would generate a new round of economic reform and liberalization in East Asia. Both impacts would help economic integration between India and East Asia.

India's economic relations with the rest of the world have significant bearings on its East Asia economic policy. However, a broader consideration of external factors would not alter, but rather reinforce, the argument for deepening the economic integration of India and East Asia. This would be the case if India's economic relationships with its South Asian neighbours were taken into account. India has been a member of the South Asian Association for Regional Cooperation (SAARC) since it was established in 1985. The Indo-Pakistan bitterness has not permitted SAARC from playing a role that ASEAN had played in SEA. Though, a recent (January 2006) quiet achievement of SAARC was the creation of the South Asian Free Trade Area (SAFTA), which aims to increase the economic integration of member countries. While SAFTA should give some boost to the very low level of intraregional trade in South Asia, smaller regional countries would benefit more from it than the Indian economy, which is about 80 per cent of the South Asian economy. India's main interest is in using SAFTA to foster good political relations within SAARC. When seeking external growth engines, India will continue to look East and so will all other SAARC members. India will also find allies among SAARC member countries when dealing with East Asia, as it had already done so. Thailand, for instance, found that the small SAARC countries that took a similar stand in the negotiations for the BIMSTEC FTA. We cannot ignore this fact that in future BIMSTEC will be a bridge for the ASEAN and SAARC. The future direction of India's economic relationships with the US and the European Union will be most important. Although their shares of India's international trade had declined, the US and the EU are still considered critical to the Indian economy, particularly off-shoring of IT and services by US and EU firms have driven the rise in India's exports of services and information technology. India also relies on the EU and US markets in



its knowledge-based sectors where more advanced technologies are used. While India's service and IT sectors remain strong, the Indian and East Asian economies will continue to be complementary - somewhat diluting the possibility of India competing with East Asia in manufacturing. However, if India were to face a shortage of software engineers and skyrocketing wages in the service sector, India may be well forced to tackle the obstacles that prevent expansion in its manufacturing sector. As discussed previously, this would lead to greater economic integration with a manufacturing in East Asia. All of the above scenarios imply that India will continue to deepen its economic integration with northeast. Having achieved a fair degree of political consensus on the need for economic reforms, India is now vigorously pursuing its vision to become a developed nation by the year 2020. As India's vision of becoming a developed nation by 2020 continues to be translated into domestic reform initiatives and leads to its further integration with the world economy, the opportunities for ASEAN and other economic partners for mutually beneficial economic cooperation are likely to multiply. ASEAN is aware of the need to further diversify its engines of growth from the traditional growth engines of the US, Japan and more recently, China, to India as well. Indo-ASEAN collaboration is really in rising as indicated by joint projects undertaken by ASEAN groups. Through the joint projects collaborative Human Resource Development (HRD) programmes that ensured the people-to-people connections between India and ASEAN economic regions. These interconnections would get the shape in the light of ASEAN-India Vision 2020.

Political intent to deepen ties between India and ASEAN countries appears to overshadow the economic gains. The AIFTA with trade in goods alone is expected to bring modest benefits to India and it is through inclusion of services that this partnership might yield substantial gains to the country. India is eyeing the growing service sectors of ASEAN countries, particularly those with large English speaking population, given its own competence in these sectors. Under the AIFTA, the trade partners will have increased access to the Indian market for semi-processed and processed agricultural products and close substitutes, which could adversely impact the Indian agricultural sector. Indian small and medium enterprises in food and other agriculture-related products, some intermediate goods and light manufacturing products are also likely to suffer. But import liberalization in intermediate goods will encourage multinational corporations to undertake production rationalization across the region in the transport equipment, machinery, chemicals and iron and steel sectors. This could lead to India's deeper integration in production networks in such sectors. There are no major immediate market access benefits for other Indian producers, as average percentage tariff drops in Malaysia,

Indonesia and Thailand's Normal Track products are much lower than India's. The neglect of the development needs of the domestic agricultural sector and manufacturing base in the present FTA for expected gains in service sector liberalization with ASEAN, together with the known problems in service sector liberalization, are likely to make India's employment and livelihood issues even more challenging. India's farm and plantation sectors appear to be well protected via a negative and sensitive list in the trade in goods agreement. Criticisms are still being voiced from these sectors on the adverse impact of this FTA on livelihoods of farmers, particularly in the South Indian states (Kerala, Karnataka, Tamilnadu and Andhra Pradesh) specialized in plantation crops. Interest groups are concerned about the short to medium term impacts of this FTA. Nevertheless, it is important to have the larger picture in mind and focus on the long term benefits rather than remain bogged down by the short to medium term transitional costs. India's plantation and agriculture sector needs to be competitive. For this, production costs should be minimized through technological upgradation and fertilizer subsidies. However, adjustments in the form of increased investment and reform in the agriculture and plantation sectors could be the need of the day.

At the level of bilateral trade, this study has clearly shown that Indian imports will rise significantly and there will be no proportionate rise in India's exports due to the Indo-ASEAN FTA. The question that arises therefore is: why is India keen on signing the agreement? Finding an answer to this question lies outside the scope of this study. However, several conjectures can be made: -

- The first conjecture is that though the FTA may not make much of an economic sense in terms of balance of trade it makes enough political sense to compensate the negative economic impact. As this study has already mentioned the major political objective of the FTA that is to counterbalance China's rising influence on ASEAN. This is clearly something that many other countries of the world (including Japan and US) look forward to India for. The possibility is therefore high that the move will help India to improve relationships with countries which have powerful voices in most international forums.
- The second conjecture is that the goods scenario depicted here is only a part of the aggregate economic scenario. The negative effects on the goods front will be outweighed by the positive effects emanating from other fronts like trade in services and especially foreign direct investments to and from these countries. If

this is so however by signing the FTA before the services and investments agreements, India has lost out the opportunity to bargain for concessions in goods by yielding some concessions in services and the investments.

- Thirdly, it should be emphasized that even purely from the goods angle; some of the goods imported will be intermediate goods which will boost the production of final goods at cheaper prices in India. This may increase India's exports in the long run.
- Last but not least, it should be noted that deterioration in balance of trade is in no way related to deterioration of welfare for India. There is indeed a tendency in political circles of overemphasizing the negative impact on the producers (of the goods whose import will increase). Logically this should be balanced out with the positive impact on the consumers and the efficiency gains. Calculating the net welfare impact of the trade balance deterioration and formulating an appropriate tax subsidy regime thus remains an important agenda for future research.

Full implementation of the AIFTA will come into force in the next ten years only. During this ten-year timeframe, many other outcomes such as conclusion of the Doha Round, inking of Indo-EU FTA, conclusion of various comprehensive regional agreements with Asian countries along with progress in the country's domestic reforms can shift India's competitiveness towards new areas with a change in the country's priority sectors. The pressing issues which might pose as threats to the security of ASEAN and India deserve immediate responses. Deepening ASEAN-India relation is one way of responding and dealing with these issues, and joint actions are beneficial and advantageous to both parties. The nuclear capability of India made India different from ASEAN member-states and the relationship is open to different interpretation. Nevertheless, given the issues on energy and terrorism, India and ASEAN's policies are relatively similar. However, conflicting policy emerges on the issue of nuclear proliferation as discussed above.

There are undeniable difficulties that need to be surmounted if ASEAN and India are intent on being closer. ASEAN's process oriented nature may sometimes be perceived as possible obstacles in deeper relation. But at the end of the day, the relationship is viewed as a zero-sum

game. Both have shown themselves to be pragmatic in policy issues and thus not really in opposition to one another. Both have recognized the potential for benefits of shared regional goals. ASEAN must still insist however, that India also move towards a national direction that can be consistent with ASEAN's own direction because as it is, India has the most to lose if it does not follow ASEAN's lead. At the same time, ASEAN may be willing to consider giving India adequate time to adjust itself to the region's goals and provide more avenues for closer cooperation with India.

ASEAN and India both for pragmatic and idealistic reasons have chosen to cooperate further and deepen their relations. More activities that emphasize shared commitments to responding to non-traditional security, threats should be done. They must also be prepared to harmonize their respective human rights and nationalistic and regional goals so that conflicts do not occur. A better and deeper relationship between ASEAN and India is ultimately to the benefit of the greater East Asia and the Asia-Pacific region.

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