

India's East and Southeast Asia Policy: Catching Up

As outlined in Chapter 2, India's ties with the rest of Asia date back many centuries. Indeed, India's civilizational influence to its east has significantly marked many modern Asian nations. During the colonial period, India's long established autonomous ties with Asia were weakened, although many Indians migrated to various other British Asian colonies. And in spite of an early thrust of Nehruvian foreign policy seeking close ties with independent Asian states, notably Indonesia, India's attention to Asia, particularly in the Cold War years, was overwhelmed by its preoccupation with its immediate neighbourhood and with China.

However, the collapse of the Soviet system, as well as the economic success of the 'Asian Tigers', notably during the 1980s, forced a rethink of India's inert Asia policy and refocused India's attention to the east. New Delhi newly remembered again Jawaharlal Nehru's reference to Southeast Asia as a part of 'Greater India'.¹

This chapter examines India's policy towards Asia east of India encompassing Southeast Asian nations, Japan, South Korea, Australia, and New Zealand, and also China (as an Asian regional actor—rather than as a neighbour, a topic covered in Chapter 6).² India's immediate neighbourhood is excluded from our purview here, with the exception of Myanmar, which appears intermittently as a member of the Association of Southeast Asian Nations (ASEAN), and which is addressed in greater detail in Chapter 5.

After a brief discussion of India's historical connections with Asia and the place of Asia in India's foreign policy thinking until the 1990s, this chapter details India's economic, political, geostrategic, and 'soft power' ties with the region since the end of the Cold War before offering some conclusions.

India's historical ties in Asia

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

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

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

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

In maritime Southeast Asia, Srivijaya on Sumatra, between the seventh and thirteenth centuries, was a centre for Buddhist studies and of Sanskrit learning.⁹ Moreover, the renowned maritime Southeast Asian dynasty of Sailendra, which became the dominant maritime and land power in Malaysia by the eighth century,¹⁰ is believed to have originated in the Indian state of Orissa.¹¹ The last Hindu kingdom in the Southeast Asian region was Majapahit, which flourished between the thirteenth and fifteenth centuries on Java.¹² From the fifteenth century onwards, with the rise of the kingdom of Malacca, Islam spread throughout the region. For their part, Indian traders from Gujarat, Malabar, Tamil Nadu, and Bengal helped the spread of Islam in Southeast Asia.¹³

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

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

Beyond Southeast Asia, India's interface with China dates back to the second century BC. Even before the advent of Buddhism in China, trade flourished between the two countries, via the famous Silk Routes, and later by sea routes.¹⁷ The transmission of Buddhism from India to China encouraged the travel of Chinese pilgrims to India and vice versa, but it also allowed for Indian cultural influence on art, architecture, music, astronomy, mathematics, and medicine in China, and through it, beyond.¹⁸

Buddhism entered Korea from China, during the fourth century AD. Korean Buddhist monks visiting India became conduits for cultural currents and not only for Buddhist tenets. The translation of Buddhist texts resulted in the absorption of many Sanskrit words and concepts into the local language.¹⁹ During the medieval period, close cultural interaction declined partly due to the withdrawal of royal patronage from Buddhism in Korea.

Buddhism also travelled into Japan from India (or *Tenjiku*, as it was called in Japan) as a gift from the king of Korea in AD 552.²⁰ The convert prince of Japan constructed Buddhist temples, monasteries, hospitals, and homes, and sent Japanese students to China for the study of Buddhism.²¹ A range of Gods from the Hindu pantheon such as *Lakshmi* and *Saraswati* became a part of Japanese Buddhism as guardian-deities.²² Indo-Japanese commercial activities were initiated in the late nineteenth century, with a number of Indians immigrating to Japan as temporary servants of the trading relationship.²³

Although the British colonial period facilitated migration of Indians to the rest of Asia, cultural and civilizational ties between India and the East and Southeast Asian countries were greatly weakened as European interests, values, and methods were promoted by the Raj over local ones. Indeed, '[t]he conquest of India by Europe started a process that disrupted the links between the subcontinent and the rest of Asia. The bountiful subcontinental economy and its prosperous trade was disconnected from ancient and long-standing links with West and Central Asia, China and Indo-China and linked to Europe and to the wider British Empire.'²⁴ Furthermore, as Indians were frequently

the agents for their British colonial masters, they became associated with colonial exploitation and unequal relationships in the minds of many other Asians, with such memories persisting beyond 1947.²⁵

Asia in India's foreign policy thinking after independence

At the time of independence, Nehru viewed Asia as a region in which India's new status should endow it with leadership.²⁶ In the post-independence period, and to some extent even during the years preceding independence, Indian leaders considered the anti-colonial struggles in Southeast Asia (those of Indonesia, Burma, Malaysia, and Vietnam) as indivisible from their own. In March 1947, Delhi organized a Conference on Asian Relations, bringing together delegates from twenty-nine countries, some of which were still under colonial rule, in an attempt to express solidarity with the freedom struggles in other parts of Asia and foster cooperation amongst Asian people.²⁷ Soon, India proclaimed itself the leader of Asia's march towards independence and confirmed this ambition during both the special 1949 Conference on Indonesia in Delhi and the 1955 Bandung Conference (at which Africa's freedom struggle was also featured).²⁸

Delhi also recognized the strategic importance of Southeast Asia and the Indian Ocean for defence of the Indian Peninsula. Several of India's island territories lay barely ninety miles from the Straits of Malacca.²⁹

Nevertheless, this Asian 'rediscovery' gradually ground to a halt as India became embroiled in Cold War politics during the 1960s and 1970s and failed to convince other Asians of its non-aligned bona fides. India's interest in Southeast Asia also largely evaporated due to challenges closer to home—the traumatic border war with China in 1962 and conflicts with Pakistan in 1965 and 1971.³⁰ In the aftermath of the oil shock of the 1970s, India became more concerned about its energy security and consequently West Asia became more of a priority.³¹

From the mid 1950s to the late 1980s, India's attention began to be drawn towards Southeast Asia again. India had developed a strong relationship with North Vietnam, due to its sympathy for the Vietnamese anti-colonial struggle. However, Vietnamese isolation within its own region following its invasion of Cambodia in late 1978 negatively impacted India's aspirations in the region. Several nations, including Indonesia, Singapore, and Thailand, remained profoundly suspicious of communism and friendly towards the USA, with which India continued to entertain strained ties.³² India was the only non-Communist country to diplomatically recognize the Cambodian Heng Samrin government in 1980, and even though ASEAN offered 'dialogue partnership' to India in the mid-1980s to dissuade it from continuing to extend

diplomatic recognition to the sitting government in Cambodia, India did not alter its stance (influenced perhaps by its alliance with Moscow and as rebuff to Beijing which had favoured the earlier Khmer Rouge leadership in Cambodia).³³ Japan, a close ally of the USA during the Cold War, also kept some distance from India beyond its budding commercial opportunities as of the 1980s. In short, India was largely isolated from Southeast Asian nations except for Vietnam, and distant from East Asian ones.

After the collapse of the Soviet bloc, the Indian domestic economic liberalization in 1991 and Asian economic dynamism since the late 1970s prompted a rethink of Delhi's dormant Asian relationships.³⁴ Hence, 'Indian leaders eagerly invoked their cultural affinities with East Asia in their efforts to join this new pole of growth.'³⁵

The 'Look East' policy

Soon after P. V. Narasimha Rao became Prime Minister, he launched the 'Look East' policy (LEP) in 1992.³⁶ Its implementation during the 1990s focused particularly on engagement with Southeast Asia and ASEAN (although Prime Minister Rao articulated a broader LEP implicitly in Singapore in 1994).³⁷ Alongside its new efforts to capitalize on Southeast Asia's economic success, India now sought politico-military engagement with the region, in part impelled by the need for new friends and partners after the loss of its superpower patron in 1991, and probably also worrying about China's fast-growing links across Asia.³⁸ The broad objectives of the LEP during the 1990s were to institutionalize linkages with ASEAN, with its member states, and to prevent Southeast Asia falling under the influence of any one major power.³⁹

In its execution, the LEP was characterized by 'stop-and-go' impulses, aggravated by the meagre resources available to India's foreign policy establishment. As well, although impressive relative to earlier Indian practice, Delhi's economic reforms seemed underwhelming to its new ASEAN friends, who were also dismayed by India's parlous infrastructure and the country's sometimes chaotic politics.

Since the turn of the century, the LEP has been reinvigorated, featuring greater consistency and focus of effort. Meanwhile, Southeast Asia woke up to India's increasingly impressive growth rates as of the late 1990s.⁴⁰ Yashwant Sinha, then India's Minister of External Affairs, distinguished between the two phases of the LEP in 2003:

The first phase of India's 'Look East' policy was ASEAN-centred and focussed primarily on trade and investment linkages. The new phase of this policy is characterised by an expanded definition of 'East', extending from Australia to

East Asia, with ASEAN at its core. The new phase also marks a shift from trade to wider economic and security issues, including joint efforts to protect the sea-lanes and coordinate counter-terrorism activities.⁴¹

Hence, Phase II has been marked not only by attempts to negotiate Free Trade Agreements, but also by more comprehensive defence cooperation, including arrangements for regular access to ports in Southeast Asia. Defence contacts have widened to include Japan, South Korea, and China.⁴²

Three other features characterize the so called ‘second phase’ of the LEP: expanded air and land links to East and Southeast Asia, thus achieving greater physical connectivity with Asian partners; closer political ties through more comprehensive dialogue across a wider range of issues; and the development of regional groupings. As well, with rapidly growing Sino-Indian trade, less Indian nervousness over China’s role within Asia is on display.⁴³

Today, the LEP broadly encompasses four elements of content: economic and trade, political, geostrategic and soft-power ties. The following sections elaborate on each of these.

Economic ties

In October 1991, then Finance Minister Manmohan Singh chose Singapore as the first foreign venue for an exposition of his economic policy reforms.⁴⁴ Foreign direct investment (FDI) and trade between India and its Asian neighbours soon began to expand. But just as the trend of increased economic relations began to pick up steam, the Asian financial crises of 1996–7 and 1998–9 and India’s nuclear tests in 1998 interrupted progress. Nevertheless, between 2002 and 2007, the percentage share of India’s trade with the Asian region steadily increased, with exports growing from 14.7 per cent of its total to 19.9 per cent in 2008, and imports growing from 11.4 to 18.7 per cent (see Table 9.1).

Table 9.1. India’s trade with Asia

	Asia’s share in India’s total exports and imports (%)					
	2002	2003	2004	2005	2006	2007
Exports	14.7	16.8	16.9	17	16.9	17.9
Imports	11.4	12.7	13.1	13.4	16.4	17.4

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

Source: IMF Direction of Trade Statistics Yearbook 2009.

ASEAN

As India became institutionally more involved with ASEAN (obtaining full dialogue partner status in 1995), the pattern of cross-investment with ASEAN members evolved favourably. Between 1992 and 1997, total FDI from ASEAN-5 (Singapore, Thailand, Malaysia, Indonesia, and Philippines) more than doubled.⁴⁵ This period also saw Indian companies investing more in several ASEAN economies such as Thailand, Vietnam, and Indonesia. During the late 1990s and since 2000, the information technology and computer software sector generated considerable outward investment from India towards the ASEAN countries, particularly Singapore.

India and ASEAN have witnessed accelerated trade and investment since 2000. Exports rose from US\$2.9 billion to US\$19.1 billion in 2009, with imports rising from US\$4.1 billion to US\$26.2 billion. Singapore has become the largest Asian investor in India, above Japan and China (see Table 9.2).

Complementing the growing trade and investment linkages between India and ASEAN, the first-ever meeting of India and ASEAN economic ministers took place in Brunei in September 2002, marked by India's call for deeper regional economic linkages and a formal Regional Trade and Investment Agreement or a Free Trade Agreement (FTA).⁴⁶ After some interim steps, including the creation of an ASEAN-India Economic Linkages Task Force, an agreement was reached on a selective FTA in 2009.⁴⁷ It covers only trade in merchandise and excludes services and investments but it will eliminate tariffs on about 4,000 products, agricultural as well as industrial, that account for more than 80 per cent of the trade in goods between the two sides.⁴⁸ Work on expanding the agreement to cover services continues.⁴⁹ However, while India has been grappling with this FTA, regionally, attention is turning to financial integration, for which India may not be ready.⁵⁰

Table 9.2. FDI inflow to India of selected Asian countries from April 2000 to August 2009

Country	FDI inflows (US\$ millions)	% share of total FDI inflows
Singapore	8,667.27	8.72
Japan	3,309.98	3.44
South Korea	501.92	0.51
Australia	272.40	0.28
Malaysia	234.07	0.25
Indonesia	71.55	0.08
Thailand	55.44	0.06
China	14.35	0.02
Myanmar	8.96	0.01
New Zealand	15.21	0.01

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

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

Bilaterally, on 9 October 2003 India and Thailand signed an agreement to enhance cooperation in agriculture, tourism, and science. More importantly, given the strong pick-up in economic ties between India and Singapore, the two countries signed a Comprehensive Economic Cooperation Agreement in mid-2005.⁵¹

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

Japan

Although Japan was one of the top investors in India during the 1990s, ranking fourth behind the UK, USA, and Mauritius,⁵² its performance paled in comparison to that elsewhere in Asia: Japan's direct investment in India in 1998 was one-thirteenth of its direct investment in China.⁵³ Similarly, between 1990 and 2000, India's total trade with Japan increased from US\$3.5 billion to a meagre US\$3.8 billion—actually a decrease in inflation-adjusted terms—and the percentage share of its trade with Japan compared to that with the rest of the world decreased from 8.3 to 4.1 per cent.⁵⁴ Some of the disincentives to greater Japanese investment in India have included the infrastructure deficit in India, high tariffs, and labour problems.⁵⁵

However, Japanese trade and investment in India have significantly increased in recent years. Indo-Japanese trade rose to US\$10.91 billion in 2008–9.⁵⁶ Despite this, the balance of trade continues to be consistently in Japan's favour, with India's agricultural exports to Japan declining sharply.⁵⁷

In contrast to India's paltry investment in Japan (see Table 9.4), Japanese FDI in India is continuing to expand and is expected to reach US\$5.5 billion by 2010. The number of Japanese business establishments operating in India has increased from 231 in August 2003 to 475 in February 2007.⁵⁸ Japanese automobile giant Honda is setting up its second car manufacturing unit in Rajasthan, involving an investment of US\$254 million, while the Maruti-Suzuki India Limited partnership is the leading car manufacturer in South Asia.

Official development assistance (ODA) provided to India by Japan is an important aspect of Indo-Japanese economic relations. India has been the largest recipient of Japanese ODA since 2003, largely in the form of loans (as opposed to grants and technical assistance). Moreover, the total quantity of ODA loans has steadily increased since 2002.⁵⁹ Focused on infrastructure development (particularly power and transportation), these loans have encouraged private sector development in India.⁶⁰ One of the most significant current projects is the Delhi–Mumbai Industrial Corridor, focused largely on

Table 9.3. Indian exports to and imports from Asia 2000–9

Country	Indian exports to Asia (values in US\$ million)								
	2000–1	2001–2	2002–3	2003–4	2004–5	2005–6	2006–7	2007–8	2008–9
Indonesia	400	534	826	1,127	1,333	1,380	2,033	2,164	2,560
Malaysia	608	774	749	893	1,084	1,162	1,305	2,575	3,420
Myanmar	53	61	75	90	113	111	140	186	222
Philippines	203	248	472	322	412	495	581	620	744
Singapore	877	972	1,422	2,125	4,001	5,425	6,054	7,379	8,446
Thailand	530	633	711	832	901	1,075	1,446	1,811	1,938
Vietnam	226	218	337	410	556	691	986	1,610	1,739
ASEAN Total	2,914	3,457	4,619	5,822	8,426	10,411	12,607	16,414	19,141
China	831	952	1,975	2,955	5,616	6,759	8,322	10,871	9,354
Japan	1,794	1,510	1,864	1,709	2,128	2,481	2,868	3,858	3,026
South Korea	451	471	645	765	1,042	1,827	2,518	2,861	3,952
Northeast Asia Total	6,282	5,822	7,864	9,387	13,223	16,226	19,418	26,502	25,449
Australia	406	418	504	584	720	821	925	1,152	1,439
New Zealand	63	62	68	86	93	142	496	159	189
East Asia Total	494	507	604	704	860	1,005	1,482	1,413	1,754
Indian imports from Asia (values in US\$ million)									
Indonesia	910	1,037	1,381	2,122	2,618	3,008	4,182	4,821	6,666
Malaysia	1,177	1,134	1,465	2,047	2,299	2,416	5,290	6,013	7,185
Myanmar	182	374	336	409	406	526	783	809	929
Philippines	63	95	124	122	187	235	167	205	255
Singapore	1,464	1,304	1,435	2,085	2,651	3,354	5,484	8,123	7,655
Thailand	338	423	379	609	866	1,212	1,748	2,301	2,704
Vietnam	12	19	29	38	87	131	167	174	409
ASEAN Total	4,147	4,387	5,150	7,433	9,115	10,884	18,108	22,675	26,203
China	1,502	2,036	2,792	4,053	7,098	10,868	17,475	27,146	32,497
Japan	1,842	2,146	1,836	2,668	3,235	4,061	4,600	6,326	7,886
South Korea	894	1,141	1,522	2,829	3,509	4,564	4,803	6,045	8,677
Northeast Asia Total	5,618	6,617	7,804	11,816	16,674	23,141	31,532	44,785	58,456
Australia	1,063	1,306	1,337	2,649	3,825	4,948	7,000	7,815	11,098
New Zealand	79	82	76	79	128	217	266	336	424
East Asia Total	1,182	1,394	1,423	2,751	4,050	5,281	7,575	8,356	11,788

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

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

Table 9.4. Approvals of Indian direct investments in joint ventures and wholly owned subsidiaries in Asia from April 2002 to 2009 (US\$ million)

Country	2002–3	2003–4	2004–5	2005–6	2006–7	2007–8	2008–9	Total
Singapore	46.8	15.9	239.3	200.5	1085.6	8360.5	4282.6	14231.1
Australia	95.0	92.9	158.8	75.3	174.9	47.9	317.6	962.3
China	29.6	26.6	15.1	52.2	54.6	682.5	50.5	911.1
Thailand	7.7	7.4	3.5	3.4	93.4	21.6	91.3	228.3
Indonesia	0.1	19.3	80.8	7.9	31.3	6.8	59.4	205.7
Malaysia	0.8	1.4	4.9	4.4	14.6	67.5	77.8	171.4
Vietnam	0.06	0.04	0.06	–	76.22	3.38	32.873	112.6
Myanmar	–	4.3	–	–	59.1	–	21.2	84.6
Philippines	0.0	0.8	3.3	4.5	1.1	18.4	6.3	34.4
Japan	0.4	0.0	–	0.1	1.3	2.1	12.9	16.9
Cambodia	–	–	0.0	–	14.5	–	–	14.5
New Zealand	0.6	0.0	0.0	0.1	0.6	2.7	0.6	4.7
South Korea	–	–	1.6	–	0.7	–	–	2.3
Laos	–	–	–	–	–	2.0	0.0	2.0

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

Source: Ministry of Finance, Government of India, Department of Economic Affairs: IC Section, available at http://finmin.nic.in/the_ministry/dept_eco_affairs/icsection/Annexure_5.html

improved transport links (which will require an estimated total investment of US\$50 billion).⁶¹

Nonetheless, barriers remain, including Japanese concerns about Indian government inefficiency and lack of transparency, lack of infrastructure, and the difficulty in acquisition and utilization of land.⁶² In fact, Japan's share of total FDI inflows in India has dropped from 13.15 per cent in 2002–3 to 1.5 per cent in 2008–9 as some other Asian countries, notably Singapore, have dramatically increased their own investments.⁶³

Thus, while both polities are rooted in Western-originated democratic structures, the societies of India and Japan, even more than their economies, could not be more different. Japanese visitors to India, including business executives, are sometimes overwhelmed by the apparent chaos, noise, jostling, and the infrastructure deficits that are the antithesis of their own society. Partly for this reason, in spite of official mutual respect and ancient religious ties, the economic relationship has required hard work and is still not performing to its full potential.

South Korea

Although South Korean investment in India was low in 1991, it rose to equal that of Japan thereafter.⁶⁴ The South Korean automobile maker Hyundai was able to create a wholly owned subsidiary in India for a total investment of US\$700 million. In contrast with most foreign manufacturers, which established plants in India in order to gain access to the domestic market, South Korean firms have localized their production of components and parts and

used local labour, resulting in lower labour costs for global production and export.⁶⁵ Bilateral trade tripled between 1990 and 2000.⁶⁶ This subsequently accelerated further: between 2000 and 2009, Indian imports, particularly of machinery, from South Korea increased from US\$451 million to over US\$8.6 billion. Several Korean construction companies are currently engaged in highway, power plant, chemical, petrochemical, and metro rail projects in India. In contrast, although in February 2004 Tata Motors acquired Daewoo Commercial Vehicles in South Korea at a cost of US\$102 million, India does not figure among the major foreign investors there.⁶⁷

In 2005 the Korean Pohang Steel Company (POSCO), the fifth largest steel maker in the world, agreed to set up a steel plant in Orissa involving the largest foreign direct investment in the country—an estimated US\$12 billion.⁶⁸ However, to the frustration of POSCO, its implementation has been stymied by challenges pertaining to land acquisition and resettlement of local communities, a reminder that local as well as national politics in India, and issues related to land scarcity, cannot be ignored by foreign economic actors.⁶⁹

South Korea and India signed a Comprehensive Economic Partnership Agreement (CEPA) in August 2009, the first such economic agreement for India with a member of the Paris-based Organization for Economic Cooperation and Development (OECD). It promotes, *inter alia*, the increase in Korean FDI inflows into Indian manufacturing sectors, and inflows of professionals from India to Korea.⁷⁰ But Suparna Karmakar notes: 'Unlike Korea's trade with China, where the Chinese bilateral deficit with Korea is compensated by China's trade surplus *vis-à-vis* the rest of the world, Korean exports to India are unlikely to be exported onward. Korean investments into India are... market-seeking as opposed to efficiency-seeking FDI to China.'⁷¹ Therefore, while the middle-class consumer in India will certainly benefit from the CEPA, it is unlikely to improve the trade balance.⁷²

Overall, South Korea, with fewer cards to play than Japan, has in many ways been more entrepreneurial in India and is likely to reap the rewards as a result. Potential also exists to increase trade in services between the two countries, a particular opportunity for India.⁷³ This will require work on both sides to reduce various tariff and non-tariff barriers and further efforts by India to match Korea's success in accessing the Indian market.⁷⁴

China

The economic relationship between India and China has been discussed in Chapters 4 and 6. Suffice it to note here that, of relevance to the rest of Asia, since the turn of the century, China has quietly emerged as India's most important trade partner. In the past decade, particularly since China's entry into the WTO in 2001, Sino-Indian trade has grown from just under US\$3

billion in 2001–2 to over US\$41.8 billion in 2008–9.⁷⁵ China and India are ideally suited as trading partners given India's technology and services-oriented companies complementing China's manufacturing and infrastructure prowess.⁷⁶ There is considerably greater potential in the relationship, particularly if India can bring itself to relax investment strictures on Chinese firms in so-called strategic sectors, some of which appear at a distance to be fancifully so labelled. Meanwhile, none of India's IT heavyweights, such as Tata Consulting Services (TCS), Wipro, Infosys, and Satyam have been able to make a dent in the Chinese domestic software market.⁷⁷ Nevertheless, Indian and Chinese investment links have been growing, with Indian companies such as TCS and Infosys setting up major global sourcing bases in China, and telecommunications giant Huawei setting up large R&D bases in India.⁷⁸ A number of Indian investors have established joint ventures, including Ranbaxy and Aurobindo Pharmaceuticals, while others have set up wholly owned ventures, including Infosys and Essel Packaging.⁷⁹

Controversially, the trading relationship is increasingly tilted in favour of China and is reflected in India's growing trade deficit. Amardeep Athwal writes: 'The fact... that Indian exports, [are] dominated by iron ore exports raises overall doubts about the sustainability of the current high rate of and volume of bilateral trade growth... There needs to be a move [to]... an increase in the share of manufacturing and low, medium and high technology items.'⁸⁰

On the whole, while the relationship between these two Asian giants is a tense one at the political and security levels, the thriving and rapidly growing trade relationship with, sooner or later, greater cross-investment to follow is a very hopeful development for both countries and for the rest of Asia, helping to build the dynamism of the continent as a whole, which may well prove self-reinforcing over many decades. The big story in Asia involving these two giants of the continent is one of economic and strategic competition which could prove quite beneficial to Asia overall, if played out peacefully, as seems likely into the foreseeable future.

Australia and New Zealand

Since 2000, economic relations between India and Australia have shown a dramatic increase, after a disappointing performance in the 1990s.⁸¹ Trade has grown from just under US\$1.5 billion in 2000 to over US\$12.5 billion by the end of 2009.⁸² In fact, India was Australia's fourth largest merchandise export market and seventh largest merchandise trading partner in 2008–9. Trade between both countries has been rising at 30 per cent annually. However, the trade balance favours Australia due to natural resources and education. Like Indian FDI in Australia, Australian FDI in India remains low at US\$281.64 million.⁸³

The economic relationship between New Zealand and India has been steady, but lacking momentum.⁸⁴ Even though India's 1998 nuclear tests evoked a strong reaction from New Zealand, economic relations remained on track.⁸⁵ However, high Indian tariffs on items of interest to New Zealand, particularly value-added products, continue to restrict exports to India. India's employment of non-tariff barriers, particularly sanitary and phytosanitary barriers, have also restricted New Zealand exports to India.⁸⁶ Between 1999–2000 and 2008–9 bilateral trade grew from over US\$160 million to over US\$612 million, but the two countries could do better and know it: they have initiated talks for an FTA to increase investment and trade in services.⁸⁷

India, Australia and New Zealand, all having descended from the British Empire, share many values and structures inherited from London, willingly or otherwise. This creates a level of comfort between them not always present in India's bilateral ties. Australia and India, in particular, have made a success of their economic relationship which should continue to grow. India has for years now been eying Australian uranium supplies, which Australian policy currently precludes Canberra from selling.⁸⁸ However, Canada having moved to make uranium available to India in principle, Australia may soon follow suit.

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

Political and diplomatic ties

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

In the early 1990s, India's LEP was first initiated in earnest with Myanmar and marked by serious engagement with a military regime there on which it had frowned previously, having earlier supported the democratic aspirations embodied in Aung San Suu Kyi's political movement.⁸⁹ This shift in India's policy was the result of interest-based considerations relating to China's growing partnership with Myanmar and also India's need for help in fighting insurgencies in its own northeastern states and hopes for access to Myanmar's energy resources.⁹⁰ In 1992, India chose not to oppose Myanmar's readmission to the Non-Aligned Movement.⁹¹ In 1994, the two countries concluded an agreement to maintain peace on their border.⁹²

In recent years, Delhi has openly indicated that the development of India's northeast and the containment of the insurgencies there are vital interests, and a pillar of its LEP.⁹³ Indeed as Carleton University scholar Archana Pandya comments: 'The "Look East" policy, designed to serve national Indian interest, might better integrate the north-eastern Indian states. As orphans of the Union in terms of economic development and Delhi's sustained attention, these states should be on the front lines of a policy seeking greater cooperation to India's East.'

India's new 'realist' approach to ties with Myanmar translated a wider sense in Delhi that its relations with Southeast Asia were now too important to be governed by either sentiment or policy inertia.

Further, during the early 1990s diplomatic exchanges grew between India and Asian countries, marked by many bilateral visits and multilateral engagements in the region.⁹⁴ India stepped up its engagement with regional organizations including ASEAN. By the early 1990s, ASEAN, despite having achieved little in terms of regional economic integration, and even less in coordinating foreign policy, had proved strikingly successful in casting itself as the critical regional organization of Asia (in the absence of any other credible ones). It had successfully engaged the major powers in dialogue, a process formalized in 1994 through the ASEAN Regional Forum (ARF) that meets in conjunction with ASEAN Summits and gathers ministers of many significant countries, including the USA, China, Russia, and India.⁹⁵ Bilaterally, while India's relations with Indonesia have been important, its stalwart allies within ASEAN have more consistently been Singapore, Malaysia, and Thailand.⁹⁶

India's Pokhran II nuclear tests resulted in varying reactions amongst Asian nations. During the Manila ASEAN Summit of July 1998, two viewpoints emerged among ARF members: those who wanted to impose sanctions against India (Japan, Australia, Canada, Philippines, Thailand, and New Zealand) and those who advocated a more benign attitude (Singapore, Vietnam, Malaysia, and Indonesia). The absence of consensus resulted in a weak resolution deploring the tests.⁹⁷ Soon, reflecting the growing confidence between India and ASEAN members, India's relationship with ASEAN was upgraded to Summit-level interaction in 2002. But not much has come of ideas on fostering closer cooperation in reforming international institutions or on an Open Skies Agreement.⁹⁸

Bilaterally, India's ties with Japan were shaken by India's nuclear tests, given Japan's history as the only country against which nuclear weapons have been used: ODA to India was suspended, and Japan opposed financial support for India from the multilateral institutions in which it had a say.⁹⁹ Tokyo declared that the normalization of relations could not occur unless India signed the Comprehensive Test Ban Treaty.¹⁰⁰ However, India's spat with Japan was

short-lived. In August 2000, Prime Minister Mori Yoshiro made a historic visit to India and there was soon an exchange of visits by Defence ministers.¹⁰¹

In 2004, India and Japan launched a joint bid to secure permanent seats on the United Nations Security Council, along with Germany and Brazil, as 'the Group of Four'. However, while the USA supported the Japanese bid, China in effect blocked Japan's accession to a permanent seat and, given the joint nature of the Security Council reform initiative in which Japan and India were both stakeholders, the reform was stymied.¹⁰² Nonetheless, the Indian and Japanese prime ministers have been working to strengthen 'one of the most underdeveloped relationships among Asia's major powers'.¹⁰³

In the south Pacific, Australia reacted to India's nuclear tests by taking stern measures including the suspension of official visits to India. This in turn fuelled a strong response from India, which suspended military cooperation. But, as with Japan, relations soon began to normalize and were cemented by a visit to India by Prime Minister John Howard in July 2000.¹⁰⁴ While Australian uranium sales are still precluded by Canberra, this could, as noted above, soon change. The relationship has also been undermined by attacks on Indian students in Australia during the years 2008–10 seen in India as racist (even though some of them were committed by others of South Asian origin).¹⁰⁵ Another, generally unspoken Indian reservation over Australia relates to scepticism about Australia's claim to be a full Asian player. But a major asset has been the shared passion for cricket.

As noted in Chapter 6, China, after initial irritation over the Indian government's claims that the Pokhran tests were justified by the 'China threat', hardly skipped a beat in working to improve ties with India, including declaring itself neutral in the 1999 Kargil war between India and Pakistan. The Indian President visited Beijing in 2000, and in 2005, China recognized Sikkim as part of India. Bilateral cooperation between India and China in international and regional affairs has been strengthened through close coordination on issues such as climate change, the Doha Round talks, energy and food security, and the international financial crisis (notably in the G-20), a reassuring pattern for other Asians even when they do not agree with the resulting joint positions and strategies.¹⁰⁶ Clashes between India and China, whether in bilateral or multilateral settings, would inevitably be bad for business in Asia.

Regional groupings and forums

Beyond ASEAN, India has joined Asian countries in other regional groupings. One such grouping, launched in 1997, is the Bay of Bengal Initiative for Multi-sectoral Technical and Economic Cooperation (BIMSTEC). Involving Bangladesh, Myanmar, Sri Lanka, Thailand, Bhutan, Nepal, and India, BIMSTEC aims

inter alia at promoting subregional cooperation in trade, investment, and technological exchange.¹⁰⁷ For India, the development and integration of its northeast region has been an underlying motivation for its engagement under BIMSTEC.¹⁰⁸ While a proposal for expanded rail links could prove a concrete way of giving expression to such high-minded sentiments, to date, BIMSTEC's achievements remain disappointing.¹⁰⁹

Another such grouping, through which India engages several Southeast Asian countries, is the Mekong Ganga Cooperation (MGC) forum, launched in 2000 and including as members Myanmar, Thailand, Cambodia, Vietnam, and India. Closer economic cooperation is the main stated objective. Progress under the MGC has been torpid. Thailand, one of the key initiators and funders of the MGC has lost interest in the grouping after it established the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy in 2003 (bringing together the same group of countries minus India).¹¹⁰ Thus, unsurprisingly, India is not a major player in comparison with the Greater Mekong Sub-region, in which China is the dominant actor.¹¹¹

Looking beyond subregional groupings, in 2003, Indian Prime Minister Atal Bihari Vajpayee proposed an Asian Economic Community (AEC). The concept was refined by Manmohan Singh, who championed the vision of an AEC serving as 'an arc of advantage, peace and shared prosperity in Asia across which there will be large scale movement of people, capital ideas and creativity'.¹¹² In 2005, a forum for dialogue on broader cooperation within Asia was established when India joined the heads of state or government of fifteen other countries (including ASEAN member countries, Australia, China, Japan, South Korea, and New Zealand) as one of the founding members of the East Asia Summit in Kuala Lumpur.¹¹³ This forum may represent a first step towards the eventual creation of an AEC.¹¹⁴ However, even if cast as the culmination of the Look East Policy, the AEC concept has made little substantive headway.¹¹⁵ The future multilateral architecture within Asia remains moot, with rival Chinese, Australian, and US-originated schemes for Asian economic integration being discussed in 2010, and the AEC concept attracting less attention. Such schemes include the Chinese proposal for an East Asian FTA and an American proposal for a Free Trade Area in the Asia-Pacific region (under the aegis of the Asia-Pacific Economic Cooperation forum—APEC), neither of which would include India. Aside from these, a recent Australian proposal for an Asia-Pacific Community, which would include India, has also been the subject of much discussion and debate.¹¹⁶

One key multilateral institution of the Asia-Pacific region, to which India was initially indifferent and which it has since then been unsuccessful in joining, is the Asia-Pacific Economic Cooperation forum (APEC), established in 1989 with twelve members aiming to promote trade and strengthen regional economic cooperation.¹¹⁷ Although APEC is in many ways an ineffective talk-shop, it

does gather many global leaders.¹¹⁸ India has been keen to join since the mid-1990s but, in 1997, a moratorium was placed on new membership for ten years. Australia has championed Indian membership, but could not forestall a further three-year moratorium. As of 2010 Cambodia and Laos seemed best placed to achieve membership.¹¹⁹ Notwithstanding APEC's identity as primarily a Pacific Rim organization, India's chances of eventually joining seem good given its growing economic clout, although the prize may seem disappointing once secured.¹²⁰

Worth mentioning is India's intense interest in the Shanghai Cooperation Organization, launched in 2001 and including China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan, in which India (along with Iran, Pakistan, and Mongolia) has secured observer status but not full membership. It is centred on a region with which India has rich historic links and one that offers a wealth of natural resources. One expert opines that 'the driving forces for India to engage with this organization are mainly the emerging new security challenges in Afghanistan and Pakistan, and the need to keep watch over developments within this regional organization where China has been increasing its influence', but economic imperatives are at least as compelling.¹²¹ Suffice it here to note that an institution including China and Russia within India's wider neighbourhood but excluding India is of neuralgic sensitivity for Delhi.

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

Geostrategic considerations and defence ties

Impelled by its quest for cooperation on counterterrorism, humanitarian relief, anti-piracy, maritime and energy security, confidence building, and balancing of influence with other powers, particularly China, India has stepped up its political and military engagement with East and Southeast Asia.¹²² Most of the countries in Southeast Asia have unsettled maritime boundaries or have articulated claims to offshore assets, islands, or seabed resources. And some of the world's busiest sea-lanes are located in this region.¹²³ About 20 per cent of the world's oil supply transits through it daily.¹²⁴ These factors, combined with China's growing influence in the region, doubtless inspired at least some in ASEAN to regard India as a useful partner to offset China.¹²⁵ Although

Singapore had once considered the Indian navy to be a threat, since 1993 it has regularly participated in naval exercises with it, and also used Indian facilities to test some of its armaments. Similarly, Malaysia signed a Memorandum of Understanding with India in 1993 on defence cooperation.¹²⁶

Several security concerns revolve around the Indian Andaman and Nicobar Islands both for India and its Asian neighbours, including the plunder of valuable resources, piracy, narcotics trade, gunrunning, and terrorism. Foreign fishermen poach wildlife of all kinds.¹²⁷ And India has been 'particularly concerned about gun-trafficking activities in the Andaman Sea, as the weapons mostly end up in the hands of rebellious ethnic groups running secessionist movements in northeast India through the long permeable borders India shares with Myanmar.'¹²⁸ Organized crime elements from the Golden Triangle countries (spanning Thailand, Laos, and Myanmar) have been using the Andaman Sea as a staging area for their operations. Delhi also shares a fear with littoral states of Southeast Asia that terrorist groups could disrupt maritime traffic.¹²⁹ India patrols the Andaman Sea jointly with Thailand and Indonesia.¹³⁰

India's concern about terrorism in Southeast Asia further stems from the imperatives of energy and supply chain security. Faced with growing energy requirements, but trying to reduce its dependence on energy sources from the Middle East, India has looked to Asian nations such as Indonesia, Vietnam, and Myanmar for supplies and is interested in energy supplies from Russia that could travel the Asia maritime route. Thus, the security of shipping through these sea-lanes is vital for India.¹³¹

Aside from terrorist threats at sea, India and Southeast Asian countries have particularly been victims of terrorist attacks by several Islamist militant groups, including Al Qaeda, the Abu Sayyaf Group, and the Moro Islamic Liberation Front (Philippines), and Laskar Jihad and the Free Aceh Movement (Indonesia). Presently, the Jamaah Islamiyah is the largest terrorist organization operating in five countries—Indonesia, Malaysia, Singapore, Thailand, and the Philippines. In recent years it has perpetrated acts of terror in Bali and Jakarta.¹³²

India is well positioned to assist in Indian Ocean security given its increasingly strong navy.¹³³ Despite concerns in the past, a larger role for the Indian navy now appears more acceptable in the region. Indeed, the Indian navy is engaged in multinational exercises at Port Blair to promote confidence-building among several Asian and Pacific countries from as far afield as New Zealand.¹³⁴

Regarding disaster relief, '[t]he Indian navy in particular has been at the cutting edge of India's engagement with the region—as was evident from its ability to deploy quickly to areas hit by the tsunami at the end of 2004'.¹³⁵ India, along with the USA, Japan, and Australia formed a coalition to help the

Tsunami affected area—spawning the term ‘Tsunami Diplomacy’—that was seen by some as aimed indirectly at China.¹³⁶

ASEAN's approach to external security is primarily ‘institutionalist’.¹³⁷ The ARF has been the key regional security institution within which India has been able to engage Southeast Asia as a whole. However, its Confidence Building Measures (CBMs) have been unconvincing and serious differences have arisen over moving beyond them to preventive diplomacy. Neither in the case of the East Timor crisis nor the North Korean nuclear imbroglio did the ARF play any role.¹³⁸ Understanding these limitations, India is building relationships in Asia through a multiplicity of channels.

Bilaterally, India has cooperative arrangements with several countries stretching from the Seychelles to Vietnam. Since 1991, India has periodically held joint naval exercises with Singapore, Malaysia, and Indonesia in the Indian Ocean and in subsequent years with Vietnam, Thailand, and the Philippines.¹³⁹ India is particularly deepening its military ties with Malaysia.¹⁴⁰ The signing of a defence cooperation agreement with Singapore in 2003 has made the city-state India's most important bilateral security partner in Southeast Asia.¹⁴¹ Indeed, Singapore, with its high quality research institutions and university-based think-tanks, has become an important centre of strategic thinking about India's role in the Indian Ocean and Asia, often drawing on temporarily resident premier Indian scholars and commentators, in recent years including C. Raja Mohan, Sanjaya Baru, and S. D. Muni.¹⁴²

Military contacts between India and Japan have developed significantly in recent years. Their navies and coast guards have engaged in joint exercises.¹⁴³ India and Japan elevated their relationship to a ‘Strategic and Global Partnership’ in August 2007,¹⁴⁴ and subsequently agreed to annual bilateral naval exercises among several other activities.¹⁴⁵ Given that more than 50 per cent of India's trade and more than 80 per cent of Japan's oil imports transit through the Strait of Malacca, both countries share a significant stake in the security of the Indian Ocean.¹⁴⁶ Also, the military build-up undertaken by Beijing in the past decade concerns both. In the near future, China's armed forces could overtake Japan's as the foremost military actors in northeast Asia.¹⁴⁷

India's defence ties with South Korea have also been deepening as a result of strategic imperatives. South Korea is particularly concerned that China's ongoing military build-up will enable it to dominate the sea-lanes of the South China Sea, which would undercut its political independence from China significantly. Moreover, both nations are also united in their concern about the proliferation of nuclear weapons and missile technology in their respective regions. These worries converge on China, which has aided both Pakistan and North Korea with their nuclear weapons programmes.¹⁴⁸ Thus, South Korean policymakers are open to India's overtures.

An active India–ROK Foreign Policy and Security Dialogue has been established, in part focused on defence cooperation.¹⁴⁹ India and Korea decided to enhance their relationship to a strategic partnership on 25 January 2010.¹⁵⁰

Following the gradual improvement in Sino-Indian relations and some cross-border confidence-building measures during the 1990s, defence cooperation has expanded in the last decade.¹⁵¹ Along with increasing exchange between defence officials, the two nations have conducted a number of joint military and naval exercises, sometimes also involving other countries.¹⁵² These efforts are helpful by introducing shock-absorbers into a bilateral security relationship that remains tense and focused to a large extent on worries about strategic encirclement of each by the other. Islamic terrorism is an issue on which Indian and Chinese concerns have converged, particularly in the sensitive regions of Kashmir and Xinjiang.¹⁵³ While actual collaboration has been slight, joint counterterrorism training was held in November 2007 and in 2008.¹⁵⁴

New Zealand has modest defence links with India that have been marked largely by interaction between their navies, with ship visits and naval exercises.¹⁵⁵ In recent years, Australian leaders have recognized India's potential in the security architecture of the wider Asia-Pacific region and the converging interests of both nations in many areas.¹⁵⁶ As a result, a series of agreements in 2006 and 2007 on joint naval exercises, enhanced maritime security cooperation, increased military exchanges, and joint training of the two nations' armed forces were established.¹⁵⁷ In November 2009, the Prime Ministers of India and Australia issued a joint statement upgrading relations to the level of 'Strategic Partnership'.¹⁵⁸

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

[t]he important question is not whether India will ever match the power potential of China, nor is it a question of East Asia seeing India as a 'counterweight' to China. So long as Indian economic growth continues at a fast pace, and New Delhi modernises its military capabilities and builds a blue water navy, it will remain a valuable partner for many states of the Asian littoral. A rising India generates options that did not exist before in the Western Pacific... [India's] emphasis on pragmatic cooperation rather than ideological posturing and its cooperative maritime strategy make it a valuable security partner for many nations in Pacific Asia.¹⁵⁹

'Soft power' ties

The power of attraction exerted by cultural affinities and shared values can greatly contribute to international credibility. India's soft-power potential lies, among other things, in its democratic credentials, secular values, pluralistic society, considerable pool of skilled English speaking professionals, varied culture (particularly Bollywood movies), and its food and handicrafts.¹⁶⁰ India, over millennia, has offered refuge and, more importantly, religious and cultural freedom, to Jews, Parsis, several varieties of Christians, and Muslims.¹⁶¹ In the post-Independence period, India failed to play successfully on its cultural ties to the Asian region. Indeed, its cultural diplomacy then was perceived as somewhat gauche in Asia, insofar as it seemed to suggest that some Southeast Asian countries were India's 'cultural colonies'.¹⁶² Moreover, Indian foreign policy initiatives arguing for Asian solidarity failed to gain traction because East and Southeast Asian nations had no desire to subordinate their national identities to high-minded notions of Asian regional unity; nor did they agree with the claim that India was the 'mother of all civilisations' in Asia.¹⁶³

Recognizing the need to shed these earlier notions of cultural superiority, India's has since the early 1990s engaged pragmatically with Asians on cultural and other issues. Today, India's cultural appeal is evident globally, and particularly in Southeast Asia through the positive resonance of its films, dance, and music: 'India's film stars like Amitabh Bachchan, Aishwarya Rai or Shah Rukh Khan have become icons of India's cultural image. If, today their "presence" in millions of homes across Southeast Asia is a source of joy and fellow feeling, then their contribution to enhancing the comfort level between India and Southeast Asia cannot be insignificant.'¹⁶⁴ Cricket has also fostered strong relations between India and some other Asian nations beyond its immediate neighbourhood. The new Indian 20/20 League, in which New Zealand and Australian players participate, has attracted wide interest in those countries and in some other Asian nations. The October 2010 Commonwealth Games in Delhi (in which the city and country invested tremendously) were intended, in spite of construction delays, rumours of corruption, and many other vicissitudes, to prove a major selling point with the many Asian and Pacific Commonwealth countries as with others.¹⁶⁵ All of these factors generate 'pull' for India, in ways having little to do with economic growth or military might.

India has set up Cultural Centres in Asia to enhance awareness of its rich and diverse cultural heritage and its local relevance.¹⁶⁶ Each year the Indian Council for Cultural Relations (ICCR) sends performing arts groups to participate in festivals around Asia. The year 2007 was declared 'Indian-Japan Friendship Year'. Overall, nearly 400 events were arranged in the two countries throughout that year.¹⁶⁷ 2009 witnessed the Festival of India in Indonesia on a similar scale.¹⁶⁸

India’s youth is a crucial asset, and Asia is sensitive to it. ‘[The] new, optimistic, aspirational India is clearly the India of the young. The entrepreneurs, who are coming into prominence across industries, from telecommunications to banking to manufacturing, are remarkably youthful... It is the power and energy of our human capital, young and old, that has been central to the Indian transformation.’¹⁶⁹ Thus, unsurprisingly, in Singapore, the finance and IT sectors welcome young Indians with open arms and many companies, banks, and financial institutions have started visiting top Indian campuses for recruitment purposes.¹⁷⁰ Indeed, India has emerged as an important source of skilled workers in much of Asia.¹⁷¹

In Southeast Asia, efforts are currently afoot to promote ‘networking of universities [by] the linking of Indian higher education institutions with the ASEAN University Network, cooperating on accreditation, joint research, exchange of professors, and experts and students in information technology, biotechnology, biomedics, and the social sciences, including economics.’¹⁷² Moreover, India provides wide-ranging scholarships for Asian students in India, particularly through the ICCR. The Indian government also helps in the establishment of chairs related to India and its languages in universities of Southeast Asia.¹⁷³

Outside Southeast Asia, growing cooperation on education is taking place through exchanges and recruitment of Indian students in South Korea, New Zealand, Singapore, and, particularly, Australia. For Indians, Australia is the number two destination for overseas study after the USA.¹⁷⁴ In 2009 alone there were over 120,000 Indian students enrolled in Australia and enrolments there have increased at an average annual rate of 41 per cent since 2002.¹⁷⁵

India’s MEA has sought to underpin cooperation with developing countries through its Indian Technical and Economic Cooperation (ITEC) programme, which focuses on technology transfers and capacity building at the bilateral level. For example, around one thousand Indonesian experts and officials have received training under this programme.¹⁷⁶ In recent years the scope of ITEC’s activities has increased and it has also engaged with ASEAN, BIMSTEC, and the MGC.¹⁷⁷ In 2008–9, 25 per cent of the total MEA budget was allocated to the programme.¹⁷⁸

The Indian Diaspora

The Indian Diaspora is a crucial actor in India’s influence in Asia. Southeast Asia alone accounts for an estimated 6.7 million people of Indian origin.¹⁷⁹ The significant economic resource represented by Diaspora and migrant labour remittances back to India has guided much of Delhi’s effort to engage this large community. Between 2007 and 2008, these remittances increased by nearly 45 per cent, and they proved robust even during the 2008–9 global

economic crisis, with the two main sources of remittances being the Gulf and Malaysia.¹⁸⁰ But while the remittances are much welcomed by India, the treatment of Indian citizens (and, in the case of Malaysia, citizens of Indian origin) by host countries can give rise to criticism within India, often with considerable justification. The power struggle between ethnic Indians and indigenous islanders in Fiji over past decades has soured diplomatic relations between the two countries, not least when the ethnic Indian community was adversely affected by the coups of 1999 and 2000 in Suva. In response, the Indian government exerted what diplomatic pressure it could through bilateral and multilateral channels (including the Commonwealth) but was accused by the interim Fijian government of interference, resulting in the closure of the Indian High Commission in Suva.¹⁸¹ In fact, India has developed scant capacity to guarantee the basic labour rights and promote the interests of its Diaspora communities: 'given its myriad domestic challenges . . . it is unrealistic to expect that it [India] can influence events in other countries on behalf of its people'.¹⁸²

Similarly, attacks against Indian students in Australia have of late been a source of tension between Canberra and Delhi. With education being Australia's third largest export commodity and Indian students making up 19 per cent of international enrolments, these attacks were worrying for both countries, with Canberra fielding diplomatic damage control visits to India in 2009 and subsequently.¹⁸³ Agreement ensued on an annual ministerial exchange between the two countries on education issues.¹⁸⁴ Thus, although the large Indian community in Australia is locally perceived mostly as a positive factor, it has also been one that has heightened tensions between the two nations.

Overall, the people-to-people links that form between Diaspora communities and other countries are important and positive. Ethnic Indians have achieved a great deal in political, business, and professional fields in Asia.¹⁸⁵

Tourism

Tourism, particularly religious tourism, is another existing but potentially much greater asset in India's relations with Asian nations. Buddhist tourism, already a major draw, has significant potential to generate further arrivals from Asian markets.¹⁸⁶ In mid-2007, the Indian Railway Catering and Tourism Corporation launched a new Buddhist circuit special luxury train and Japanese investors are bankrolling an integrated approach to develop tourism infrastructure along the Buddhist circuit.¹⁸⁷

The flow of tourists between Asia and India has increased both in absolute numbers and in relative terms in recent years, although not yet dramatically.

Tourist arrivals from East Asia and the Pacific to India increased from over 390,000 in 2003 to more than 820,000 in 2007.¹⁸⁸ Similarly, the percentage share of Indian tourists travelling to Asia has increased in recent years (see Figure 9.1). But the largest markets for Indian inbound tourism remain the US, the UK, and Bangladesh.¹⁸⁹ Worth noting is the negligible flow of visitors between India and China. Although direct flights between India and China began in 2002, in 2007, the two nations with a combined population of over two billion exchanged only 570,000 visitors, with only 60,000 Chinese visitors coming to India.¹⁹⁰

India can do much better in attracting tourists from Asia, but this will require a better understanding of the value-for-money available in other Asian tourist destinations, and the minimum requirements of comfort and facilities that Asian tourists, including from China, have come to expect during their travels abroad. India’s often over-priced, sub-par hotel accommodations, combined with sometimes chaotic local conditions for tourists, and unsympathetic state bureaucracies in charge of many tourist sites, are

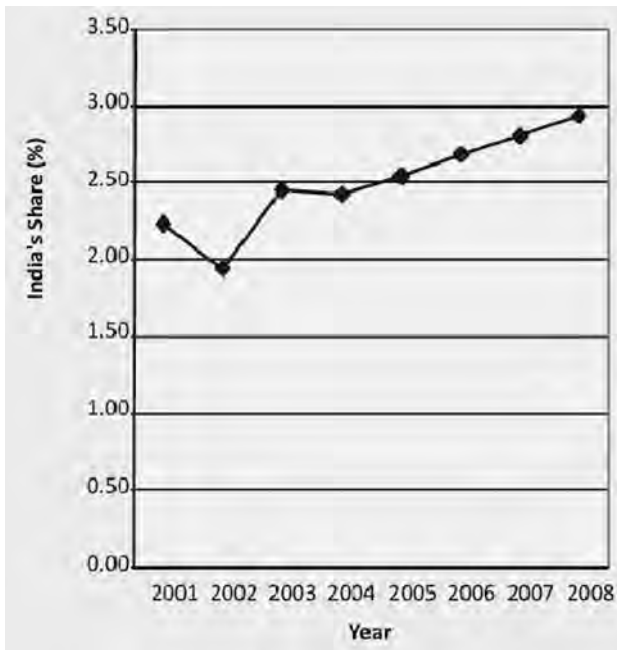


Figure 9.1. Percentage of Indians among international tourist arrivals in Asia and the Pacific

Note: This graph is based on data collected by the United Nations World Tourism Organization (UNWTO). Asia and the Pacific includes all countries in Northeast Asia, Southeast Asia, South Asia, and Oceania.

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

hardly the Asian ideal for family holidays, even when the archaeological and other attractions themselves are often stupendous. Indeed, if these concerns remain unaddressed, the 'Incredible India!' conveyed in the excellent Indian tourism promotional campaign is destined to remain in reality the 'incredibly inconvenient and expensive' India for many Asians.¹⁹¹

Conclusions

India has not yet made the best of its assets in Asia. Its forms of societal organization, occasional unrest, sometimes unfathomable local politics, and sudden spasms of violence—sometimes on a frighteningly large scale—often seem to repel other Asians, particularly East Asians, much more than India's attractive features appeal to them. Even the Indian avatar of corruption, a wider phenomenon present throughout nearly all of Asia in varying degrees, worries Asians insofar as the specifics of the interplay of incentives offered back and forth between private sector and official Indian actors is mysterious to outsiders and requires either considerable local intermediation by Indian business partners, or an admirable if potentially costly stance of 'clean hands' dealings. Indeed, for these and other reasons, Japanese private sector actors find themselves more comfortable dealing with India through Dubai, the latter's antiseptic characteristics acting as an antidote to India's strongly flavoured particulars. And, curiously, until recently, India has made little effort to make better known its own model of democracy, which, while messy and fractious, has provided resilient social shock-absorbers during a period of rapid economic transition and rising internal inequality in the country. As a pluralistic society, India has been able to demonstrate significant creativity in addressing the strains inherent in the rapid changes in its society. From an Asian perspective, Western models of democracy should not be nearly as relevant as the Indian one. India could share much of value about nation building and participatory politics in an Asian setting with other Asian nations, although it is not currently so inclined.

Pavan Varma writes: '[w]e [Indians] are emerging slowly as an important face in the areas of politics, economics and the military. In the field of culture, however, we have always been a superpower, given our civilizational depth and antiquity.'¹⁹² Nevertheless, there is more India can do to enhance its soft power in the Asian region. Sanjaya Baru notes: 'It is ridiculous that India has more diplomats posted in west European capitals than in [E]ast Asian ones! India needs deeper and wider engagement with rising Asia across many fields and on more fronts.'¹⁹³

The new guiding concept of India's Asia policy—the LEP—has certainly evolved since the early 1990s. Born in the context of a dramatically transformed

global order and during a time of national economic crisis, India's LEP, though narrowly focused on economic relations in Southeast Asia in its early years, has expanded to encompass multidimensional interaction with all of the major players in the East Asian region. (However, with so many of India's Asian relationships now being elevated to 'Strategic Partnerships', the term may soon cease to impart any real meaning.)

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

India's medium- and long-term strategy towards the region as a whole and towards individual countries is still tentative. This has also been true of India's approach to the area's regional organizations and arrangements, though India today has dropped its earlier sceptical view in favour of joining as many as seems sensibly possible (including a few formations that have not proved particularly convincing). In part as a legacy of its earlier stand-offish stance, India remains excluded from some important regional forums, which it will doubtless rectify in years ahead.

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

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