

# Look East to Act East Policy

**Implications for India's Northeast**

Edited by

**Gurudas Das and C. Joshua Thomas**

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This volume captures the success of India's Look East Policy (LEP) in promoting economic engagement with neighbouring countries in Asia and simultaneously its limitations in propelling growth in the bordering Northeastern Region (NER) — India's bridgehead to Southeast Asia. It analyses the instrumental role of LEP in bringing a tectonic shift in India's foreign trade by redirecting the focus from the West to the East, thus leading to a fundamental change in the nature of India's economic interdependence. Besides discussing foreign trade, it expounds as to how LEP made India play an important role in the emerging Asian security architecture and how it liberated Indian foreign policy from being centred on South Asia. The chapters also enumerate the reasons for LEP's failure in the Northeastern Region and chart out actionable programmes for course correction that might be factored into its latest edition — the Act East Policy.

This book will interest scholars and researchers of international relations, international trade and economics, politics, and particularly those concerned with Northeast India.

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# ABBREVIATIONS

ACFTA	ASEAN–China Free Trade Area
ADB	Asian Development Bank
A-D-K	Agartala–Dhaka–Kolkata
AEC	ASEAN Economic Community
AFSPA	Armed Forces Special Power Act
AFTA	ASEAN Free Trade Area
AH	Asian Highway
AIDS	acquired immune deficiency syndrome
APEC	Asia-Pacific Economic Cooperation
ARF	ASEAN Regional Forum
ASEAN	Association of Southeast Asian Nations
ATF	ASEAN Tourism Forum
AWB	Australian Wheat Board
BCIM	Bangladesh–China–India–Myanmar
BCM	billion cubic metres
BHEL	Bharat Heavy Electricals Limited
BIMP-EAGA	Brunei, Indonesia, Malaysia, Philippines East ASEAN Growth Area
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BIPA	Bilateral Investment Promotion Agreement
BISTEC	Bangladesh, India, Sri Lanka and Thailand Economic Cooperation
BNP	Bangladesh Nationalist party
BTILS	BIMSTEC Transport Infrastructure and Logistics Study
CARICOM	Caribbean Community
CEA	Central Electricity Authority
CECA	Comprehensive Economic Cooperation Agreement
CEP	Comprehensive Economic Partnership
CEPA	Comprehensive Economic Partnership Agreement

## ABBREVIATIONS

CEPT	Common Effective Preferential Tariff
CII	Confederation of Indian Industry
CLMV	Cambodia, Lao PDR, Myanmar and Vietnam
CLV-DT	Cambodia, Laos, Vietnam Development Triangle
CNPC	China National Petroleum Corporation
DGFT	Directorate General of Foreign Trade
DMIC	Delhi–Mumbai Industrial Corridor
DTT	Double Taxation Treaty
EAS	East Asia Summit
EIL	Engineers India Limited
ESCAP	Economic and Social Commission for Asia and the Pacific
EU	European Union
FDI	foreign direct investment
FPT	Financing and Promoting Technology
FTA	free trade agreement
GAIL	Gas Authority of India Limited
GDP	gross domestic product
GMS ECP	Greater Mekong Subregion Economic Cooperation Program
GMS EWEC	GMS East–West Economic Corridor
GMS	Greater Mekong Subregion
GW	gigawatt
HCIA	Hearing Care Industry Association
HCL	Hindustan Computers Limited
HIV	human immunodeficiency virus
HMT	Hindustan Machine Tools
ICC	Indian Chamber of Commerce
ICSSR	Indian Council of Social Science Research
ICSSR-NERC	Indian Council of Social Science Research-North Eastern Regional Centre
ICT	information and communications Technology
IDU	injecting drug use
IFAD	International Fund for Agricultural Development
IFFCO	Indian Farmers Fertiliser Cooperative Limited
IMCEITS	India–Myanmar Centre for Enhancement of IT Skills
IMT-GT	Indonesia, Malaysia, Thailand Growth Triangle
IOR-ARC	Indian Ocean Rim Association for Regional Cooperation
IWT	Inland Water Transport
JBIC	Japan Bank for International Cooperation
K2K	Kolkata to Kunming
km	kilometre

## ABBREVIATIONS

KMTT	Kaladan Multi-Modal Transit Transport
LCS	land customs station
LEP	Look East Policy
LNG	liquefied natural gas
LNP	Look North Policy
LSP	Look South Policy
MDONER	Ministry of Development of North Eastern Region
MEA	Ministry of External Affairs
MFN	most favoured nation
MGC	Mekong–Ganga Cooperation
MGCI	Mekong–Ganga Cooperation Initiative
MG-EC	Mekong–Ganga Economic Corridor
MI-B-NEI	Mainland India–Bangladesh–Northeast India
MICELT	Myanmar–India Centre for English Language
MIEC	Mekong–India Economic Corridor
MIEDC	Myanmar–India Entrepreneurship Development Centre
MOGE	Myanmar Oil and Gas Enterprise
MoU	memorandum of understanding
MPAC	Master Plan on ASEAN Connectivity
MSME	micro, small and medium enterprises
MW	megawatt
NALCO	National Aluminium Company Limited
NATO	North Atlantic Treaty Organization
NEC	North Eastern Council
NER	Northeastern Region
NFR	Northeast Frontier Railways
NGO	non-governmental organization
NHDP	National Highways Development Programme
NHPC	National Hydroelectric Power Corporation
NIEs	newly industrialized economies
NIIT	National Institute of Information Technology
NMDC	National Mineral Development Corporation
NSDP	net state domestic product
NT	normal track
NTPC	National Thermal Power Corporation
ODA	official development assistance
ONGC	Oil and Natural Gas Corporation
OVL	ONGC Videsh Limited
PWC	Pricewaterhouse Coopers
RCEP	Regional Comprehensive Economic Partnership
RITES	Rail India Technical and Economic Service
ROK	Republic of Korea
ROO	rules of origin

## ABBREVIATIONS

SAARC	South Asian Association for Regional Cooperation
SAFTA	South Asian Free Trade Area
SCO	Shanghai Cooperation Organization
SEBI	Securities and Exchange Board of India
SGD	Singapore dollar
SLOC	sea lanes of communication
SOM	senior officials meeting
ST	sensitive track
SWC	Southwest Region of China
SWC-M-B-NERI	Southwestern region of China, Myanmar, Bangladesh and NER of India
TAR	Tibet Autonomous Region
TARN	Trans-Asian Railway Network
TARSC	Trans-Asian Railway Southern Corridor
TCF	trillion cubic feet
TCIL	Telecommunications Consultants India Limited
TCL	Telecommunication Equipment Company Limited
TCS	Tata Consultancy Services Limited
TNC	Trade Negotiations Committee
TPP	Trans-Pacific Partnership
TTF	transport and trade facilitation
UEM	United Engineers Malaysia
UN COMTRADE	United Nations Commodity Trade
UNDP	United Nations Development Programme
UN-ESCAP	United Nations Economic and Social Commission for Asia and the Pacific
US\$	United States dollar
USSR	Union of Soviet Socialist Republics
VIFTA	Vietnam-India Free Trade Agreement
WTO	World Trade Organization
ZTE	Zhongxing Telecommunication Equipment Corporation

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# INTRODUCTION

*Gurudas Das and C. Joshua Thomas*

India's Look East Policy<sup>1</sup> (LEP) has yielded a rich dividend. India–ASEAN (Association of Southeast Asian Nations) trade has increased from about US\$10 billion in 2000 to US\$70 billion in 2011. India–ASEAN trade constitutes about 9 per cent of India's total global trade. Indian investments in ASEAN as well as ASEAN investments in India have also registered a significant growth. The free trade agreement (FTA) between India and ASEAN as well as India and some of the ASEAN member countries have created an enabling environment for the smooth development of multilateral as well as bilateral economic cooperation.

LEP has caused a tectonic shift in India's foreign trade. The direction of the focus of India's foreign trade has shifted from the West to East, leading to a fundamental change in the nature of India's economic interdependence. The rise of China, South Korea and the ASEAN during the past four decades, the slowdown of US economy due to the onset of deep recession following the sub-prime mortgage crisis that started in 2007 and the subsequent spread of the recession to EU that has aggravated the sovereign debt problem since 2008 have driven the Indian businesses to reorient their operations from the Western countries to their Eastern neighbourhood. Within a span of about two and half decades, Indian business backed by the economic diplomacy of the Indian government has changed the architecture of India's foreign trade.

Besides ASEAN, India's trade with other East Asian and Asia-Pacific countries has increased manifold. China has now become the largest trade partner of India. Bilateral trade with South Korea, Japan and Australia is also on the rise.

Apart from trade in merchandise, bilateral investment has also increased manifold particularly with Singapore, Malaysia, Indonesia, Thailand and Vietnam. India has become the largest recipient of Japanese official development assistance.

Besides economic engagements, the bilateral relationships with a number of ASEAN, East Asian and Asia-Pacific countries have been elevated



to strategic partnership level. While India is receiving investments, technology and resources from Japan, Singapore, South Korea and Malaysia, it is also helping the less developed Cambodia, Lao PDR, Myanmar and Vietnam (CLMV) countries by way of extending help in terms of investment, technology and services. Being a member of ASEAN Regional Forum and East Asian Summit, India is also playing an important role in the emerging Asian security architecture by way of entering into bilateral and multilateral defence, security and strategic cooperation. In fact, the LEP has liberated Indian foreign policy from being South Asia-centric and enabled to engage its neighbourhood in an enlarged expanse of strategic space.

However, India's trade with ASEAN, East Asia and Asia-Pacific countries mainly flows through sea routes. As a result, coastal states like Tamil Nadu, Andhra Pradesh and West Bengal are the principal beneficiaries and LEP has propelled growth in them. The continental route to ASEAN and East Asia that passes through India's Northeast has failed to attract the attention of the trading entities. As a result, in spite of having land border with the ASEAN, the states in India's Northeast have failed to reap any dividend. In fact, LEP, as of now, has bypassed India's Northeast in spite of it being the bridgehead to Southeast and East Asia. However, once the India-ASEAN physical connectivity projects like India-Myanmar-Thailand Trilateral Highway, which is expected to be extended to Laos and Cambodia, and Kaladan Multi-Modal Transit Transport (KMTT) Project, which envisages a direct trade corridor between Indian ports on the eastern seaboard and Sittwe port in Myanmar and then through riverine and road transport to Mizoram, are completed, the geographical isolation of the Northeastern Region (NER) will come to an end and the region will be poised to play a meaningful role in integrating India with Southeast Asia. Moreover, once the Stilwell Road is revived as part of the Bangladesh-China-India-Myanmar (BCIM) initiatives, the region might turn into a commercial hub as the overland connectivity between India and China will pass through it.

In order to integrate NER<sup>2</sup> with LEP, India has to play a proactive role in promoting the subregional development cooperation like Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) and BCIM, which envisage a role for NER in cross-border development initiatives. However, the metamorphosis of LEP into Act East Policy since 2014 would bring about a change if the new initiatives could reopen the traditional channels of communications between NER and mainland India through Bangladesh. As far as NER is concerned, Bangladesh occupies the strategic position in terms of both trade and connectivity. While revival of overland road and railway connectivity as well as waterways would reduce the cost of transportation of goods between mainland India and NER, the complementarity of resource bases between the hills of NER and plains of Bangladesh would expand the scope of trade in them that

## INTRODUCTION

will be beneficial for both the regions across the border. In spite of being mutually beneficial, the multimodal transportation linkages between NER and Bangladesh could not be achieved yet due to state-centric security perception of the political leadership in Bangladesh and myopic view of national interest in India. India's Bangladesh policy needs to factor into this dimension and be calibrated towards the achievement of this goal through renewed negotiations under the Act East Policy.

The acknowledgement of the centrality of NER in India's Act East Policy is a sine qua non for it to work for the development of this peripheral region. Accordance of the central status to NER would remain incomplete if the bordering states are not allowed to play the role of front head in Act East Policy. This requires provisioning of statutory space for bordering states in making the neighbourhood policy within the broad foreign policy framework of the country. Once the states are empowered to enter into business deals with the entities across the border, it would release tremendous entrepreneurial initiatives, leading to restructuring of trade and investment in both sides of the border.

Besides promoting subregional cooperation, productive capacity of NER also needs to be strengthened so that it does not become a victim of backwash effects once it is opened up. The fear that economic integration of NER with the South and Southeast Asian countries might make it the dumping ground of cheap foreign goods as it has hardly anything except raw materials to offer to others. While it does not make much sense to keep the region isolated on this count, one cannot deny the factual truth of this argument as well. The solution, thus, lies in the creation of productive capacity of the region so that the region can grow along the line of its comparative advantage. For this to happen, central investment under non-lapsable pool of resources needs to be meticulously planned so that a strong triadic linkage among resource, industry and trade could be created. A cursory look at the list of projects<sup>3</sup> funded under the non-lapsable pool of resources in different Northeastern states does not reveal any macro-planning of which the minor projects are part of, rather they appear to be piecemeal, unconnected and addressed to mitigate the local demands. Without undermining the local needs, it is important that resources are spent based on a macroplanning in order to strengthen resource–industry–trade connectivity so that the region is capable of producing something that it can offer to others. Unless the Act East Policy could synergize these external and internal requirements, the new initiative would merely be another lip service like its older version (LEP).

This volume is the product of compilation of selected essays presented in a two-day international seminar on 'India's Look East Policy and the North-Eastern Region: Strengthening the Continental Route', organized by Indian Council of Social Science Research-North Eastern Regional Centre, Shillong, during 21–22 March 2013. Two essays placed

in Chapters 7 and 14 have been subsequently added in order to make the volume comprehensive. A snapshot of the contributions that have gone into the making of the volume is in order.

Gurudas Das, Subodh Chandra Das and Ujjwal Paul, in their chapter entitled 'Look East Policy: economic engagements with ASEAN and East Asian countries', examine the performance of LEP in terms of trade between India and ASEAN. The authors note that LEP has caused a tectonic shift in India's foreign trade. The direction of the focus of India's foreign trade has shifted from the West to East, leading to a fundamental change in the nature of India's economic interdependence.

Besides multilateral engagement with ASEAN, India also accelerated efforts to engage the ASEAN member countries through bilateral mechanisms. The direction structure of India's ASEAN trade has, by and large, remained the same in spite of significant increase in trade with the countries hitherto having negligible trading relations. The volume of trade with Brunei, Cambodia and Laos has increased by 1,189, 8,554 and 3,527 times, respectively, in 2013–14 over 1990–91. This huge increase in volume of trade with these countries is due to the very low trading base in the initial years. A noteworthy increase in the volume of bilateral trade has taken place in case of Vietnam. The share of Vietnam in India's total trade with ASEAN has increased from about 2 per cent in 1990–91 to about 11 per cent in 2013–14.

As far as current bilateral trade is concerned, Indonesia has become the largest trade partner of India in 2013–14 with a share of about 27 per cent of India's total trade with ASEAN followed by Singapore (26 per cent), Malaysia (18 per cent), Thailand (12 per cent) and Vietnam (11 per cent). These five countries together account for about 93 per cent of India's total trade with ASEAN in 2013–14. They are also the major destinations of India's exports as well as source of India's imports among the ASEAN members. While Singapore has been the largest destination of India's exports followed by Vietnam, Indonesia, Malaysia and Thailand, in case of imports, Indonesia has been the largest source followed by Malaysia, Singapore, Thailand and Vietnam in 2013–14.

India–ASEAN trade is, thus, characterized by India's predominant exports of manufactured goods and imports of intermediate goods from the ASEAN countries. While the two-way trade of manufactured goods forms the building blocks in trading relationship between India and the developed ASEAN countries like Singapore, Indonesia, Malaysia and Thailand, India's trading relationship with relatively economically less developed countries like CLMV and Brunei manifests exports of manufactured goods and imports of raw materials and intermediate goods.

The regional trading engagements and bilateral trade between India and ASEAN member countries drive home two important points: first,

## INTRODUCTION

LEP, while evaluated in terms of trading engagement, has been largely successful vis-à-vis ASEAN; second, while compared with the trading engagement of China and Japan with ASEAN, the progress made by India, although appears steady, is not of much significance. In order to intensify the pace of economic engagement with ASEAN, India needs to diligently work for the early execution of FTA in services and investments, which would provide a space for the Indian service industries, in which India has the comparative advantage, to play a role in furthering Indian trading interest with ASEAN.

Yang Xiaoping, in her chapter 'Rethinking India's Look East Policy: why to engage China?', traces back the evolution of India's LEP. India's engagement with Southeast Asia remained relatively modest at the early phase of LEP (Phase I) during the 1990s, which was mainly characterized by trade and investment linkages. Later phase of LEP (Phase II), since 2000, has witnessed the reinvigoration of India–Southeast Asian relations featuring greater consistency, focused efforts and strong domestic and subcontinent roots. India has started to attach greater importance to multilateralism. In contrast to early phase, the later phase is marked by arrangements for FTAs and establishment of institutional economic linkages between the countries of the Southeast Asian region and India. Apparently, the ASEAN–India relations have been greatly institutionalized in the recent past.

Later phase has also been marked by India's increased defense diplomacy. The main motivation behind it was to expand air and land links to East and Southeast Asia, thus achieving greater physical connectivity with Asian partners. The new phase also marked a shift from trade to wider economic and security issues, including joint efforts to protect the sea lanes and coordinate counterterrorism activities. Since 2000, India has signed bilateral agreements on defense cooperation with a number of ASEAN countries, including Vietnam, Singapore, Indonesia and Cambodia.

While Phase I of LEP has somewhat tentative features, Phase II is more related to India's ambition to be a great power, not just confining itself to the subcontinent, which has severely limited India's grand strategic options. The priority of Phase II is to seek new breakthrough on the basis of Phase I, which is also consistent with India's national objective to be a global power. As per this logic, since the beginning of twenty-first century, the LEP covered more states and domains, in which Japan played a more important role. The warming-up of India–Japan relations could be perceived in the broadening of cooperation from politics to economics to security and defense.

In India's LEP, silent competition with China is often present. This kind of competition is perceived as China factor in India's LEP and China's

leverage in India's reidentification as a global power. China-India relations remain too complex to be explained in simplistic format of 'friend' or 'foe'. Instead, both constitute a mosaic of cooperation, coexistence, coordination, co-option, competition and even confrontation.

On the whole, the relationship between these two Asian giants is somewhat co-competition, namely competition and coordination. In the changing geopolitical environment in Asia, although the scope for competition exists, there is also a need for cooperation. The best policy is to use complementarities to arrive at a win-win situation.

India-United States-Japan trilateral collaboration has too much hedging against China as it aims to create sturdy links among the key nations on China's periphery, which will produce objective constraints that might limit Beijing's potential to abuse its growing power in spite of the fact that all its partners continue to profit from its ongoing growth.

It appears that India's bilateral and multilateral ties with East Asia having China at the centre will be more beneficial and rewarding than bracketing China while cementing LEP in the long run.

Xiaoping argues that China, as the core of East Asia both economically and geopolitically, should be put at the centre for India's LEP. The LEP without really engaging China would not be a successful policy alternative for India. And the attempt to engage East Asia with no China but for counterbalancing the dragon is dangerous.

Rahul Mishra, in his chapter 'India-ASEAN trade and economic relations: ties that bind', observes that till the late twentieth century, independent India's trade policies were largely confined to its immediate neighbourhood and the West to a certain extent. India's 1991 balance of payment crisis and subsequent domestic economic reforms, along with compulsions of the post-Cold War regional and international dynamics, propelled India to take steps to initiate its greater engagement with the East and Southeast Asian region. The surge of regionalism at the turn of this century and imperatives of regional trade agreements motivated India to comprehensively engage with the ASEAN bloc.

He argues that the robust trade ties between India and ASEAN member states in the contemporary times are the most noticeable indicator of the success of India's LEP. Visibly, trade in goods and services, investment, exchange of technological know-how, cross-border investments and increasing manpower exchanges and interactions have reached new heights in over two decades of India's LEP and further given a fillip to the policy.

Mishra argues in favour of India's joining in ASEAN-led Regional Comprehensive Economic Partnership (RCEP). He felt that RCEP will boost India's trade volume with countries of the region, including China and Japan. RCEP will assist in further strengthening India-ASEAN ties

## INTRODUCTION

at the multilateral level. Greater economic cooperation is intertwined with regional consolidation that will further help in maintaining regional stability.

Considering India's long-term interest, RCEP will unquestionably add substance to India's LEP and integrate Indian economy with Southeast Asian and East Asian economies in pure economic terms. It holds a lot of promise, as it will help India in facilitating calibrated responses and policies with respect to its future economic relations with ASEAN and its FTA partners at bilateral as well as multilateral levels.

Since the conceptualization of LEP, policymakers of India realized that ASEAN is more integrated to the world economy than India. In fact, success of ASEAN's economic performance and integration process motivated India to work closely with ASEAN and its member countries on a range of trade and economic issues. In that regard, it must be added that India-ASEAN FTA and the RCEP have the potential to integrate India more with the regional as well as the world economy.

Patricia Uberoi, in her chapter 'The BCIM Forum: is it sustainable?', observes that the BCIM is an activity that is manifestly consistent with India's LEP, and also with the long-term demand of India's NER for the opening of trade, connectivity and people-to-people contacts with the neighbouring countries that constitute some 98 per cent of the region's borders. However, the BCIM appeared to have plateaued, with its sustainability under a cloud. A clear road map had been repeatedly laid out, transcending the habitual 'security mindset'; but how and when this agenda would translate into action on the ground was uncertain. Among many contributing factors was the Indian government's seeming reluctance, first, to open up India's Northern and Northeastern borders to trade with neighbouring countries, and second, to engage with China officially in a subregional cooperation framework.

Even if BCIM initiative comes true, the author is concerned with the fact as to how NER would be assured of *benefit*-sharing, and not merely *risk*-sharing, as infrastructure development and resource extraction proceed apace. Is the NER ready for its new role as a transnational entrepôt and, if not, how can it be made ready through skill creation and entrepreneurship training? Given the existing so-called governance deficit in the region, will subregional development ensure inclusive growth or exacerbate existing social tensions, which are in plenty? In other words, what will be the anticipated social consequences of unprecedented growth (on gender relations, interethnic relations and the relations between hills and plains peoples, between indigenes and 'migrants', etc.) in a region already fraught with conflict? How and in what format can the Northeastern states script their transnational destiny and participate fully, individually and collectively in the formulation and actualization of India's LEP?

The author feels while economic development along trade corridors will automatically trickle down for the inclusive benefit of the local population, compensating for adverse environmental and displacement effects, but goals of social equity and distributive justice, and of cultural and ecological conservation, must be made a part of the advance planning process so that people's interests are not washed out on the face of market forces unleashed by the working of BCIM.

Nguyen Huy Hoang, in his chapter entitled 'Enhancing connectivity for Mekong–India economic cooperation: Vietnam perspective', portrays the possibility of Indo–Vietnam economic cooperation. He analyses the growing Indo–Vietnam cooperation at two levels: bilateral as well as multilateral through Indo–ASEAN framework. The growing Indo–Vietnam economic cooperation has been the result of India's LEP, which has paved the way for the articulation of Vietnam's India Policy. Hoang notes that the bilateral trade turnover between the two countries has been growing rapidly from 72 million USD in 1995 to 376 million USD in 2002 and has crossed the mark of one billion USD (1.018 billion USD) in 2006. It has further increased to 2.5 billion USD in 2008 and then reached to 3.94 billion USD in 2012. As the ASEAN and India are embracing each other, efforts are being made to develop the connectivity between these two regions, which will further strengthen Indo–Vietnam cooperation in trade and investment.

Unlike trade, mutual bilateral investment between these two countries has not yet picked up in spite of ample opportunities for Indian business in Vietnam particularly in sectors like steel, pharmaceuticals, information technology, transport, oil and natural gas and agriculture.

Hoang feels that in view of the strained Sino–Vietnam relations, the space for Indo–Vietnam cooperation has been enlarged manifold. While India needs the economic space within ASEAN for sustaining its growth momentum, ASEAN countries in general and Vietnam in particular need India for both strategic and economic reasons. It is beneficial for both Vietnam and India to forge strong economic and strategic ties so that the growth trajectories in them are sustained and strengthened in the long run.

Gurudas Das, in his chapter entitled 'India's Myanmar Policy: implications for India's Northeast', argues that in spite of having a pragmatic approach India's Myanmar policy has failed to yield desired results mainly due to the fact that it has not made India's Northeast as the front head of subregional cooperation. Except maritime interest, India's geoeconomic and geostrategic interests would have been well-served had India's Myanmar policy been woven around NER. The way economic interdependence has grown across the Sino–Myanmar border, the same is visibly absent across the Indo–Myanmar border. While China has successfully factored its policy of 'Southwestern Development' into

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its Myanmar policy, India needs to develop a similar strategy to infuse economic growth into its NER. While Yunnan and Sichuan can offer many cheap Chinese products to Myanmar, NER has hardly anything to offer. As a result, while China can leverage from economics of neighbourhood to address the problems of underdevelopment of its South-western Region, it is difficult for India to have the same leverage due to very weak production structure in all the bordering states of NER. As a result, India needs to expedite the completion of the connectivity projects across NER and Myanmar as well as strengthen the productive capacity by way of investing more in the region.

Suwa Lal Jangu, in his chapter entitled 'India's Look East Policy: the energy security perspective', argues for intensifying India's engagement with Myanmar, the storehouse of hydrocarbon reserve, in order to strengthen the country's energy security. The author points out that India has so far failed to reap the benefits of Myanmar's substantial gas reserve by way of transporting them into the country as it has lost several bids to China, Japan and South Korea. Moreover, in spite of substantial Indian investments in Myanmar's hydrocarbon sector by the state-owned organizations and accrual of profits from them, due to the failure of establishing a gas pipeline from Myanmar to India, these investments have failed to enhance the country's energy security. The author pleads for the alternative energy route via India's NER instead of via Bangladesh in order to bypass the roadblocks put up by the latter. The alternative route, in spite of being expensive, if chosen, would have a snowballing development effect on the otherwise underdeveloped NER, which might ultimately outweigh the cost factor.

Kishan S. Rana, in his chapter entitled 'Subregional diplomacy: an imperative of our time', argues in favour of regional engagement. He feels that neighbours should not be viewed as a source of threat or potential danger. While security concerns are legitimate, foreign policy cannot be conducted on worst-case scenarios. It is important to understand that other states also have their own concerns, and that just as we can view them as both a source of potential danger and partners for cooperation, they employ a similar calculus in dealings with our country. The greater our focus on building cooperative networks, the larger the prospect for reciprocal actions on their part, producing an environment in which on both sides, stakes in mutual cooperation are strengthened. He feels that borders should be seen as potential connectors, even bridges, for an evolving, cooperative paradigm of cross-frontier relationships.

Rana makes a plea for India to take a holistic view of regional and sub-regional cooperation, where both threats and opportunities are dealt with deft. In an interconnected world, countries seek membership of different regional groups and also accommodate others into them. The BCIM



Forum is unique in placing India and China in a small subregional cluster. Given that transport links in this subregion are already under development, is it not realistic to discuss these and to engage China and the other neighbours directly, instead of handling each as an exclusive bilateral relationship?

In effect, bilateral and regional relationships work in tandem. When the former go well, they also become enablers for wider-frame actions in a subregional or regional setting. On the other hand, when bilateral links come under tension, the regional group provides a second option, an alternative. This has been the experience in different regions and is a factor in the huge growth in bilateral diplomacy in the past two decades, since the end of Cold War. Further, some issues are such that they can be tackled only on a regional basis.

Rana feels that India needs to work along different trajectories in its regional and subregional cooperation, using each cluster as feasible, without relying on any one of them on an exclusive basis. The central principle of such cooperation is that it is not a zero-sum game – the gain of one member is not at the cost of another, and that in working regionally, all stand to gain. This involves vision, plus a proactive approach. A regional vision and regional policy are needed, which requires an intergovernmental approach in the subregion.

Rana holds that building capacity in the Northeast states is essential for the socio-economic development of this region and to enhance its capacity to take advantage of geography, to make it the first connector for India in relationships with the countries of Southeast and East Asia. This involves mobilization and harmonization of both domestic and external policies. The Northeastern States must at least have the ‘co-ownership’ of LEP, which, alas, does not exist at present.

Gorky Chakraborty, in his chapter entitled ‘Look East Policy and North-east India: space, region and existing reality’, provides an explanation as to why LEP has so far failed in NER. He argues that both the processes of deterritorialization and reterritorialization are taking place simultaneously in post-globalized era. While deterritorialization is occurring in terms of mobility of capital and production of goods, reterritorialization is also simultaneously emerging albeit beyond the national geographies of nation states. Although the process of reterritorialization happened within the premise of the state territoriality in the pre-globalization period, it is now destined to be beyond the statist paradigm. So region formation in the contemporary era is more likely to be supranational. This process of region formation is leading to the emergence of region states, which provides the geographical foundation for the contemporary phase of capitalist expansion and accumulation. However, these region states are overwhelmingly driven by the logic of economic rationality whereby they are supposed

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to be the manifestation of natural economic zones engulfing the *space* of more than one nation state. Thus in the neo-liberal political framework the territoriality principle gives way to extra-territorial regional solidarity as a mechanism for market and capital expansion.

Chakraborty traces back the political economy of the process of region formation in the context of India's Northeast. He observes that the precapitalist space of the contemporary Northeast, which was a bio-region of numerous clans that was primordial in nature comprising of a relatively closed system occupying varying geospatial areas determined by clan and kinship boundaries, has been transformed into a territorial space during the colonial rule. Postcolonial assertion of homogenization had given rise to subordination of the ethnic groups, which let loose the pent-up frustration among them, leading to ethnic movements starting from identity assertion, autonomy to secessionist movements at different times and scales with their own and often overlapping territorial blueprints.

As the political economy of globalization de-essentialized both ethnic space and nation state space and recreated them in order to fit within the market economy, it has dismissed space as a social category in the Northeast. The LEP roused a consciousness about the emergence of an economic space in the region through the expectation of global trade, communication and financial flow. The social space, on which the entire edifice of economy, culture and literature of the primordial communities was anchored, became facile in the neo-liberal frame. As the economic space became overpervasive, it de-embarked the society and culture of the primordial space, which annihilated the sloth space of primordiality by time-space compression.

Interpreting space only in terms of its economic variant by overemphasizing the markets will surely conceal the nuances associated with social relations, that is social space behind the veil of commodity fetishism. The LEP with its intention to look towards the eastward nations albeit with a dominant yet restricted view associated with trade and commerce interprets NER in similar fashion. Can this be one of the major reasons for the lack of enthusiasm about LEP in the region?

Falguni Rajkumar, in his chapter entitled 'Look East Policy and the Continental route: a reality check', observes that the LEP, touted as the harbinger of change and prosperity to the NER of India, for all purpose and intent has largely remained on paper. He examines some of the important external and the internal caustic factors responsible for LEP to bypass NER. He feels that the policy does not clearly assign a definitive role and agenda for the people of the NER to play and participate in it. Consequently in NER, the progress and development of the LEP is articulated more by rhetoric, expressions of good intentions

and occasional sprinkling of hope rather than substantiated by happenings on the ground.

Rajkumar identifies three sets of issues: (i) problems of poor transport and connectivity, (ii) the external geopolitical factors and (iii) the internal rigidities that stand on the way of integration of the economy of NER with the Southeast Asian nations.

Moreover, given the fact that the NER continues to be seen by the Indian State as a highly sensitive and vulnerable region from the internal and external security perspectives, the proposed unhindered and unencumbered 'connectivity' through the region with Southeast Asian countries tend to inhibit the government from making any decisive choice. It is no wonder therefore that attempts at implementing the continental connectivity through the NER as such remains half-hearted and a far cry from what the progress should have been. For the NER this indecisiveness has several implications, direct and indirect, as it affects them in several ways. Until a decision is taken in this regard, the narrative of the much trumpeted continental connectivity through the NER will remain largely unaltered much more on paper than in reality. The people in the NER until then will have to continue to engage and satisfy themselves by groping tentatively in bewildered speculation trying to understand what all the noise of the LEP is about.

Panchali Saikia, in her chapter entitled 'Embracing India's Northeast in BIMSTEC: experimenting the GMS ECP Model', observes that India's Northeast, acknowledged as the gateway to connect India with East and Southeast Asian countries faces the major challenge of transport infrastructure deficit and trade facilitation, both within and across the border. The existing roadways are in poor condition and not equipped for international trade. Many of the connectivity projects initiated years ago stand crippled due to major constraints such as difficult terrain in the region, problem of transferring construction materials to far-flung areas, challenges of acquiring land for the projects, lack of political commitments and cooperation among the Northeastern states, between the states and Union Government and with the immediate neighbouring countries. Considering these constraints in the project implementation, there is an urgent need to promote a deeper element of regionalism among these countries through an effective subregional initiative that can build cooperation, understanding and proper planning and timely implementation of the connectivity projects. Deriving the example of the fast-paced integration in Southeast Asian countries under the subregional grouping Greater Mekong Subregion Economic Cooperation Programme (GMS ECP), the BIMSTEC in South Asia has every potential to develop in a similar way. By utilizing the successful project-based strategies and mechanisms of GMS ECP, BIMSTEC can accelerate the development of its internal and external overland road linkages and bring about accelerated local

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economic development. With detailed analysis of the structure and development strategies of BIMSTEC as applied to the overall context of transport infrastructure development, the author provides policy makers with an up-to-date tool through which to identify, analyse and rectify existing and emerging barriers and issues hindering the continued development of cross-border flows of goods and people in the region. It recommends on the need to actively involve India's Northeastern states within the BIMSTEC initiative, similar to the GMS ECP where Yunnan Province and Guangxi Zhuang Autonomous Region stand on the 'front line' of China's participation in the subregional structure.

Jajati K. Pattnaik, in his chapter entitled 'Look East Policy and India's Northeastern Region: status of cross-border trade and connectivity', argues for revamping the physical connectivity between India's NER and East and Southeast Asian countries for the development of meaningful subregional cooperation. The author emphasizes that the reopening of the Stilwell Road, completion of Trans-Asian Railway Southern Corridor and KMTT would transform the landlocked NER into a landlinked resource hub. This would further transform the landscape of cross-border trade between the NER and the neighbouring countries.

C. Joshua Thomas, in his chapter entitled 'Stilwell Road and development of India's Northeast', argues in favour of reopening the Stilwell Road as it will transform the landlocked Northeastern Region into landlinked commercial hub.

He has noted that the distance by road from Guwahati (Assam) to major cities in India is comparatively more than the distance from Pangsau Pass on the Indian border to Wanting in Chinese border, which is only 688 km. Given the distance of Pangsau Pass from Guwahati, which is 601 km, one can reach China from Pangsau Pass almost at the same time as Guwahati. Stilwell Road can reduce the transit time and transportation costs of India-China trade considerably. It is, indeed, a goldmine of possibilities. Various studies conducted on the feasibility of the reopening of the Stilwell Road highlighted that once the entire road is operational, it will reduce transportation cost between India and China by an estimated 30 per cent. Unlike the Nathu La Pass in Sikkim, the Stilwell Road is capable of handling approximately 25 per cent of India-China bilateral trade.

Further, the Stilwell Road would provide NER of India direct access to China, Myanmar and Southeast Asian nations. Using this road one can reach Kunming in two days, Yangon in Myanmar within two and half days, Bangkok in four days and Singapore in five or six days. This land route would be shorter and cheaper in comparison to the existing sea routes. This road will bring ASEAN countries much closer to India's Northeast through Myanmar. Thus, it will boost the economies of the entire NER, which are landlocked and facing acute infrastructure and other related malaise.

The reopening of the Stilwell Road can deepen the bilateral relationship between India and China. This is the only road that connects the two Asian neighbours. Given the strenuous bilateral relationship, both the countries need to engage each other in multiple fora, which will then help in strengthening the confidence-building measures already undertaken by them. Reopening of this road will serve the interests of both the countries. While this road will enable China to easily reach out to South Asian countries and facilitate its access to the Indian Ocean, similarly it will enable India to reach out to Southeast Asian countries. Thus, geoeconomic interests of both the nations will be served once this road gets back its life.

The reopening of Stilwell Road can make a huge contribution to the success of BCIM. As this road connects three out of four BCIM constituent countries, renovation and reconstruction of this road can be one of the prime agenda of BCIM. Moreover, as the Ledo–Guwahati road connects Bangladesh via Shillong–Tamabil road, the interests of Bangladesh can also be integrated with this project. Given the limited Sino–Indian engagement at present, India needs to show active interest in BCIM and engage China in subregional cooperation and development.

Gurudas Das, Ujjwal Paul and Tanuj Mathur, in their chapter entitled ‘Making “Act East Policy” to work for the Development of Northeastern Region of India’, note that while LEP has been a tremendous success when looked from India’s point of view, it has failed to boost the economies of the Northeastern states of India. Cross-border trade between NER and Myanmar has not registered any perceptible growth. The denial of Bangladesh in providing a transit corridor, which could have eased out the connectivity problems between NER and mainland India, has virtually made NER a captive market for Bangladeshi business and industries. LEP could not make any headway in clinching this corridor as its focus on subregional cooperation has remained weak. Moreover, LEP could not create a space where bordering states could play a proactive role for the promotion of cross-border economic cooperation.

If the trinity of initiatives – making Bangladesh corridor available for NER, promoting subregional development cooperation and providing space for bordering states in making the neighbourhood policy – is factored into the Act East Policy, it would be able to transform the NER from landlocked entity to landlinked entity, which holds the key for the development of this peripheral region. This involves the acknowledgement of the centrality of NER in India’s Act East Policy or else the new initiative would merely be another lip service like its older version (LEP).

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### Notes

- 1 LEP, introduced in 1992 by the then prime minister of India, P. V. Narasimha Rao, was renamed as Act East Policy by the Government of India under Prime Minister Narendra Modi in 2014.
- 2 By way of clarification, it might be noted that the idea of NER adopted in this book is not unique. While some authors have preferred geographical contiguity as a yardstick and included seven sister states viz. Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura, some other authors included administrative yardstick and hence also included Sikkim as it has come under the ambit of North Eastern Council since 2002.
- 3 The state-wise list of projects approved by the Government of India is available at <http://www.mdoner.gov.in/>.