

## **INDIA-SOUTHEAST ASIA RELATIONS: DYNAMICS AND EXTERNAL DETERMINANTS**

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### **ABSTRACT**

This article presents a review of change in India-Southeast Asia relations, especially since the end of the Cold War. This time period is significant because India launched its “Look East Policy” in this time frame. The article makes important contributions by helping to gain an in depth understanding of the dynamics of this change. The article also analyses the effects of external determinants such as the fall of Soviet Union, economic rise of China and the role of the United States in India-Southeast Asia’s relations. In addition, the paper also briefly covers the position of India and Southeast Asia in this new world order. The article has adopted qualitative method with the review of the existing literature as a primary source of data.

**Keywords:** China, Cold-War, Foreign policy, Globalisation, Look East Policy, Liberalism, Soviet, U.S, India-Southeast Asia

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### **INTRODUCTION**

Immediately after the World War II, the US and the Soviet Union fell apart. They started racing against one another competing to gain support ideologically. This competition coincided with the rise of several independent countries in Asia (Beri 2003). India was one of the earliest in Asia to gain its freedom. That is why India was somehow presumed to be a leader in delicately responding to the challenging situation. However, India remained neutral without joining any bloc. “India enjoyed good international status as one of the prime leaders of the Non-Aligned movement” (Chiriyankandath 2004). Perhaps, India-China war in 1962, raised questions on India’s diplomatic choices. Along with its closeness with the Soviet Union in 1971, following the Treaty of friendship and peace, hence, there was more criticism that India had abandoned its policy of non-alignment. However, the end of Cold War had changed India. In 1991 India embarked on a policy of vigorously promoting its economic and security relations with India-Southeast Asia and East Asian countries with the implementation of India’s Look East Policy. The interest of this policy was to take advantage of the economic dynamism of the Asian region’s countries such as China, Taiwan, South Korea, Singapore and other. Following China and Japan, India has also inked the treaty of amity and cooperation as well as the Framework Agreement on Comprehensive Economic Cooperation with the Southeast Asian countries (Kesavan 2005). Indian government also initiated policy measures, especially for foreign direct investment and steps were taken to implement the reform of competition policy. After Cold War, particularly, in late 1990s, India’s attachment with Non-Alignment approach was already

diminished and its interaction with all the major powers, namely, the United States of America, Japan and Korea, have shown considerable improvement.

The aim of this article is to present a review of change in India-Southeast Asia relations, especially since the end of the Cold War. Both the external and internal factors affecting this change will be reviewed.

## **EFFECTS OF EXTERNAL FACTORS**

### **U.S Factor**

In the current world orders US is the only power after the disintegration of Soviet Union. Although, India was already recovering through economic crises. Yet, India left with very little choice to be alone, so the alignment was inevitable. As a result India reformed its foreign policy completely its where economic became more liberal. India was already opened up to east in Asia. Furthermore, globalisation brought India closer to US too. However, India was not the only country getting closer to US.

According to Tim Harcourt at The University of New South Wales, who is a professional an economist specializing in international trade and labour economic issues in the Asia Pacific region and in the emerging economies:

"Ten years ago if you went to Asia it might be Hong Kong or Singapore, but now it's well dispersed around Southeast Asian," he says. Although the public perception of the Asia relationship is still dominated by iron ore ships, he adds that, Australian engineering, building or architecture firms are also doing well from the region's industrialization."As I travel through Southeast Asian or western China or rural India I notice that we may be selling iron ore, but we're also building the civil buildings and the airports and the roads and the schools". But just as it took a long time for Australian firms to crack into markets such as Japan, the cultural changes required in the business community will also be gradual, Harcourt says."Japan started by taking our iron ore and coal when they were industrializing, then slowly we embedded ourselves in the Japanese economy as they became more affluent."Now I think China, India and Southeast Asian countries have taken the place of Japan" (*Morning Herald*, 2012).

However, with all its problems, the US remains the only superpower in global politics and thus the country with a predominant impact on Asia. The re-election of President Barack Obama will thus have considerable implications for Asians.

Many scholars have focused on the direct impact "how the re-elected president engages with the key countries in Asia, especially China, India and Southeast Asian countries. From Southeast Asian side, the administration has committed to a more substantive engagement with

Southeast Asian than previous administrations. Obama's decision to visit Myanmar and his forthcoming attendance at the Southeast Asian Summit are welcome signals that he will maintain a foreign policy that is friendly towards the regional grouping. Therefore, if new policy reforms do materialise, the benefits to a revitalized US would flow to Asia in the form of reduced risks to global growth, stronger export demand, higher inflows of foreign investment and increased spillovers of new technology (*The Edge Malaysia*, 2012).

In this decade, it became clear that the overly discussed US pivot to Asia was no longer about revising American diplomatic interest in Asia. It's established now that it would have a military dimension. Two years ago in 2012, US, President Obama announced a new defense suggestion that called for a rebalancing of US military forces to the Asia Pacific theater. "The US economic and security interests are inextricably linked to developments in the arc extending from the Western Pacific and East Asia into the Indian Ocean region and South Asia, creating a mix of evolving challenges and opportunities" (Swaine 2012).

However, traditionally Asia has been inclined towards involving the United Nations (UN) when it comes to regional security issues. This trend however seems to be diminishing now. For instances, some Asian major powers like China and India are not keen in "internationalizing" their security problems—whether Tibet-Taipei, China-the South China Sea and Kashmir issue—and give other powers a handle. Even lesser powers in Asia have had a contemporary history of declining UN interference in their regional and security conflicts. North Korea, for example, interested dealing with the United States directly rather than resolve its nuclear issues through the International Atomic Energy Agency and the UN. According to C.Raja Mohan, "there are three broad ways in which a security system in Asia might evolve: collective security, a concert of major powers, and a balance of power system" (Trends 2013).

The Asian countries may not want US intervention in political matters. However, global economically America is as important to Asia, as Asia to America. There are fortune 500 companies have invested in India's Research and Development. However the Asian firms have been lagging behind in setting up such centers in India. In such a scenario partnering with India in setting up such centers would prove mutually beneficial for countries from developed Asia as well as India. One area where expertise from particularly East Asian economies would benefit India is in developing a strong logistics sector. Developing a strong Logistics sector would also lead to increasing India's trade with the Asian region. The positive impact of growing trade and economic integration is almost lost in the absence of a strong transport infrastructure and connectivity within Asia. As such huge infrastructure investments are required in air, road and rail infrastructure within the region (Kalita 2010).

### **China Factor**

After the US, China is the next important external factor that influencing India-Southeast relations. The year 2001-2002 fulfilled some of the goals of India's "Look East" policy in its relations with Southeast Asia. However the notions among the countries are strong that there is opportunity for further progress. India rose comfortably through the fallout from the nuclear tests in 1998. Its relation with Pakistan over Kashmir issue was also moving towards a peaceful

settlement. Alas, the conflict is still has not resolved, after several wars between India-Pakistan. India also succeeded the prevention of Pakistan's inclusion in the Southeast Asian Regional Forum (ARF). India improved its relationship to Southeast Asian, thus avoiding further marginalization in the post-Cold War international environment. Furthermore, "India succeeded in reducing suspicions about its intentions in the region through confidence-building efforts and high-level political and security discussions". The period of India's foreign and economic policy reform was not only to "look east" but also to begin solving its disputes with neighboring countries, especially rising China, an important regional power. An important event was the January 2001 visit of the chairman of China's National People's Congress, Li Peng, to India. He became the highest-ranking Chinese official to visit India since President Jiang Zemin in 1996 and since India conducted its nuclear tests in 1998 citing the potential threat from China as one of the rationales. Li told Indian parliamentarians that "China and India do not pose any threat to each other as they share similar views on a multi-polar world in which both can play their roles for world peace and development" (Limaye 2003). Regardless of the visits, India-China relations were seen by some either to balance the US presence or a competitor.

Southeast Asian countries feel comfortable with India as a rising power. New Delhi has never been perceived as a security threat in the region. Its benign foreign policy and humility has encouraged Southeast Asian to woo India to increase security cooperation, especially maritime security. Deep down, Southeast Asian is looking to India, the world's largest democracy, as another security guarantor. Of course, the US is the main superpower, which provides an overarching security shield for the region. But Southeast Asia is keen for an additional strategic partner that has proximity. Although Australia is close to Southeast Asia, it is considered a Western power with a focus mainly on protecting its and US interests in the region. Furthermore, "in the past, Southeast Asian also wooed China, thinking that it would help to strengthen the regional security. However, the rising tension in the South China Sea accompanied by Beijing's tough talk has recently changed the thinking within this region. Southeast Asian wants to make sure that along with US, India will walk side by side with the grouping to increase its support when it is placed on a line-up with China" (*Nation* 2012). China does not favor a strong Indian presence and influence in Southeast Asia. China is aware of the various cultural and spiritual ties that India shares with Southeast Asia, which could naturally attract the two regions to come closer (Strachan, Kang et al. 2009). Moreover, in recent events, China is not in favor of involving itself in a multilateral approach to the South China Sea border issues. Furthermore, it is very much in China's interest that Southeast Asian was not able to work together as one, particularly, on South China Sea conflict (Gallagher 1994).

It is an open secret now that Cambodia is a regional ally to China. China succeeded in breaking up Southeast Asian unity, thereby playing into intra- Southeast Asian division. This became more clear when Cambodia, influenced by China, "denied to endorse a concluding summit statement whereby an appeal was being made to solve all the regional border disputes via a multilateral institutional framework and to work out joint maritime "codes of conduct" to avoid the growing incidents of naval brinkmanship over certain oil-rich waters which might spill over into full-fledged regional conflict" (Ross 1997).

India on the other hand, has a serious stake in Southeast Asian unity, and any damage to it would certainly have major implications for Indian engagement in the region. A stronger relationship with Southeast Asian is one of the main foreign policy premises for India's "Look East Policy," and thus any discord or division within the Southeast Asian body can jeopardize India's relations with the whole region. Noting that, India- Southeast Asian relations had been growing closer at a faster pace than ever before. Trade ties between the two have already crossed the 70 billion mark, and it is expected to reach 100 billion by 2015, signaling the important relations between the two countries (Singh 2012).

China and India is relevant to Southeast Asian not only on trade and strategic matters, connectivity is another important link between India and Southeast Asian. In 2009, a key subject that was discussed during the East Asia Summit (when Southeast Asian leaders meet the leaders of China, Japan, South Korea, Australia, New Zealand and India) was the idea of connectivity. Quoting the discussion among the Southeast Asian leaders at Hua Hin on India and China connectivity issues:

“We have China on the one side and India on the other - two very big countries with developed or developing infrastructure. And we are in between. If we Southeast Asian, in our own integration, make sure that our links connect to theirs, not only will Southeast Asian be linked to China and India, we'll also link China and India together. Think of the many ways we'll benefit from the flow of people, goods, services, ideas and information. That's the basis on which we decided to give this a fresh push - collect all that we've done so far, take a fresh look, update our plans in accordance with what the Chinese and the Indians are doing for road and rail (*Times* 2009).

India's liberal economic approach, especially after its foreign policy reform, proved very fruitful to Southeast Asian. For instance on aviation front, almost two decades ago, Malaysia Airlines (MAS), CEO Tengku Azmil Zahrudin said:

“We plan to grow within Southeast Asian, India, China, North Asia and Australia. We are looking at some growth and we see 2010 to 2011 as the inflexion point where we start moving away from reducing capacity to growing again. And that period coincides with the delivery of our new aircraft" (*The Edge Malaysia*, 2009).

Air Asia, the most economical airline in Southeast Asian, namely Air Asia, played the most important role in connecting Malaysians to India and China on a very affordable cost. For example, in year 2009, Tony Fernandes, the co-founders of Air Asia airline only “planned to be strong in the local market, then Southeast Asian, followed by China and India” (*New Straits Times*, 2009). The statement shows the importance of China and India relations.

At present times Air Asia has regular flights namely Air Asia, going to many parts of India and China. Therefore, it would not be exaggeration, if we say the connectivity between Southeast Asian, India and China grew is beyond expectation. India, as the acknowledged leader of the South, is transcending that role to play a larger global role which is endorsed by both the US and the European Union (EU) in their respective Strategic Partnerships with India. In this manner, India would be useful as a counter-balancer for

Southeast Asian against non-Western aligned big powers in the region like China, possibly the fastest-growing power in the region, second most powerful military in the region and with the greatest potential for power projections, the objectives of which are not clearly enunciated to Southeast Asian (Lim and Kimura 2009).

A realistic approach would explain the great power interest in Southeast Asia by focusing on security view. The moves by Japan and India, even possibly the United States, are in response to China's own courting of Southeast Asian. The growing interest of Japan and India China's growing economic and military influence. There is hot discussion in media about the value of supporting India as a counterweight to China.

Perhaps, the discussion that regional cooperation between countries is linked directly to a balance-of-power is relied on rather simplistic approach of the actors of regional peace and security. This is because economics - not the geo-economics of relative gain (win-lose), but the liberal-welfare economics of positive sum (win-win) outcomes - is an important determinant of peace and conflict in its own right. These powers all have major economic interests at stake (Acharya 2009).

After a long period of time India and Southeast Asia has established cooperation based on regional-security engagements. A common interest in security, broadly defined, is becoming a motif of India- Southeast Asian relations. China and India have emerged as gargantuan factories, competing for jobs, investments and export markets. This means that among other Asian countries, some must find competitive niches, like Thailand has done in tourism and agribusiness (Latif, 2004). The China factor became one of the main reasons for India and Singapore to come close because;

'Singapore's foreign policy is based on adding the maximum number of friends and then minimum number of enemies. That's our foreign policy. So we tried to be as friendly with everybody but at the same time we know that as a small country people will try to bully us. So we need a strong friend. And that strong friend from now is the US... We don't do much of business in China, for our sake, we also are careful. Mainly because we do not want China to become over dominating, what's happening in the South China Sea (Kesavapany 2013)'.

"At the global front, both the Chinese and Indian economies will continue their strong growth. This will give rise to further calls for protectionism in the US as more manufacturing and outsourcing activities move to China and India" (*The Business Times*, 2005).

One can say that, this decade belongs to China and India, they are heading rapidly back to the future, especially on economic growth. China's Gross Domestic Product in year 2009 was almost \$5 trillion, this figure put Japan as the world's second largest economy on a quarterly basis. On similar notes, India is hinting to overtake China's GDP in the foreseeable future. The fact is China's increased economic growth is mainly from exports. India's growth generates from domestic consumption. That's why it affected the world economic meltdown (*The Toronto Star*

2010). Without second thought there are good numbers of scholars, especially in western countries, who are meticulously observing the influence of China in Asia general and Southeast Asia in specific. On similar view, Indian scholars and policy-makers also paying good attention on influence of China's rising influence in Southeast Asian nations. Moreover, assuming the fading influence of America and China's clever moves into other parts of the world where American influence used to be stronger has been slow, calculated yet sustained. Over centuries, the kingdoms of Southeast Asia have always turned to China for protection, support and leverage, at times against each other. The stage is, therefore, set for another episode of the "Great Game" in Asia, but this time it will be Southeast Asia that will be caught between the rival powers of China, India and America, with the latter reluctant to give up its long-standing presence in a region that was so crucial to American power during the Cold War (Noor, 2011).

### **Sub-national economic and political factors**

Along with the external factors discussed above, India's sub-national economic and political factors also affected India's foreign policy shift. The period 1989-1991 was a political disaster for India. In a short span of time, there were two elections. In 1989, National Congress party's economic policy was challenged by the former Jana Sangh leaders who founded the Bharatiya Janata Party (BJP). The new party elected the moderate and liberal leader Atal Behari Vajpayee as its president. Under Vajpayee's presidency, the BJP chose "Gandhian socialism" as the centerpiece of its program even as it abandoned the conceptual inheritance of the Jana Sangh in respect of the unitary state and a single language for India. The Gandhian plank, the BJP made the decentralization of economic and political power its chief aim, and pledged to make the Gandhian principles of providing bread, freedom and employment the core of its development strategy.<sup>1</sup> However, in decentralized countries, the less developed units (states) can influence in affecting the country's economy in many important ways, for instance, by being able to slow down or sometimes block some important reforms. These units can affect country's economic climate. Blocking the important economic reforms can result in long term economic crisis. Furthermore, it can send negative message to the outside investors who do not see country as serious about the liberalizing of economy. That is what happened in India before 1991.

Most importantly, in decentralized countries, the integration of the sub-national units in national policy making has allowed regions to be veto player in the enactment process. The sub-national units that have high progress rate to begin with the wave of national reforms. The reason being the businesses and investor will find these units more favorable. Moreover, these units generally are less relied on in the public sector to begin with. The reason being, these areas have higher education rate and better infrastructure facilities. Furthermore, these units could

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<sup>1</sup> Nayar, B. R. (2000). The Limits of Economic Nationalism in India: Economic Reforms under the BJP-Led Government, 1998-1999. *Asian Survey*, 40(5), 792-815.

implement reform step by step. Outsider investors will also find these region attractive over the less-developed units.

Furthermore, the old fashion import substituting, state-directed industrialization model held sway for three decades in India, particularly from 1950-1980. In the beginning, India's plans were to enhance economic and social growth in line with her socialist framework. But framework fell apart in the 1980s. Following an external events such as the oil shock in 1991, the socialist model of Indian economy started to change gradually leading to India's New Industrial Policy at home and Look East Policy to further strengthen its relationship with Southeast countries (Singh 2008). The New Industrial Policy of India introduced in 1991, "which drastically changed the policy regime by abolishing licensing requirements and opening up publicly-reserved sectors to private enterprise" (Kohli 2006).

## **CONCLUSION**

Before the end of Cold War the centre idea of India's foreign policy was maintaining and enhancing a country's power and security. The whole focus was on the question of possibilities of war, making strategies to fight if required-primary focus-protecting the integrity of the country's borders. However, since the end of Cold War, economic relations between countries have gained interest. Furthermore globalization has become an important process that highlights the interconnectedness of the world's economies. Furthermore, reform in India came mainly due to the economic difficulties. However, the 'situation' was the main factor for the overall reform, in 1991. National and sub-national interest groups played their roles. It is true that reform in India was not an easy task to achieve given its geography and demography. Poverty and unemployment has always been a core issue for Indian economy. Keeping in mind this one core issue, government took stricken measures and opted more liberal market approach was indeed became secondary preference. That is why some experts may like to call this approach a 'shock therapy'. This change also effected by some of the external factors such as, the rise of US, globalization and growing influence of China in Asia. The reform opened up India's market to the rest of the world, result a steady economic growth.

There was greater mutual understanding of inter-linkages between economic, security and strategic interests of India on the one hand and major powers on the other. This expanded India's capacity to pursue its "Look East" Policy initiated in the early 1990s with Vigor. The scope and density of relations between India-Southeast Asia has been steadily improving. India's look east policy now known as 'Act East Policy' was also a part and parcel of the 1991 economic reform. From PV Narasimha Rao to Narinder Damoder Modi, India's Act East policy has always been a very important dominant in Indian foreign policy approach. Modi's government has decided to change the name of a key foreign policy approach that remained in currency since the days of PV Narasimha Rao government in 1990s. The Act East policy is aimed at bolstering



extensive strategic and economic ties with Southeast Asian countries. Furthermore, India is interested in the economic relationship with Southeast Asian countries attracting them for greater investment, mainly in the infrastructure sector — also driven by connecting trade points in the region. In line with India's Look East Policy after the end of Cold War, India's relationship with Southeast has changed on many fronts.

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**Notes:** Foreign firms will get to practice Singapore law; new scheme will let up to five foreign firms practice in selected areas here. *The Straits Times* (Singapore). December 7, 2007 Friday

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