CHAPTER- III

INDIA’S ECONOMIC DIPLOMACY WITH ASEAN: 
GEOECONOMIC HOPES AND GEOPOLITICAL FEARS

INTRODUCTION

Our key intention in this chapter is to critically investigate the extent to which India’s ‘Look East’ policy in general, and India-ASEAN relations in particular, are dictated and driven by geoeconomics, unfettered (or otherwise) by geopolitical considerations. The chapter examines the nature and scope of growing economic ties between India and ASEAN and takes a closer look at the role of various bilateral and multilateral institutions, structures and divisions (both government and non-government) involved in promoting India’s economic ties with ASEAN countries.

It can be argued that the traditional monopoly of the Foreign Policy establishment or the Ministry of External Affairs over diplomacy is now being effectively challenged by various other ministries and corporate-market forces and agencies. Economic diplomacy is constantly becoming significant world over. Unlike the traditional political diplomacy, economic diplomacy takes place at various ‘sites’ and in different forms. Some of the major institutional sites of India’s economic diplomacy include ministries such as Ministry of Trade and Commerce, Ministry of Petroleum and Natural Gas, state governments, Oil and Natural Gas Commission (ONGC), ONGC-Videsh Limited (OVL) and the private-corporate institutions such as Federation of Indian Chambers of Commerce and Industry (FICCI), Confederation of Indian Industry (CII), and Associate Chambers of India (ASSOCHAM). It is important, therefore, to investigate how all these institutions are proactively contributing towards the geoeconomics of India-ASEAN relations. Special attention is paid to the prospects for cooperation between India and ASEAN in terms of energy security, and the manner in which geopolitical factors and forces (including geopolitical fears) in India’s immediate neighborhood come in the way of geoeconomic hopes. We also examine the extent to which such ventures have been backed up by the necessary political will and translated into actual practices so far.
India’s increasing geoeconomic stakes in a globalizing world are receiving much greater attention of the Indian political elite now than ever before. The Indian Prime Minister, Dr. Manmohan Singh, established the Trade and Economic Relations Committee (TERC) in 2005 for steering the course of future economic relations of India. It is to state the obvious that ASEAN countries occupy a central place of importance in the overall mandate of the Committee. The Committee is headed by the Prime Minister himself and includes -- as members -- the Ministers of Finance, Commerce and Industry, and External Affairs and the Deputy Chairman of the Planning Commission, Montek Singh Ahluwalia (The Trade and Economic Relations Committee: Internet Source). The Times of India, 2005b) described the rationale behind the setting up of TERC as “geo-economics taking over geopolitics” with Mr. Manmohan Singh deciding to take control of India’s commercial-economic engagement with the world. The ‘definite’ agenda of the new set-up includes empowering the TERC to (a) initiate India’s economic diplomacy, and (b) study and work out free trade agreements, international economic projects, trade and investment. It was also pointed out by some observers that, “although no one would mention it, it is an indictment of the Ministry of External Affairs and its handling of economic diplomacy, particularly because certain recent high-profile engagements, like the Japanese, are being seen as missed opportunities” (Ibid.). In view of various kinds of economic pacts signed by India with countries like China, Thailand and Chile, and a framework agreement with Bay of Bengal Initiative for Multi-sectoral, Technical and Economic Cooperation (BBIMTEC, previously known as BIMST-EC), some analysts have gone to the extent of arguing that foreign policy today is nothing but fine economics (The Financial Express, 2005).

ECONOMIC DIPLOMACY: THEORY AND PRACTICES

Before going into the details of India’s ‘economic-statecraft’ or ‘economic diplomacy’, it might be useful to examine the concepts of economic diplomacy and commercial diplomacy. According to Berridge and James (2001: 81), “Economic diplomacy is also called ‘economic statecraft’ and is concerned with the economic policies of a state. Economic resources are utilized for fulfilling foreign policy objectives under economic diplomacy. It is about how delegations of countries behave at meetings of organizations such as World Trade Organization (WTO) and Bank for International Settlements (BIS). Economic diplomats study the economic policies of other countries and guide their home
governments about how to influence them in their favour (Saner and Yiu, 2003: Internet Source).

The term ‘commercial diplomacy’, on the other hand, refers to the effort of diplomatic missions in support of the home country’s business and finance sectors in their pursuit of economic success and the country’s general objective of national development. It includes the promotion of inward and outward investment as well as trade. An important facet of a commercial diplomats’ work is the collection and dissemination of information about export and investment opportunities and organizing and helping to act as hosts to trade missions from home (Ibid.).

What makes economic diplomacy different from traditional diplomacy is that private sectors are actively involved in the decision-making process to further strengthen the negotiating position of the state concerned in the global or regional competitive markets. The private sector is in a much better position to closely monitor market behaviour. Moreover, the private sector actors are in the field and they know where and how to sell goods and services in the interests of a country (Rashid, 2005: Internet Source).

Thus, in simple terms, economic diplomacy can be defined as the conduct of foreign policy in the economic field. Economic diplomacy operates at two important levels. At the multilateral level, it aims at improving the international economic environment for the benefit of national development policies and ensuring that the negotiations for the multilateral trading system at the World Trade Organization remain favorable to the economic interests of the country concerned. Secondly, it implies promoting bilateral trade relations, especially with capital surplus economies. In a nutshell, taking India as an example, the aim of economic diplomacy is to create an international awareness about the reform process and to present India as an attractive destination for business (Saint-Mezard, 2003).

Economic diplomacy may face a series of challenges, including, for instance, conflict or tensions between geopolitics and geoeconomics, between international and domestic pressures and between government and private sectors. With regard to first kind of tension between geopolitics and geoeconomics, since nation-states are sovereign territorially bounded entities, politics often encroaches upon the economic spaces. In
In the case of there being a tension or conflict between the two, (geo)political considerations are likely to outweigh economic interests. For example, a country may not be willing to engage in trade with its neighbour or disallow gas-oil pipelines pass through its territory because of political considerations (Rashid, 2005: Internet Source). We will illustrate this point later on in the chapter while discussing energy security issues between India and ASEAN countries. It should suffice to point out for the time being that tensions of this kind have often surfaced in the context of India’s economic diplomacy. The geopolitical alliances of the Cold War, for example, restrained India from exploiting the economic opportunities in Southeast Asia. At the same time, economic prospects within the framework of South Asian Association for Regional Cooperation (SAARC) also remained hostage to the geopolitical bickering of the Cold War. No wonder it was long after the formation of SAARC that member countries finally came to terms with the idea of a South Asia Free Trade Area (SAFTA) in 2004.

Yet another tension in economic diplomacy can be said to be between domestic and international pressures in economic policy-making. Often domestic pressures are contrary to international regime in respect of trade and investment. Generally domestic positions get modified in order to reach an internationally good result (Rashid, 2005: Internet Source).

The third kind of tension is often found between the government and the private sectors. Often, private traders, financiers and investors play (or would like to play) an important role in economic diplomacy but governments may or may not choose to pay due attention to their advice because of policy considerations, political or otherwise, and this might lead to a conflict between private sectors and governments on some issues of economic diplomacy (Rashid, 2005: Internet Source).

**INDIA’S ECONOMIC DIPLOMACY IN THE POST-COLD WAR ERA: EMERGING CONTOURS OF ‘SPACES OF FLOWS’**

India and Southeast Asia have had rich economic relations were established as early as third millennium BC. As pointed out in chapter one of this thesis, the discovery of ‘trade winds’ way back in the first century AD in the Indian Ocean eased the ocean navigation
and facilitated maritime trade (see Figure 8). The people of Indus Valley Civilization had flourishing trade relations with the Sumerians during this era. There are accounts of maritime commerce of the Indian merchants with Suvarnbhumi (Thailand), Burma, the Malaya Peninsula and the Indonesian Archipelago (Sridharan, 1982). In short, mobility between India and Southeast Asia has a long-standing history, which definitely precedes the rise of the Westphalian territorial state.

Figure 8: The Eastern Seas (Showing Trade Routes and Prevailing Winds)


The eighteenth century proved to be a watershed in changing the trends of India’s trade with east in the Indian Ocean. Some very crucial ports during this period were-Melacca, Acheh, Johore, Tenasserim, Ujang Selang, Riau and Siak. Trade to Melacca port continued till the mid-eighteenth century and other. However, certain commercial changes took place in the early and mid-eighteenth century which led to the decline of India’s trade with Southeast Asia to quite an extent, particularly with Coromandel. The
new forms and directions of trade as adopted by Europe in the late seventeenth century, particularly by the Dutch, led to the fall of rich trade with Southeast Asia. India’s trading links were cut off one by one with the Moluccas, Macassar, the Celebs, Bantam, north Javanese ports and the west coast of Sumatra. In the wake of deployment of military and naval force, these ports and markets came to be shut off from competitive trading. Consequently, China came out to be the beneficiary of these changes (Arasaratnam, 2003), and India’s long-standing economic ties with Southeast Asia were undermined and snapped.

After India gained independence in 1947, the first Prime Minister of India, Jawaharlal Nehru, could recognize the importance of economic interests of India. Nehru (1961:24) once remarked that “foreign policy is the outcome of economic policy” and till the time India does not have a comprehensible economic policy, foreign policy would remain vague and aimless. However, India’s foreign economic policy goals and foreign economic policies remained somewhat ambiguous for a long time after the independence (see Sridharan, 2002; Kapur, 1994; Chakrabarti, 1982).

During the Cold War era, India and Southeast Asia remained ‘known strangers’. However, after the end of the Cold War, both were quick to realize the importance of emerging ‘spaces of flows’ in a globalizing world, with interconnections and networks linking distant parts of the previously ‘fixed’ globe. In short, both began to appreciate that in the wake of revolutionary advances in information and communication technologies, the “power of pace” is leaving behind the “power of space” and that space can no longer be treated as a ‘fixed mass of territory (Luke and O’Thuathail, 1998: 76). The Cold War ideological mapping of the globe had depicted India and ASEAN as ‘spaces of fixed and inward looking places’ on the maps— both on the walls and in the minds— of a partitioned Asia. Thus, it becomes a challenging task before both India and its neighbors in Southeast Asia to transform these static maps into dynamic maps showing ‘spaces of flows’; highlighting culturally sensitive geo-economic complimentarily at various levels. As pointed out by Castells, “Spaces of flows is made up of movement that brings distant elements, things and people into an interrelationship that is characterized today by being continuous and in real time” (cited in Stalder, 2002: Internet Source). Whereas ‘spaces of places’ are spaces which are self contained within territorial boundaries, the ‘spaces of flows’ question such territorial imaginations.
'Spaces of flows' is not so much about something moving from one place to another but about keeping things moving constantly (Stalder, 2002: Internet Source.).

Given the fact that the Cold War geopolitical context was rooted in ‘spaces of places,’ Indian discourses on foreign and economic policies, as was a general trend, tended to be compartmentalized, although the latter was not completely absent in the conduct of the former. Economics played a different role then. The quest for hard currency was a major foreign policy concern. Indian missions in the developed world had to ensure that there was enough aid flowing through bilateral and multilateral channels to bridge the foreign exchange gap. Negotiating cheap and reliable oil contracts with producer countries was another task. Within the Non-Aligned Movement and in the Group of 77 at the United Nations, India took the lead in articulating the need for collective self-reliance and often raised the demand for a restructuring of the international economy to suit the needs of the developing countries. This multilateralism, however, lost its meaning, largely due to India’s relative decline in the global economy. Despite the talk of collective self-reliance, there was very little commercial exchange between India and the developing world in general. Even historical economic links within the neighbourhood got disconnected in the first few decades of Indian foreign policy (Singh, 2005). Economic diplomacy became important in the Indian context in late seventies, especially after the oil crisis compelled many countries to seriously look into the economic aspect of their foreign policies (see Rana, 2003; Sridharan, 2002).

By the early 1990s, India had become aware of the growing trend towards regionalization and fears of isolation cropped up among the Indian political elite. Since 1980s, a number of regional trade agreements had come up in different parts of the world and India felt that in some cases regional trading agreements might lead to protectionism and inward looking trading blocs. The rising prospects of regional groupings like North Atlantic Free Trade Area (NAFTA), European Union (EU) and Japan possibly integrating with East Asia, inspired India to look to its east. The regionalist trend of 1990s had also brought together, in some cases, the developed and the developing countries in the same regional group so that the bargaining power of the ‘Third World’ as a collective entity was likely to be undermined. India had always been involved in South-
South cooperation, which in the changed scenario, could further enhance India’s isolation (Saint-Mezard, 2003).

C. Raja Mohan (2003a) argues that five major shifts are evident in India’s foreign policy in the post-Cold War period. One of these relates to growing focus on economics instead of mere conventional strategic and security interests. Economic diplomacy, as far as India is concerned, has remained so far a part of the broader foreign policy strategy and some might still argue that it should remain as such while serving the overall strategic interests of the country. However, the growing realization among the Indian policy makers is that economic diplomacy should be worked out in consensus with the neighbors, meeting defence requirements and securing energy needs. All this should be done within the new framework of the foreign policy. In addition to this, economic diplomacy should take care of the needs of a growing exporting community, so as to strengthen India’s position in multilateral fora by seeking best terms for preferential trade agreements. Lastly, India’s economic diplomacy should emphasize strategic investments, beyond neighboring countries, in other emerging markets to enhance prestige and strengthen leadership in the larger developing world. This should also go beyond the question of aid and include issues such as investment in infrastructure, enhanced technical co-operation and human resource development to name a few (Singh, 2005).

By 1990s, most of the countries had realized the growing need of combining economics with foreign policy and the resultant product was the foreign economic policy (FEP). This process has since tried diminishing the distance between geo economics and geopolitics. Thus, in the post Cold War period, there has been a shift among the establishments from a purely politico-strategic perspective to an economic perspective (The Hindu, 1998).

India could not keep itself away from such developments. The early nineties pushed India to reorient itself in new directions and thus began the process of trade liberalization. It was only in 1991 that the Economic Division within the Ministry of External Affairs was called upon to take care of three specific tasks. These were: (a) the management of bilateral economic relations and the Indian Technical and Economic
Cooperation (ITEC); (b) the management of multilateral economic relations with international organizations involved in developmental, social, economic and technological issues affecting India; (c) the effective and objective-oriented projection of India’s economic reforms abroad and the restructuring of the Indian economy to ensure positive responses and inputs from the international community (Dixit, 1996).

The then Indian Prime Minister, P. V. Narasimha Rao, issued directives to the Foreign Office in 1991 to concentrate more on the economic aspect of India’s foreign relations. It was during this time that yet another institutional site that became important in the pursuit of India’s economic diplomacy (and subsequently in the geographical knowledge production about India’s ‘Look East’ policy) was the Indian corporate sector. The non-governmental leading financial institutions such as FICCI, CII, and ASSOCHAM started playing an important part in getting the Indian private sector involved in India’s economic policies abroad. Although the Ministry of External Affairs had to face a lot of difficulties as well as criticism initially, it somehow managed to expand its role in the conduct of India’s foreign economic policies (Dixit, 1996).

One important aspect of economic diplomacy in which the Ministry of External Affairs got involved early on was the task of projecting India’s new foreign economic policy as well as flagging economic and investment opportunities in India to foreign investors. The ministry also undertook the task of highlighting the technological capacities of the Indian industry and the commercial potential of the Indian market in collaboration with apex organizations of both the private sector and government and external agencies specializing in fields of advertising, publicity and informatics (Ibid.).

Thus began India’s trade liberalisation efforts, which can be broadly divided into two periods. The first five years from 1991 to 1996 was a period of intense liberalization as tariffs fell dramatically. Whereas the second half of the 1990s was a period of consolidation and there was definite deceleration in the pace of tariff compression in general and the average tariff level remained largely unchanged. In fact, while the simple average tariffs remained more or less constant, there was a slight increase in the trade-weighted tariffs from a low of 25 percent in 1996 to 30 percent by 2000 (Rajan and Sen, 2002: Internet Source). Annexure E shows a comparison of pre-reform (before-1991) and post-reform (till-2000) changes in the economic policies of India.
Sridharan (2002; 1996) argues that the first economic space that allured India in early nineties to put its renewed economic diplomacy into practice was East Asia. This was a clear proof of a change in priorities in the scheme of things of the Indian establishment. Ever since India launched its ‘Look East’ policy, Southeast Asia has been on its centre stage, thanks to the potential ASEAN carries as a major trading partner and as a source of FDI flows (Saint-Mezard, 2003). There are a wide range of areas in which India and ASEAN countries can cooperate (see Table 2).

**Table 2: ASEAN and India: Areas of Mutual Economic Cooperation**

<table>
<thead>
<tr>
<th>Countries</th>
<th>Important areas of Mutual Economic Cooperation with India</th>
</tr>
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<tbody>
<tr>
<td>Indonesia</td>
<td>Food and energy security, oil exploration, healthcare, infrastructural development, ICT cooperation in IT related services and sourcing of manpower</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Infrastructural development, ICT cooperation in IT related services and sourcing of manpower, healthcare, oil exploration, education services</td>
</tr>
<tr>
<td>Philippines</td>
<td>Healthcare, ICT cooperation in IT related services and sourcing Of manpower, education services</td>
</tr>
<tr>
<td>Thailand</td>
<td>ICT cooperation in IT related services and sourcing of manpower, gems and jewellery, food processing, heritage tourism</td>
</tr>
<tr>
<td>Singapore</td>
<td>ICT cooperation in IT related services and sourcing of manpower, financial services, logistics and infrastructure development, tourism, education services</td>
</tr>
<tr>
<td>Myanmar</td>
<td>Food security, technical assistance, development of infrastructural links, agriculture and natural resource monitoring, establish institutional linkages in financial sector, energy security</td>
</tr>
<tr>
<td>Vietnam</td>
<td>Food security, technical assistance, development of infrastructural links, ICT cooperation in IT related services and sourcing of manpower, healthcare, oil and mineral exploration, education services</td>
</tr>
<tr>
<td>Cambodia and Laos</td>
<td>Food security, technical assistance, development of infrastructural links, ICT cooperation in IT related services and sourcing of manpower, healthcare, oil exploration, education services</td>
</tr>
<tr>
<td>Brunei</td>
<td>Energy security, oil exploration</td>
</tr>
</tbody>
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The shifting patterns of trade and the catching up of the East Asian countries have often been analyzed using the flying geese pattern (FGP). According to the FGP, economies are arranged in a descending order of their stages of industrialization so that
countries participate in the international division of labor at different stages in the product cycle, in accordance with their comparative advantage. In East Asia, for example, Japan is supposed to be the most advanced economy producing and exporting new and higher value added goods before others in the region. Japan is followed by four economies—Hong Kong, Korea, Singapore, and Taiwan—collectively referred to as the ‘Four Tigers’. Then come the other crisis-hit economies (i.e., Malaysia, Thailand and Indonesia), and behind them, mainland China and other emerging regional Southeast Asian countries such as Cambodia, Laos and Vietnam. Foreign Direct Investment plays a very important role in this pattern of international production and trade as the result of industrial competence is facilitated by the migration of investments and technologies from higher to lower income countries. Beyond this, the major conditions for realization of this pattern of trade include three things. These are geographical proximity among the economies; economic diversity among them; and level of openness of the economies (Ibid.).

INDIA-ASEAN TRADE RELATIONS

Both India and ASEAN countries are well endowed with natural resources. Many Indian firms are dependent on a number of ASEAN countries for raw material. Also, the low labor cost in the labor abundant countries like the Philippines, Vietnam, Laos and Cambodia are a major attraction for Indian firms and multinationals. Besides, very favorable fiscal and other incentives are available to Indian investors as the host ASEAN countries compete with one another for foreign investments in consonance with their development priorities (Ambatkar, 2003).

India also offers various attractive opportunities to ASEAN investors. India’s success in the field of engineering, medicine, bio-technology and space-science is well recognized as large number of trained Indian personnel is working in different corners of the world including ASEAN region. Population wise India’s size is double the collective population of ASEAN region with one billion people, even though nearly 40% of them live below the poverty line. While moving from ‘export pessimism’ to ‘positive exportism’, India has accorded primary position to export incentives. Simultaneously, efforts are underway to privatize public enterprises and invite foreign investors to take up projects in infrastructure and other related sectors (Ibid.).
India-ASEAN trade relations have been on rise ever since India’s ‘Look East’ policy was launched. The India-ASEAN Comprehensive Economic Cooperation Framework Agreement, signed in 2003, envisages the full implementation of a Free Trade Area (FTA) in goods, services and investment between 2011 and 2016. The India-ASEAN Free Trade Area has already started evolving. The signing of the Comprehensive Economic Cooperation Agreement (CECA) with Singapore in June 2005 is the first comprehensive free trade agreement that India has signed with any other country. It clearly indicates India’s growing willingness to liberalize its economy at a much faster pace and integrate it further with international global economy. The Prime Minister of Singapore, Lee Sein Loong, feels that within Asia, India is a key player which is opening up to the world and could potentially play a role as significant as China. He also feels that India is an additional ‘engine of growth’ for ASEAN. India’s intensifying links with China and a FTA between the two is on the cards. India and Japan are also considering economic relations with each other. The Singapore Prime Minister does not rule out the option of ASEAN acting as a bridge between India and Japan. (Ahluwalia, 2005: Internet Source).

As per the Export Import Data Bank (2008: Internet Source), Department of Commerce and Industry, Government of India, the export value of goods to ASEAN for the year 2005-2006 was at Rs. 4,609,447.18 lakhs (10.0992% of the entire export of India). The export rate grew in the year 2006-2007 to a figure of Rs. 5,707,646.83 lakhs (9.9823% of the entire export of India), thereby increasing the export by 23.82%. The highest trade values for export, for 2006-2007, were with Singapore at Rs. 2,746,160.75 lakhs and the lowest being with Laos at Rs 1,076.38 lakhs. At the same time the highest percentage of growth in trade was recorded with Cambodia, increasing by 120.39%, while a decline was noticed in the case of Brunei, with a -80.23% drop in exports (see Figure 9).
In the case of imports a major rise has been noticed, the import values for 2005-2006 were recorded at Rs. 4,818,583.69 lakhs (7.29645% of the entire import of India), while the figures for 2006-2007 closed at Rs. 8,191,877.50 lakhs (9.9823% of the entire import of India), thereby showing a steep rise of 70.01%. The highest importer for 2006-2007 again being Singapore at Rs. 2,483,996.75 lakhs, closely followed by Myanmar at Rs. 2,395,876.00 lakhs, while the least amount of imports were from Laos at a mere Rs. 162.52 lakhs. As far as the growth percentage is concerned, Brunei showed a 33,049.52% rise, while imports from Philippines dropped by -27.36% (Ibid.) (see Figure 10).
Singapore has always been a major trading partner of India of all the ASEAN countries. A very crucial development took place in 29 July 2005 in which India and Singapore signed CECA. India-Singapore trade accounts for nearly half of India’s trade with ASEAN. Figure 11 shows the growing India-Singapore trade over the last two decades.

India and Singapore have signed agreements for professional Indians serving temporarily in Singapore under the CECA. With such an agreement, the relations between the two seem to go very far. Dr. Manmohan Singh claims just to be a beginning and would like to see similar agreements with the rest of the ASEAN countries. Thus, the prospects of India-ASEAN relations seem to have improved with the European Union and the Unites States are not being willing to sign such agreements with India (Venu, 2005).
A Free Trade Agreement was signed between India and Thailand in October 2003. The framework agreement provides for tariff reduction to establish Free Trade Area between the two covering trade in goods by 2010. It includes free trade in goods, services, investment and areas of economic cooperation (Indo-Thailand Free Trade Agreement, 2003: Internet Source).

Malaysia and India have entered into comprehensive negotiations on a free trade agreement (FTA) since January 2008. Negotiations will cover trade in goods and services, investment and economic cooperation and it is expected that exports between Malaysia and India under a bilateral FTA could go up by 1.3 times to US$11.85 billion (US$1=RM3.58) for Malaysia, and 2.5 times to US$4.63 billion for India by 2012. There are 13 potential sectors or areas for both countries to further explore and enhance bilateral collaboration under the FTA (see Malaysia-India, 2007: Internet Source).

According to the Report of the Joint Study Group (2007: Internet Source), India-Malaysia Comprehensive Economic Cooperative Agreement (CECA) is also under consideration. Dr. Manmohan Singh, Prime Minister of India and Mr. Dato’ Seri Abdullah Haji Ahmad Badawi, Prime Minister of Malaysia, met on 20 December 2004 and agreed to set up of a Joint Study Group (JSG) to explore the feasibility of Comprehensive Economic Cooperation Agreement between the two countries. A Joint Study Group was constituted in March 2005 for the same. The group consisted of government officials and economists from India and Malaysia. The Joint Study Group remarked in its report that there is a massive potential for trade in goods, services,
investment and all other areas. The already existing bilateral economic relationship between India and Malaysia should give way to a more comprehensive economic relationship between the two. This calls for the establishment of Comprehensive Economic Cooperation Agreement and the talks for the same are undergoing (Ibid.).

As a result of United Progressive Alliance (UPA) government’s renewed emphasis on economic diplomacy, the politico-strategic colonization of the foreign policy establishment of yesteryears seems to be fast moving to the challenge of geoeconomic perspective. The Indian Prime Minister, Manmohan Singh, who is all for the expansion of India’s economic relations with the rest of the world, is reported to have remarked, “We should be more open to global capital flows and better prepared to take advantage of new markets for goods and services. India is wholly committed to multilateralism in trade but we will seek there form and democratization of multilateral institutions” (Singh, 2005c). The Third India-ASEAN Business Summit was held in New Delhi and Chennai from 19-21 October 2004. The Prime Minister of India referred to the Early Harvest Programme, which provides for immediate tariff concessions through trade liberalization. The Minister of India, emphasized the fact that Indian economy could absorb up to $150 billion of foreign investment in the infrastructure and invited the ASEAN businesses to invest in India. The Prime Minister also advised the state governments to be proactive in developing mutually beneficial co-operation with the ASEAN region. Mr. Kamal Nath, Commerce and Trade Minister of India, pointed out that presently, major trade of India with ASEAN is restricted to just three or four countries. He suggested that while expanding the already existing trade relations, India should look for commercial ties with the rest of the ASEAN countries (see India-ASEAN Business Summit, 2004: Internet Source).

ASEAN as a region has displayed great economic dynamism. As per the Confederation of Indian Industry (CII) Report (2005: Internet Source), ASEAN’s share in worldwide exports doubled between 1980 and 2000. Furthermore, both India and ASEAN as a whole have attained growth in exports, at rates higher than the global average, in last two decades. Growth in India’s exports to ASEAN in recent years has been much higher in comparison with other important destinations. Although in case of imports, those from other regions have achieved faster growth than ASEAN’s imports.
into India. Compared to other regional groupings, ASEAN is the fifth most important market in the world in terms of Indian exports and fourth in terms of imports (Ibid.).

According to the Annual Report of the Ministry of Commerce and Industry, Government of India (2005-06), India's trade with East Asia and the ASEAN region comprising ASEAN countries (Indonesia, Malaysia, Singapore, Thailand, Philippines, Brunei, Vietnam, Myanmar, Laos and Cambodia), Australia, New Zealand and countries of Oceania, stood at US $ 21.38 billion during the year 2004-05, registering a growth of 27.97% over the previous year. Exports to the ASEAN region grew by 37.30 % during the year 2004-05 over the previous year and imports witnessed a growth of 18.47 % in the same period. CECA has come into effect from August 2005, and is an important instrument for the expansion of overall economic relations in the region (Ibid.: 7).

According to the CII report (2005: Internet Source), India’s trade with the world in 2004 stood at US$ 142 billion, with ASEAN accounting for 9.34 percent of India’s global trade. However, based on the availability of data for ASEAN’s global import, India’s exports to ASEAN in different product groups are much below the potential. India, points out the report, must focus on the commodity groups that are of maximum importance to ASEAN so that Indian exports to the region may reach the targeted level of US$ 30 billion by 2007. The compounded annual growth rate required to be maintained from 2004 to 2007, in order to reach the desired trade level of US$ 30 billion in 2007, is 31.30 per cent (down from 32.38 per cent required 2004. Trade figures from the Directorate General of Commercial Intelligence and Statistics show that among ASEAN members, Singapore and Malaysia have been India’s most prominent trading partners. There has not been any significant change in the product composition of India’s major exports to ASEAN since 1991-92 with the exception of electronic goods that emerged as one of the leading export items by 2000-01. As far as the composition of India’s imports from ASEAN is concerned, electronic goods again have turned out to be the single-most important constituent. Edible vegetable oils also gained prominence and experienced an extraordinary increase in the share from 6 percent in 1991-92 to about 23 per cent in 2000-01. With Brunei, Cambodia, Laos, Myanmar and Vietnam (BCLMV), India’s current trade is rather low both in terms of absolute value and relative share, with Myanmar being an exception. Constraints in bilateral trade are several including high shipping cost, lack of contact between the business communities, relatively lower volume of demand and so on (Ibid.).
During the 6th India-ASEAN Summit in Singapore on 21 November 2007, India proposed to increase its bilateral trade with ASEAN countries from the current $30 billion turnover to $50 billion by 2010. The Indian Prime Minister, Manmohan Singh, announced that in order to further deepen regional cooperation, trade relations between India and ASEAN should be made stronger. The Free Trade Agreement between India and ASEAN is almost complete. India’s Commerce Secretary, G.K. Pillai, announced at the summit that the two sides have agreed on devising a category of ‘lists’— highly sensitive list — to tide over disagreements, and perhaps, distrust, over tariff reductions on various items of trade. The new category will consist of tea, coffee, and pepper (mostly traded with Vietnam) and crude palm oil and refined palm oil (mostly from Malaysia and Indonesia. To give economic ties a further boost, Man Mohan Singh also proposed a simpler visa regime for businessmen traveling to and from India (Khare, 2007).

NEW GEOGRAPHIES OF INDIAN FEDERALISM: PERSPECTIVES AND POLICIES FROM SUB-NATIONAL SCALE

With the processes of globalization taking the entire globe in their stride, various new centers of economic power are coming up. As a result, new geographies of centers and margins have emerged. Some of most powerful of these new geographies of centrality at the global level bind the major international financial and business city-centres like New York, London, Tokyo, Paris, Frankfurt, Zurich, Amsterdam, Los Angeles, Mumbai, Sydney, Hong Kong, Bangkok, Taipei, Sao Paulo and Mexico City. Thus, this whole process of globalisation and opening up of economies has made certain cities important centers of global geoconomics (Saskia, 2001: Internet Source). A noteworthy aspect of ‘Look East’ policy is that many Indian cities have been directly involved in India’s economic diplomacy with ASEAN countries.

Ohmae (1993) has argued with considerable insight and force that the world today is dominated by region states emerging all over the globe—in the United States, Europe and Southeast Asia. These region-states exist within a nation-state. Nation-states have lost the traditional monopoly over economics and the region states are getting increasingly involved in making investments and providing incentives for the surrounding areas to develop economically. Leaders of these region states, unlike the central leaders, help diffuse tension between ‘foreign’ and ‘domestic’ through their
international outlook. As far as India’s ‘Look East’ policy is concerned leaders of these city-region-state space (for example, Kolkata in West Bengal and Hyderabad in Andhra Pradesh), are becoming increasingly important. We will return to this important issue later in this chapter (Ibid.).

As pointed out earlier in the chapter, Ohmae (Ibid.) has argued that nation-states have completely lost their significance and geoeconomics is taking over in the present day world. Nation-states can no more handle economic activities in a borderless world. Territorial boundaries in some cases could prove to be a hindrance for promoting economic linkages, flows and synergies for shared community. Another disadvantage of territorially restricted economic activity is that in some cases the border regions become victims of geopolitical imperatives and are pushed to the background (Ibid.).

The interplay between nation-state geopolitics and city-region-state economics, as we have maintained throughout this thesis, is indeed quite complex. This has also been the source of some of Northeast India’s past tensions with New Delhi; with political reservations giving rise to economic distortions. Baruah (2004: Internet Source), an Indian expert on Northeast India, feels that if economic integration of Northeast India with surrounding areas in neighbouring countries goes beyond border trade in a few selected items, a whole new equation would emerge. Yet the disappearance of the border effect is bound to open new economic opportunities. To quote Baruah,

But if one begins to imagine the economic integration of Northeast India with surrounding areas in neighbouring countries -- going well beyond border trade in a few selected items -- the calculations would obviously be different. Border regions will cease to be border regions in any meaningful economic sense. Economic integration could bring about a spurt of economic activities. The removal of trade barriers and harmonization of tariffs on third country products could make border regions attractive sites for investments once we take into account full access to new cross border markets. Such effects are, of course, not inevitable. Yet the disappearance of the border effect is bound to open new economic opportunities (Ibid.).

Hence, Baruah feels that a continental orientation towards Southeast Asia, through the Northeast, is possible and would be beneficial (Ibid.).
There has been a connection between sub-national units and globalization as argued by Kincaid (1990) and Jenkins (2003: Internet Source). The participation of the sub-national actors in economic affairs is called ‘constituent diplomacy’ on account of the fact that sub-national diplomacy attributes a lesser status to the constituent units in the area of foreign relations. This comprises provinces’ investment promotion offices located abroad as well as what Kincaid (Ibid.) calls the ‘co-formulation’ of foreign policy between central government and regional authorities. However, Kincaid draws a distinction between constituent diplomacy and sub-national diplomacy. The concept of ‘constituent diplomacy captures the idea that states, provinces, cantons, lander, and the like are constituent units of federal polities’, often in fact, ‘co-sovereign constitutional polities with the federal government, not sub-national governments’ (Ibid.).

The constituent units of the Indian Union have been taking part in conducting the foreign relations for centuries by crossing the frontiers and it is not a new phenomenon. There has been a competition among Indian states for international attention and for domestic and foreign private investment (Jenkins, 2003: Internet Source; Rudolf and Rudolf, 2001). India’s economy can be called the ‘federal market economy’, which means that there has been gradual decentralization of the market, giving rise to new patterns in shared sovereignty between states and the centre for economic decision-making. In addition to economic liberalization, marked decline in public investment was responsible for the coming up of the federal market economy. Under the process of regionalization of Indian politics, especially after the 1996 elections, Indian states have no doubt vociferously demanded their own share in the formulation and execution of India’s foreign economic policy. State chief ministers and their finance and industries secretaries have been undertaking visits to countries like the United States, Western Europe, Switzerland and Japan in search of private investors and Indian states have been attracting foreign financiers and world leaders. These chief ministers have been much influential at the world scenario (Sridharan, 2003; Rudolf and Rudolf, 2001). Bill Gates and Bill Clinton had visited Hyderabad by the new millennium and Yoshiro Mori, Japanese Prime Minister, and Li Peng, former Chinese Premier, had visited Bangalore. One of the most successful Chief Ministers of India, Chandrababu Naidu, promoted his plans to transform his state from a middle rank into a top rank state by engaging his home state, Andhra Pradesh, at the international level (Rudolf and Rudolf, 2001).
This has given rise to ‘constituent diplomacy’, in India quite similar to what is happening in Russia, China and the United States as argued by Sridharan (2003). Consequently, while ‘the formal provisions of a country’s constitution’ may give its central government ‘sole authority to manage the foreign relations of a country, of late, the exclusive grip of the centre has in this area [been] slowly... loosened by the activities of the units/members of a federal union’ (Ibid.).

Sridharan (Ibid.) puts forth two trends in favour of Indian states taking active part in conducting foreign affairs. Firstly, it is the increasing regionalization of Indian politics, and secondly, it is the process of economic liberalization. Economic liberalization creates an environment facilitating states to play an important role in foreign economic policy by seeking foreign direct investments and promoting foreign trade. The states participate in negotiations with foreign investors and attempt to influence those with the international multilateral institutions like the World Trade Organization (WTO). Globalization offers state-level politicians unprecedented opportunities to cash upon global economic opportunities under the conditions of economic liberalization (Ibid.).

New Delhi has encouraged the states to negotiate energy agreements with foreign companies. Maharashtra’s power purchase agreement with Enron Corporation of the United States is a good example. Cities like Hyderabad and Kolkata have established important economic links with their counterparts like Kuala Lumpur and Singapore. A Singapore-based company, Ascendas, is going to develop a new 20-acre International Technology Park in Kolkata (ITPK) for about $150 million. Ascendas is planning to build similar technology parks in Bangalore and Chennai also (Roy Choudhary: Internet Source). A Kolkata-based RP Goenka group has signed an agreement with Vietnam National Chemical Corporation for locating a joint venture carbon black plant in Vietnam (The Hindu, 2007a).

**Locating West Bengal in India’s ‘Look East’ Policy**

The visit of the West Bengal Chief Minister, Buddhadeb Bhattacharya, to Singapore and Indonesia in August 2005, is a clear indication of Kolkata aiming at having an ‘autonomous’ economic foreign policy vis-à-vis ASEAN. A foreign visit by the Bengal Chief Minister after two years has some positive implications for the state governments in establishing an independent economic foreign policy. Buddhadeb Bhattacharya’s visit
to Southeast Asia, a logical outcome of India’s ‘Look East’ policy, has opened up new opportunities for the eastern states to accelerate their development through commercial linkages with ASEAN. According to a leading Indian foreign policy expert, C. Raja Mohan (2005 d), Kolkata should go beyond ASEAN and target China, Japan and South Korea in this respect. He is quite right in saying that New Delhi alone cannot realize its ‘Look East’ policy in an effective manner and initiatives at the state level become indispensable. The geopolitical location of such states as West Bengal, which share their boundaries with foreign countries, have a significant part to play in enhancing India’s economic diplomacy. Raja Mohan (Ibid.) also feels that West Bengal could very well establish sound economic relations with China, making full and wise use of its location. Trade with China is growing at more than 50 per cent a year at the national level, opening up extraordinary possibilities for trade and investment links between the two economies. China has also been looking at sub-regional cooperation between its frontier regions such as Xinjiang, Tibet and Yunnan, with the surrounding regions in the subcontinent and Southeast Asia. With such opportunities in line, Kolkata definitely has brilliant chances of ‘sharing’ sovereignty with New Delhi as far as economic diplomacy is concerned (Ibid.).

The Chief Minister of West Bengal, Buddhadeb Bhattachry, is of the view that his government policies have changed over a period of time. West Bengal government, though communist, has realised the importance of geoeconomics in present day foreign policy. He says, “We are encouraging foreign investment because we need it badly” (cited in Khanna: Internet Source). His government has allowed 100% ownership by foreign investors in infrastructural areas (Ibid.). However, as mentioned earlier in this chapter, pursuit of economic diplomacy is often marked by a tension between geoeconomics expectations and geopolitical-ideological inhibitions or reservations. Buddhadeb’s visits abroad have led to ideological debates within the state party circles and could result in adverse effects (Raja Mohan, 2005 d).

Here, some attention should also be paid to the strains that might surface between the central government and the state governments, from time to time, in carrying out the foreign relations. Jenkins is of the view that “there is an ambiguity in federal polities about the status of constituent governments in world affairs and about the authority of the general government to act unilaterally in foreign affairs” (cited in Dossani and
Vijaykumar, 2005: Internet Source). Even in the context of India, a rather equivocal nature of power-sharing between the central and the constituent units is a great source of tension regarding economic foreign relations besides other factors.

**ENHANCING ENERGY SECURITY IN PARTNERSHIPS WITH ASEAN: PIPELINES VERSUS FAULTLINES**

Concerns over energy security all over the world are gaining ground. According to Girish Luthra (2005), energy security refers to the phenomenon of protecting the interests that are influenced, directly or indirectly, by considerations based on different types of energy resources. Basically, energy security comprises elements of national security, economic security and environmental security. Energy security needs can be assessed by understanding three phenomena of energy expectation, energy interdependence and energy vulnerabilities. The Indian Ocean Region is the key to the emerging energy security. Middle East and the Persian Gulf, Central Asia, South Asia, Southeast Asia and East Asia have all woken up to the expectations, interdependence and vulnerabilities of energy security and oil and gas acquire a central position in the energy security conundrum (Ibid.)

It is important to bear in mind that energy resources could be both a source of vulnerabilities and ‘excesses’, negatively influencing the domestic politics and economy of exporting countries, as well as foreign relations, and they could prove to be valuable development asset if they are properly managed. Exportable on the international market, energy resources are increasingly giving rise to highly contested stakes over access and control of commodity networks, trading routes, and markets (Billion, 2004). During the Cold War, divisions were made on ideological lines. However, today, what drives various states for competition with each other is for access to vital natural resources, especially oil and natural gas. The protection of an unhindered flow of these resources has become a major national concern for the competing powers (Klare, 2001).

India is unable to meet the demand for natural gas from domestic sources alone. Demand for natural gas in India, mainly from new power generation projects, fertilizer plants, and industrial users, is projected to soar in the world's second most populous nation. As Sanjay Baru (2001: 87) has argued, “...a paucity of financial resources, political hurdles in dealing with energy sector reform, environmental concerns relating to thermal and hydro electricity generation, reduced domestic sources of oil and gas, and
slow pace of development of India’s nuclear energy programme suggest that energy supply is likely to lag behind the burgeoning demand.” Its insignificant domestic output of natural gas necessitates that India must import natural gas to meet its expected explosive growth in demand for the fuel.

An expert group was established by the Ministry of Petroleum and Natural Gas in 1994 and its projections for natural gas demand and domestic supply up to the year 2009-2010 are as follows. Currently, oil and natural gas comprise around 40% of the total energy needs of the country, and over the next two decades, this is likely to be around 45%. Given that India’s domestic oil production has remained stagnant at less than 32 million tones, due to the absence of massive investments and technological innovation, it is unlikely that production will increase substantially in the foreseeable future. As a result, the gap between demand and supply will increase over the years as consumption of oil and natural gas goes up. This high-level of energy imports will lead to a major drain on the country’s foreign exchange reserves. Already, India imports around 70% of its total oil demand.

Since the early 1990s, India has begun to take up the issue of energy security far more seriously. There appears to be a growing consensus both among the scholars and policy makers that an energy policy will have to be introduced sooner than later in order to balance country’s growing need for energy without increasing its vulnerability, and, at the same time, cater to the country’s environmental well being (Singh, 2001a). Energy security is also emerging as a new cornerstone of India’s foreign policy. By improving ties with resource rich countries, India hopes to enhance its energy security while at the same time cementing its status as a regional economic powerhouse and its standing in the global political landscape. According to the findings of the International Energy Agency (2005: Internet Source), India is becoming a major player in the international oil and gas industry and is willing to take on the political and financial risks inherent in overseas investments. Even with equity-oil contribution towards meeting domestic demand by 2020, India will remain an influential force on the international oil market. Strategic oil stocks for 15 days of import coverage are supposed to be in place by late 2007. Going by the report, India currently imports 70% of its oil and this share is expected to pass 90% by 2030. India began importing gas in 2004 and is projected to reach an import dependency of almost 40% in 2030.
In early 2004, the Indian Cabinet approved a plan for the establishment of strategic oil stocks to provide an emergency response mechanism against short-term supply disruptions. The government had consulted with the IEA since 2000 in preparation of its proposal and has declared its intention to adopt IEA standards for strategic oil stock deployment (Ibid.).

By the first half of the 21st century, India is likely to be among the top four consumers of energy, just behind the United States, China and Japan, and ahead of countries like France and the United Kingdom. As in most countries, India’s Industrial sector is the largest consumer of energy, followed by the transport sector (Dadwal, 2002). According to Siddiqi (2003: 22), “There will thus be a gap of about 4,000 MMcfd between the supply and demand for natural gas in India by 2004-05, and of 7,400 MMcfd by 2009-2010. Even if, as planned, coal bed methane is developed, its contribution will be less than 500 MMcfd. The remaining demand would have to be met by imports, or go unfulfilled.”

India has adopted a four pronged approach to energy security. It comprises import source diversification and acquisition of equity oil, strategic oil stocks, increased domestic exploration and production and fuel diversification. Since 2002 several major gas finds have been made that have the potential to fundamentally alter India’s gas supply and demand balance and to supplement the countries dwindling oil reserves. At the same time, Indian oil and gas companies are encouraged to invest overseas and to build strong relations with strategically important countries. India aims to produce 20 million tons of equity oil by 2010 and 60 million tons by 2025 when domestic consumption could reach 250 million tons. Since 2001 India has closed 14 overseas upstream deals in nine countries, seven of which were closed in 2004 alone. In addition, India has agreements on energy cooperation with several countries, and a number of mega-deals are under discussion. The country apparently seeks niche markets where it can leverage its expertise and where global oil companies more sensitive to political considerations fear to tread (Ibid.).

As per the Confederation of Indian Industries (CII) Report (2005), besides other areas of cooperation, collaboration in civilian nuclear power sector is both feasible and desirable between India and ASEAN. Though there has not been much dependence of India and ASEAN so far on each other in the energy sector and not many bilateral or
multilateral agreements and Memoranda of Understanding have been signed between the two, yet it seems an area that could offer mutually beneficial cooperation and dependence on a long-term basis. ASEAN countries, viz. Indonesia, Malaysia and Brunei, possess enough expertise in this area, which provides considerable scope for energy cooperation (Ibid.). The energy sector companies from ASEAN and India could cooperate with each other in oil and gas exploration and in down-stream processing activities. As an example, India’s national oil company is already involved in a joint venture to explore oil and natural gas in Vietnam. Even though the two countries are already cooperating in the energy sector, there is ample scope for further strengthening it (Sen, Asher, and Rajan, 2004).

G. Parthasarthy is of the view that there are economic and geopolitical imperatives in support of diversify the sources of both oil and gas imports. A number of power projects based on liquified natural gas have been approved in Indian coastal states. It is hoped that any comprehensive policy that is approved for such projects would seek to diversify sources of supply and make use of the vast resources of natural gas available in the Asia-Pacific region in countries like Australia, Malaysia and Indonesia. (Parthasarthy, 2001: Internet Source). Some of the ASEAN countries, like Myanmar, Vietnam, Indonesia, Malaysia, are rich in hydrocarbons. It has also been proposed that an India-ASEAN grid could (and should) be established by extending ASEAN grid to India (ASEAN-India Vision 2020, 2004).

India-ASEAN Energy Security Cooperation

Vietnam is the third largest source of energy in Southeast Asia (see Figure 12). After Indonesia and Malaysia. According to official estimates, Vietnam has six hundred million barrels of proven oil reserves and its potential oil reserves are much higher with the new oil and gas basin discoveries. There are six operating oil fields in Vietnam located in Cuu Long, Nam Con Son, Song Hong, Malay (Ma Lai in Vietnamese) and Tho Chu Sea Basins. Like oil, most of Vietnam’s gas reserves are also on offshore basins in the South China Sea. India’s energy cooperation with Vietnam is on a high (Muni & Panth, 2005).
In pursuit of India’s energy security, ONGC Videsh Limited (OVL) has, since 18 December 2000, started delivering gas from its offshore project in Vietnam to power utilities inland. The gas will be used to generate 40 per cent of Vietnam’s electricity needs. The exploration efforts of OVL, along with British Petroleum and PetroVietnam, in South China Sea in 1992 and 1993, led to the discovery of the Lan Do and Lan Tay gas fields. The project, which has reserves of around 58 billion cubic metres, will yield about three billion cubic metres of gas per year. Vietnam is OVL’s first partner country.
OVL signed a memorandum of understanding with PIDC (PetroVietnam Investment & Development Company), a wholly owned subsidiary of PetroVietnam on 9 January 2001, at a function in Hanoi in the presence of the then Prime Minister of India, Atal Behari Vajpayee. The MOU provides for collaboration between OVL and PIDC in the exploration and production of hydrocarbons in Vietnam, India and other countries (Subramaniam, 2001: Internet Source).

In June 2007, a number of agreements and Memorandum of Understanding, (MoU) including an MoU between the Department of Atomic Energy, Government of India and the Ministry of Science and Technology, Vietnam (Agreements signed during the State Visit of the Prime Minister of Vietnam to India, 2007: Internet Source). One major problem that lies in the way of India seeking greater cooperation with Vietnam in the field of energy security is that India cannot import crude oil from Vietnam. Vietnam sells its crude oil at officially set prices in order to avoid auctioning. Moreover, the Vietnamese oil is not compatible with the technical capacity of the Indian refineries. Evolving the necessary facilities to develop such capacities has not been possible for India for quite some time as OVL is engaged in new discoveries in India (Muni and Pant, 2005). Moreover, there is ebb in the coordination level between OVL and the Ministry of External Affairs. ONGC has invested huge amounts in other countries and wants to go its own way, whereas, Ministry of External Affairs is not very comfortable with this idea (Ibid.). Here is another example of geoeconomic imperatives coming in conflict with geopolitical considerations.

India, Myanmar, Bangladesh Cooperation in Energy Security

India, Bangladesh and Myanmar signed a deal for gas supply from Myanmar to India in September 2005 (India, Bangladesh Agree on Tri-Nation Gas Pipeline, 2005: Internet Source). Myanmar had been interested in this project since beginning and was keen to realize her vision of becoming an ‘energy hub’ in the region through Greater Mekong Sub Regional Cooperation. During his 2001 visit to Myanmar, Mr. Jaswant Singh, the then Foreign Minister of India, had expressed the earnest desire of India to bring gas from Myanmar to India. He had also discussed the issue of oil and gas exploration and supplies with General Than Shawe, Chairman of Myanmar’s State Peace and Development Council. A decision was taken to explore cooperation in the hydrocarbon and power sectors as New Delhi offered to execute other mutually beneficial infrastructure projects. In fact, India and
Myanmar have agreed to exchange geo-technology data of basins lying across the India-
Myanmar border so that both sides could optimize their exploration programs in these basin, and
ONGC has also evinced interest in studying exploration opportunities in Myanmar (Dadwal,
2002).

However, Bangladesh, the immediate neighbor of India, has been reluctant to go
along and would want India to first reduce trade imbalance against Bangladesh, allow
Bangladesh to carry out direct trade with Nepal and Bhutan, and also permit the import
of power from Nepal and Bhutan through Indian territories. Bangladesh is not satisfied
with the already existing transit routes and would insist on India making these
concessions before going ahead with the tri-nation project. Here is yet another example of
how geopolitical fears can at times act as fault lines that are not easy to bridge. Such
geopolitical hindrances, therefore, have led to the shelving of the tri-nation project.
Myanmar, however, has been asking India to look for alternative routes for the supply of
gas (Kim, 2007). Owing to the failure of the tri-nation deal, in June 2006, GAIL
proposed another 1400 km long pipeline that can possibly run from Sittwe in Burma to
Gaya in Bihar via Aizwal, Silchar, Guwahati, Tinsukia and Bengal (Ibid.).

A major step in the direction of energy security between India and ASEAN was
taken during the fifth India-ASEAN Summit held at Cebu in January 2007. A significant
announcement was made by the Indian Secretary (East), N. Ravi, to the effect that in
addition to cooperation in petroleum and petroleum products, India-ASEAN can have a
grid formation for supplying electricity from one country to the other (2007: Internet
Source). Such a plan for energy security will no doubt be a major step in strengthening
India-ASEAN relations as well as a major exercise in boundary crossing.

We might also mention in passing that the ASEAN Ministers on Energy had
concluded the Memorandum of Understanding on the Trans-ASEAN Gas Pipeline
Project (TAGP) in July 2002 for the realization of greater regional energy security. The
master plan study for the Trans-ASEAN Gas Pipeline identified seven new possible gas
interconnections covering a length of 4,500 kilometers, with total investment
requirements of US $7 billion. The TAGP project is supposed to optimize the utilization
of natural gas by linking gas demand and utilization centers with a pipeline infrastructure
tapping the gas fields of the Andaman Sea, the Gulf of Thailand, the South China Sea,
and Kalimantan and Sumatra in Indonesia. The major gas demand centers are Bangkok,
Kuala Lumpur, Singapore, Batam, Jakarta, Surabaya and Manila. The infrastructure could be further extended to link the East Asian markets (MacDonald and Wimbush: Internet Source). Although it is a long way to go before this pipeline project takes a concrete shape, whether India could be a part of it in the long run deserves serious thought.

Fifth India-ASEAN Summit: Implications for India-ASEAN Trade Relations

The fifth India-ASEAN Summit was held on 14 January 2007 in Cebu, the Philippines. The Indian External Affairs Minister, Shri Pranab Mukherjee, visited Cebu from 10 to 11 January 2007, to participate in the ASEAN-India Ministerial Meeting. The EAM attached a great deal of importance to India’s ‘Look East’ policy and the areas of maritime cooperation in maritime security, counter terrorism and energy security. During the fifth India-ASEAN Summit, both sides agreed to have a list of products that would not be subject to any tariff cuts till 2022. It was decided that India is going to keep about 490 items in this list including rubber and coconut. ASEAN still has to decide on its list. On the rest of 95 percent of trade also, there would be either elimination or reduction of duties. Mr. Man Mohan Singh remarked that the free trade agreement between India and ASEAN should be finalized by July 2007 (Venugopal, 2007). Thus the problem of the negative list has been handled well and it was decided that the list is not going to exceed five percent of the total trade between the two. India agreed to Singapore’s proposal for an ‘open skies’ policy in ASEAN and its dialogue partners (The Tribune, 2007e). According to the Indian Prime Minister, Dr. Manmohan Singh (2007b: Internet source), “India’s “Look East” policy, when it was initiated a decade and a half ago, marked a strategic shift in our perspective. It coincided with the beginning of our economic reform process and provided an opportunity for significantly enlarging our economic engagement. At the same time, it was also a renewal of time-tested linkages with our neighbours in South East and East Asia. Our zeal and determination to pursue this renewal and reach our goal of fashioning the Asian Economic Community, remains unshaken.”
CONCLUSIONS: FROM RHETORIC TO REALITY IN INDIA-ASEAN RELATIONS

Notwithstanding an overall improvement in the country’s export performance since the economic-structural reforms began, India continues to lag far behind most of its East Asian neighbours. The latter have been successful in diversifying and upgrading their exports towards high growth-oriented, technology intensive and knowledge-based products in the manufacturing sector. Whereas, India’s level of overall integration in the global system of merchandise trade has remained rather low. During the India-ASEAN Summit in Kuala Lumpur in December, 2005, India’s Commerce Minister, Kamal Nath, had offered a negative list of 1414 items to be exempted from tariff cuts and these items accounted for nearly 44% of India’s trade with ASEAN. In response, the Malaysian trade minister is reported to have taken it with a pinch of salt initially but ultimately it was decided to make the list shorter (Raja Mohan, 2005d).

In order to enhance the economic interaction and integration with ASEAN, India, as this chapter has shown, has taken a number of concrete initiatives. Yet, as pointed out by Ambassador A. N. Ram (2003), a distinguished Indian diplomat who had played a key role in drafting India’s ‘Look East’ policy, India’s bilateral relations with the ASEAN countries have yet to evolve into a meaningful partnership in which both sides have a vital stake. After the financial crisis, ASEAN trade, with, and investments in, India have stagnated. ASEAN also appears somewhat disillusioned with ‘India’s daunting procedures, requirements and an unresponsive bureaucracy’ (Ibid.).

A number of problems are yet to be addressed in the pursuit of economic diplomacy; especially the mitigation of geopolitical fears by geoeconomic hopes. India’s economic diplomacy towards Southeast Asia is marked by several tensions between various actors and institutions. Also the inability of various political factions like RSS, Communist Parties and the Congress to reach decisions regarding economic issues remains a major source of tension (Raja Mohan, 2005c). Sridharan (2003) calls it just a ‘faint beginning’ in this direction. Whereas, according to Mohan Malik (1998: 239),...
A major prerequisite of a successful foreign economic policy has to be the arrangement of a structure for policy-coordination which would ensure that India’s trading and expanding economic interests are adequately covered and served. This would require that the Ministries of Commerce, External Affairs, Finance, Industry and Labour are jointly responsible for the formulation of policies as well as negotiating strategies on the variables of international financial, trade and technical norms and regulations. While the need for this has been accepted in theory, there has always remained a considerable gap in its actual execution in practice, arising out of considerations of turf and personal ambition.

The Ministry of External Affairs, Government of India, has been in the process of transforming the mindsets of the Ministry of External Affairs officials. The ambassadors have been directed to be proactive in economic and commercial work and to provide the necessary information and assistance to the Indian exporters. The Ministry of External Affairs has been bringing the Indian ambassadors and commercial officers from different regions for face to face interaction with Indian exporters and export bodies in India from time to time. The Indian Missions have started publishing business guides and market studies and providing business information through their websites. In addition, the Indian exporters, business and industry are invited to make use of the services of Indian missions and work in partnership with the government (Sinha, 2003c: Internet Source). Raja Mohan (2003b) argues that what is required for a successful economic diplomacy in the immediate and extended neighborhood of India is the bringing together of incongruent strands of economic diplomacy and a bureaucratic coherence and political purpose.

Regional and sub-regional cooperation is an important aspect of India’s economic diplomacy in the present-day world. We turn to the next chapter in order to look into this vital dimension of India-ASEAN relations.