Chapter-3
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With the collapse of the Soviet Union at the end of the Cold War, and with the onset of globalization, nations are beginning to realize that the means to making wealth is by the securing of international trade and encouragement of foreign investments. Free market rules following the proven philosophy of mass capitalization dominate the international political scene over governing ideology. The 1990s was a period seeing rapid economic development and growth of Asian countries, especially in South East Asia. South East Asia is a region with vast economic potential.

And India, a vast sub-continent in South Asia, is a fast emerging economic and political force to be reckoned with. Thus it is, that the Indian leadership came up with a concept of ideas called the “Look East Policy” of India, an active policy of engagement with South East Asia.

India is geo-strategically linked to Southeast Asia and culturally an integral part as explained by Coedes (France) and Thapar (India) in their writings. The religion, epic, literature and architecture of different countries in Southeast Asia speaks about intimate historic geo-strategic connections but they are considered part of separate regions. The colonial interlude for centuries interrupted our traditional links.

By the early centuries of the Christian era, many parts of Southeast Asia and India were part of the world-trading network. Though this period was marked by the domination of Indian Ocean by roman trade, it also witnessed the establishment of trade relations between India and Southeast Asia. It had been argued that this relationship further resulted in the colonization of Southeast Asia, but the argument had been firmly countered in the wake of research, which emphasize on the mutual influence, rather than partial view of one-sided influence. It also presents an analysis of relations behind the increased economic activities (trade also) between India and Southeast Asia from 5-6th
century onwards and the resultant socio-political, economic and cultural impact of this relationship on both regions. (Thapar 1966: 120)

Southeast Asia has been portrayed and referred to as the 'golden island' or "Golden Peninsula" or Yavadipa or Suvarnadipa in the Indian literature from the first centuries AD. Apart from Ramayana, the Buddhist Jataka fables also mention about Southeast Asia. (Coedes 1968: 17) Chinese records provide a satisfactory, yet still incomplete view of the burgeoning Southeast Asian commerce. (Hall 1985: 103-04) In the last few decades, archaeological excavations at various sites in Southeast Asia had resulted in the yielding of various remains, which presents an entirely different and new picture of the region. The availability of epigraphic sources and inscriptions at various places has been of great use in reconstructing the history of this region. The various categories of inscriptions are Sanskrit, Tamil and indigenous language inscriptions. (Majumdar 1955: 47)

As far as state-formation is concerned, the maritime region has been well served partly due to paucity of intractability of the data, and partly to the fact that most of the scholars dealing with early history of maritime regions are struggling to produce adequate description of the states of the later first millennium AD. The reflections of the Indian ideas, beliefs and religious culture upon the monumental, artistic and literary remains of the early historic states of Southeast Asia made the scholar argue for the colonisation/Indianisation of the region. Coedes argued that the contact with the Brahmana-Buddhist culture of India resulted in the formation of the states that were culturally dependent on India. Mabbett argued for the borrowing of ideology and leadership apart from the agricultural technology that made possible the establishment of the first states in the region. (Coedes, 1968: 16)

This proposition began to be questioned when scholars raised the problem of the identity of the Indian incomers and the circumstances under which they arrived and interacted with the local population. Van Heur argued that the local populace was active participants in the process, though he argued that necessary political and social skills for state-building were acquired from India as these essential ingredients were assumed to be
missing in local societies. He argued that the local rulers, having learned of Indian culture through interaction with Indians on the maritime route, recognized the advantages of certain elements of Indian civilization and drew from the Indian tradition for their own benefit.

O. W. Wolters stressed the idea of a mutual sharing process in the evolution of Indianised statecraft in Southeast Asia. The initial contact with the knowledge of Indian cultural tradition came through the south East Asian sailors. The local-rulers, recognizing the fact that Indian culture provided certain opportunities for administrative and technological advantages vis-à-vis their rivals, followed up on these contacts. Thus the initiative was Southeast Asian, not Indian, and it was a slow process of cultural synthesis rather than Indianisation made possible by the imposition of Hinduism by the influx of the Brahmanas. He continues that Southeast Asian region was characterized by the tribal societies, ruled by chiefs and thus, there was no indigenous sense of kingdom and its supra-territorial demands of loyalty among the Southeast Asians themselves. The rulers/chiefs rather than developing state institutions initiated religious cults to command over the native population. (Wolters, 1982)

Der Casparis argued against this proposition of Indianisation and its continuity from early centuries of the Christian era to the later times as first contact was made in the peripheral areas which lacked continuity to central areas (east Kalimantan & 8th century Mataram). He substituted the proposition by a complicated network of relations, both between various parts of each of the two great regions and between the two regions themselves. Apart from south India, Northeastern India (Bengal, Bizarre and Orrin) also played an important part and at time, predominated in some regions. Same is the case with Southeast Asia. (De Casparis, 1983)

Kulke proposed ‘convergence hypothesis’ to highlight the relative lateness of state-formation in the eastern and southern portions of Indian subcontinent with which Southeast Asia had the most contact. He points out that the convergence is well demonstrated in the beginning of temple construction in Java within decades of its inception in south India. (Kulke, 2001)
Paul Wheatly argued that the early Southeast Asian society was marked by chiefdom, among whom the instrumental exchanges characteristic of a reciprocative mode of integration dominated. Entrepreneurial advances associated with developing commerce created social imbalances as 'redistributive exchange' system emerged—(Funan's case). He holds that several Southeast Asian societies developed into 'mobilisative sectors' economics, which developed organizational mechanisms for the acquisition, control and disposal of resources in pursuit of collective goals (generally political) and impersonalism took hold. This led to the development of state-institutions and transformation of chiefs into rulers. The process is detailed but what leads to such changes has not been discussed by Wheatly, as there exist changing views concerning the nature of early exchange. The important point on his suggestions concerning the potential destabilizing effects of partial borrowings of economic and political institutions from other cultures, which may be expected to provoke continuing change with the recipient cultures until a new equilibrium can be established. (Wheatley, 1983)

The importance of trade in political developments and the possibility of archaeological recovery of the phase of transition from lower to higher levels of political integration through study of evidence from changing trade patterns have begun to be exposed in maritime Southeast Asia. Archaeological sources have supported the argument that long-distance sea trade itself played a key role in stimulating political development which eventually led to the formation of state. (Hall 1985) Thus trade appeared as the key to economic growth control of trade appears to have provided the key to political development. Moreover, trade in this region was information maximizing as it carried a substantial baggage of information and ideas along with material commodities. This suggests that the carriers of most of this trade were members of maritime Southeast Asian communities rather than outsiders. Here, an important point to be noted is that none of the communities on the east coast of the Indian sub-continent or on the mainland of Southeast Asia, involved in trade at this time, belonged to sophisticated or powerful state and all these communities were in the process of transforming themselves politically. Thus interaction at this time was on a fairly equal basis. Much of the interaction between Indian and maritime Southeast Asian economies were driven by
interest in the trade of the South China Sea and the eastern seas of Indonesia. Thus the Southeast Asian trade was entirely dependent upon the Indian Ocean and South China Sea. (Hall 1985) J.W. Christie divides the maritime Southeast Asia into three distinct groupings. The first grouping covers the end of the pre-historic period in the maritime region (5th century BC to 5th century AD), the archaeological remains of which includes megalithic burial sites, inhumation, hoards, boat fragments and settlement sites. The second grouping comprises several set of early inscriptions on stone found in the region, a few other archaeological remains and some other vague references in Chinese records, dating 5th and 6th centuries AD. The third grouping dates 7th to 8th centuries AD and comprises further collections of inscriptions. (Christie, 1995: 235-88)

The Southeast Asian trade is well documented after 7th century AD onwards. The 7th and 8th century AD witnessed expansion in volume of Asian sea trade involving maritime southeast, due to Chinese interest and parallel rise in the demand from the prosperous centers on the east coast of India. The regions which benefited the most were Javanese State of Ho-ling and Malacca straits port hierarchy of Srivijaya, which also created a bi-polar pattern of trade networking in the archipelago. (Wales, 1971: 170) This was followed by a decline of trade in the late 8th and the 9th centuries owing to the disintegration of the Pallava states in south India. This argument is reinforced not only by epigraphic data from the peninsula and northeast India, but also by archaeological evidence that a postage route across Isthmus of Kra was in use for some decades in that century. (Annual Report on Indian Epigraphy, 1956-57: 161-66)

The period between early tenth and the early thirteenth centuries was marked by an economic boom, benefiting maritime Southeast Asia the most and it affected sea trade in both the Indian Ocean and the South China Sea. The dominant economic force in the eastern sector of the Indian Ocean was the grouping of several south Indian merchant associations or Banigrama, which operated under the aegis of the expanding Chola Empire. Trade in southern and eastern India began to benefit from political consolidation under the Cholas. The maritime trade boom of this period included greater commercial activity, volumes of trade, range of commodities and the number of regular participants were far greater and the region directly involved was far more extensive. The effects on
the Indonesian archipelago included increasing carrier of larger volume, lower value cargoes between islands as well as a number of technological and agricultural innovations, particularly in Java and Bali, stimulated by a combination of overseas market opportunities and domestic market pressures.

The Chola raids on many Southeast Asian ports including Srivijaya itself seems to be more because of the economic interest, rather than mere expansion of territory. Moreover, the effects of these raids appear, for the most part, to have been minimal and transitory and soon Srivijaya grew wealthy. (Nehru, 1946) The decline of Srivijaya trade after 1028 AD has been countered by Christie as one points to a diplomatic decision by Chinese court to restrict the burgeoning number of trade missions to port areas. In the context of Kedah conquest, the archaeological remains, though indicate the presence of Indian pottery; argue that the port population was largely of local extraction (religious remains) and thus counters the conquest theory. (Christie, 1995)

In southern India, a series of merchant associations developed powerful networks and vertical monopolies, from tied manufacturers to private armies. These are of particular interest in relation to trade with Sumatra and the Malaya peninsula, and to Javanese and Balinese responses to the growth in trade during the same period. (Panikkar, 1945) During this period (10th to 13th century AD), there occurred a shift in focus of merchant associations from the west coasts towards the east, stimulated by increasing trade with the east, was accompanied by a broadening of the range of commodities traded (Iron, cotton, textile). The effects on India were developments in the weaving and dying industries as introduction of the Draw Loom and of the spinning wheel and revival of coin-minting.

The Indian trade interest in the eastern coast of the Indian Ocean is well reflected in the Tamil language inscriptions and south Indian religious remains found on the eastern fringe of the Indian Ocean, from Burma down to Sumatra. Many of these are bilingual inscriptions which either bear donations or gifts made to religious centers (Monastery and Vishnu and Siva temples) or gives description of trade and the articles involved in trade. These inscriptions refer to South Indian merchant associations-
Maningramam, actively involved in transit trade bypassing the Malacca strait; and Nanadesi branch of the Ayyarole. Most of the 13th century Tamil inscriptions do not mention merchant associations, perhaps reflecting the sharp decline of this economic power during this period as evident also from the epigraphic records within southern India. (Christie, 1998: 251)

Tamil inscriptions and religious and other remains suggested establishment of the South Indian enclaves to the west of the Malacca straits. These conclaves were confined to regions accessible directly from the Indian Ocean due to the firm hold of Srivijaya over the groupings, involving very mixed personnel and structures of Southeast Asian along with South Asian, as suggested by evidences from Java and Bali, such as formation of the Banigrama. (Chaudhary, 1978)

As far as ports are concerned, although the Malacca straits played an important role during the Srivijaya period, in its hold over the sea-trade links eastwards from the India-Ocean, partly by forcing powerful south Indian merchant associations to trade on local terms, it was the state of Mataram in that Java played the key role in moulding maritime southeast Asia's shared economic culture. (Wolters, 1967: 107-10)

In the post–World War II era following independence, India as the second largest country in Asia played an active role as promoter of Asian regionalism. However, India's decision to pursue a policy of non-alignment in international relations was not well received by the West and also some ASEAN countries as that policy evidenced a pro-Soviet orientation during the Cold War (1947–91). During India's decolonising period, Nehru took great interest in the Southeast Asian struggle for independence. Thus, in the 1940s and 1950s there was close rapport with the ASEAN states, while in the 1960s there was benign neglect. She has examined the creation of ASEAN in 1967 and India's perception of cooperation through such regional organizations. A chapter is devoted to competing proposals for regional order in Southeast Asia between 1969-71. Obviously the ASEAN states, along with India and the Soviet Union, were worried about the future Chinese course in the region. The suggestion by the Soviet Union for an Asian collective security system motivated India to come up with its own proposals, which incidentally
coincided. This identity of interests led many to believe that India was trying to promote the Soviet's cause in South and Southeast Asia, which went ill with the ASEAN perception of Soviet Russia. When it came to the ASEAN proposal for a Zone of Peace, Freedom and Neutrality (ZOPFAN) in 1971, India endorsed it.

In the 1950s and 1960s, India was an enthusiastic promoter of Asian regionalism. As the second largest country in Asia, in 1967 India even suggested the formation of an Asian Council, believing such "a broad based economic organization of all countries in Asia should be formed so that no single country or group of countries from Asia or outside can dominate any country in Asia" (Sridharan 1996: 46). However, India's decision to retain the membership of the Commonwealth after its political independence indicated that India mainly conceived its development in collaboration with the Western world. (Dixit, 1998: 75) Moreover, India's incapacity and economic weakness resulted from its wrong economic policies, such as "an inward-oriented strategy of economic self-reliance through import-substitution and building heavy industries" (Nayar and Paul 2003: 99). Moreover, the influence of geopolitics in the Cold War era made it impossible for New Delhi to reach out beyond the Indian subcontinent and develop all-round relations with ASEAN. The 1972-76 periods were in the context of the Bangladesh crisis, which nudged India into signing the Indo-Soviet Treaty of Peace, Friendship and Cooperation of 1971. This sent confusing signals to the ASEAN countries, who perceived India's views as 'closer to that of Hanoi and Moscow'. It was during this period that India requested for the status of a formal dialogue partnership with ASEAN in 1976. With the change of government in 1977, the ASEAN countries hoped that India's pro-Soviet stance under Indira Gandhi would end and that it could look towards 'genuine non-alignment'.

However, under the Janata Party rule (1977-79), Indian foreign policy did not undergo dramatic changes vis-a-vis the Soviet Union, though efforts were made to mend relations with China and in 1976 ambassadors were exchanged after a gap of 15 years.

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1 Relations between ASEAN and India had been strained for long due to ASEAN's concern over external security. ASEAN could not accept India's close relations with the Soviet Union and its recognition of the Vietnam-backed government in Cambodia in 1980.
But the Chinese armed attack on Vietnam on 16 February 1979 while Foreign Minister Vajpayee was in Beijing caused considerable embarrassment to the Indian government. It also showed that China had not given up its aggressive policy towards its neighbours. Here again perceptions differed. ASEAN saw China’s attack as a result of Vietnam’s invasion of Kampuchea, while India tried to equidistance itself from both. Sridharan writes, ‘India’s apparent tolerance of Vietnam’s action was interpreted by these states as arising out of India’s friendship with Moscow and hostility to China, leading them ultimately to put on hold India’s request for an institutional relationship with the Association.’ 1980-84 saw the return of Indira Gandhi. The biggest mistake of her regime was the Indian decision to recognize ‘the Hanoi installed Kampuchean regime in July 1980 which caused a misunderstanding between India and ASEAN states. The latter viewed Soviet intervention in Afghanistan and pro-Moscow Vietnam intervention in Kampuchea as a threat to the security of non-communist ASEAN states.’ On the other hand, India viewed these interventions as a consequence of the US and Chinese activities, seen as ‘far more destabilizing than the interventions by Vietnam or the Soviet Union.’ Moreover, India’s policy towards Southeast Asia was affected by its security perception in its own region where it viewed with alarm American ‘supply of arms to Pakistan and the militarisation of the Indian Ocean region.’ After Indira Gandhi’s assassination in October 1984, Rajiv Gandhi took over as prime minister and the South Asian Association of Regional Cooperation (SAARC) was inaugurated. The ASEAN states welcomed the formation of SAARC and hoped for co-operation with it. However, India’s efforts at resolving the Kampuchean issue once again brought to the fore the differences between the ASEAN states’ and India’s security perceptions. India’s continued closeness with Vietnam was not appreciated by them. Also, India’s sending of a Peace Keeping Force to Sri Lanka, its military action in Maldives, and the naval build up was viewed with concern by the ASEAN countries. However, when V.P. Singh took over in November 1989, Indian policy makers realized that an offer of joint naval exercises with the ASEAN states would allay their fears. The subsequent joint naval exercises with Singapore, Malaysia and Indonesia were ‘damage control exercises’. (Sridharan 1996: 134-62)
However, as the Cold War ended in the 1990s and China's influence increased in Southeast Asia, India again realized ASEAN's importance in terms of politics, economy, and diplomacy, and consequently launched its "Look East" policy, the focus of which was how to become actively engaged in Southeast Asian affairs in the post–Cold War era. This attempts of India's Look East policy and its new strategies towards ASEAN, examines the factors affecting India's post–Cold War policies towards ASEAN, the China factor in the changing relationship between India and ASEAN, and the India factor in Sino-ASEAN relations. These simultaneously rising powers, despite being rivals, can also become stakeholders or partners in ASEAN-led Southeast Asian regionalism. India's involvement and growing role have brought forth different conceptions of East Asian regionalism, the impact of the India factor on future Sino-ASEAN relations, as well as the significance of China's changing perceptions of India's rise and its role in Southeast Asia, and what approaches China is and will be taking.

**India's New Policies towards ASEAN**

It was only in 1991, when the Rao government came to power, that the Indian economy was opened up. Since then, bilateral economic ties have improved due to India’s desire to be a part of the security and economic scenario unfolding in the Asia-Pacific region. ASEAN is a member of Asia Pacific Economic Co-operation (APEC) and founder of ARF, and its influence is growing within these bodies. Consequently there is recognition that a closer understanding with ASEAN would make it possible for India to become an integral part of the dynamic Asia-Pacific region in the long run. Thus India’s policy towards ASEAN is motivated by this larger quest. The end of the Cold War in 1991 coincided with a Congress government headed by Narasimha Rao coming to power in India. The global environment had changed with the emergence of new regional complexities. Broadening of the security discourse was related to the process of globalization. Security is no longer viewed just in terms of protecting the state’s security and territorial integrity from external aggression. A wider, more comprehensive view of security to encompass international as well as national interests has established itself. In this view, national and international security policies need to be more sensitive to the non-military threats that states and the international society face because of the complex
patterns of interdependence. The rise of China and the consequences it will have for the international system, and particularly Asia, will depend on whether Beijing will, like the great powers in the past, seek to rewrite the rules of the game or act differently by accepting the status quo, arguably in the interests of peace in the region. These trends had their strategic implications on India’s foreign policy, starting from 1991. It is too early to gauge the long term impact of this changing, uncertain world on India, yet attempts have been made by several experts, Indian and foreign, to do so. There had been awareness of the significance of Southeast Asian states, particularly the ASEAN, in economic, strategic and political terms. But it was only when Cold War perceptions were no longer valid and ASEAN, in the words of its permanent representative in the UN, emerged as ‘the most successful regional organization in the Third World,’ that India started developing a policy framework towards it. Indian leaders realized that India was the only regional power left out in the cold when others, far less important, were involved in deciding the future course of action in its extended neighbourhood. Though trade and investment with ASEAN is now increasing rapidly, it at the political level that India needs friends to ensure that it becomes a key factor in the Asia-Pacific region. It is a positive sign that the largest Muslim country in the world, Indonesia, is making efforts at closer cooperation with India. In the past, India’s proximity to the Soviet Union and a perceived threat from China had acted as deterrents to such gestures from the Southeast Asian countries.

The Indian overtures and the ASEAN display of interest during Rao’s government were welcomed by these countries. The Rao initiative had immediate and successful fallout with India becoming a sectoral dialogue partner of ASEAN in January 1992 and a full dialogue partner in December 1995. In July 1996, India became a member of the ASEAN Regional Forum (ARF). India’s security perceptions chiefly include its immediate neighborhood and China. It has been India’s prime concern to counter Chinese influence in the larger Southeast Asian region as in its own region.’ Whenever India felt China’s influence on the increase in Southeast Asia, an immediate mobilization towards this region took place. The recent flurry of activity like the state visits from Singapore, Indonesia and Cambodia in one go is perhaps related to China giving a benign look to its
policy vis-a-vis the ASEAN countries, particularly in its attempts at solving border problems with the states of Indo-China which have been India's traditional friends.

India's Look East policy was initiated in 1991 after the Cold War when India faced a number of successive strategic and economic challenges which threatened its political survival. (Rao 1996: 763) The breakup of the Soviet Union deprived India of its main trading partner and source of cheap imported oil. India was forced to purchase oil at market prices which were inflated because of the First Gulf War in 1990. India, therefore, had to realign its foreign policies and implement, what it refers to as a move "towards big power strategy", with the characteristics of a multi-directional foreign policy. Its Look East policy is an important component of this development strategy. In an attempt to soothe the strategic antagonism between India and ASEAN and enhance ties with the Southeast Asian region, India signalled its intention to join the Asia Pacific Economic Cooperation (APEC) grouping and the Asia Europe Meeting (ASEM) in order to prepare for its eventual leap into the global market as a dominant economic player. (Gordon and Henningham 1995) During this first phase, India's Look East policy was implemented with the purpose of rebuilding its economic relations with Southeast Asia so as to diversify trade away from its main trading partners in North America and Europe.

The early 1990s also saw the acceleration of economic reforms in India, and a closer economic relationship between ASEAN and India started to look promising to both. ASEAN countries realized that with the rise of India, they can reduce their dependence on Japan, the Western countries, and China in trade and economic relations. They responded positively to India's initiatives and advances, and accepted India as a sectoral dialogue partner of ASEAN in the fields of trade, investment, and tourism in 1992. (Ambatkar 2002: 41-43) In the 1995 ASEAN Summit, Singapore's Prime Minister Goh Chok Tong proposed to elevate India to full dialogue partnership, and this proposal received the consent of all the ASEAN leaders. In 1996, India began participating in the ASEAN Post-Ministerial Conferences and the ASEAN Regional Forum (ARF). This was the first time in 50 years for India to attend a multilateral dialogue on politics and security in the Asia-Pacific region, indicating India's Look East policy had reached an important milestone. (Rao 2008: 12-13)
The mid-1990s saw Sino-US relations improve under the Clinton administration in terms of economic cooperation and diplomacy. The US acquiescence in China's transfer of nuclear and missile equipment and technology to Pakistan and its embrace of China during the mid-1990s as a strategic partner confronted India with the prospect not only of US hegemony, but also of US-endorsed Chinese hegemony over it. India has been concerned that China will use its permanent membership in the UN Security Council and its burgeoning relationship with Washington to block New Delhi from taking its appropriate place in the world stage and in Asia (Sidhu and Yuan 2003: 174). In India's case, the issue of an immediate threat from China is less significant, while the widening gap between China and India, as well as its longer-term implications, are deemed to be more crucial (Nayar and Paul 2003: 230). Indeed, India's nuclear ambition might well be driven more by the China factor rather than concerns over Pakistan, which India views as not an equal partner in the balance of power game. After India's nuclear test in May 1998 followed by those in Pakistan, China — exercising its authority as the rotating president of the UN Security Council — actively coordinated permanent member consultations to condemn the tests. Meanwhile, the United States, Japan, Australia, and some other developed countries unanimously retaliated against India in the form of economic sanctions. (Ghosh, 2000: 259-70)

ASEAN's concerns over China's rise and dominant role in Southeast Asia could well have tempered the regional association's rather mild response to India's nuclear tests — a factor that has spurred India's post–Cold War engagement in the region. In 1998, Atal Bihari Vajpayee became India's new prime minister, and the Look East policy was hastened. The second phase of India's Look East policy saw greater efforts in forging links with the states of Cambodia, Laos, Myanmar, and Vietnam (CLMV) and marshalling support for India to hold a summit level meeting with ASEAN.

In June 1997, under New Delhi's aegis, a sub-regional grouping called BISTEC (later, BIMSTEC to include Myanmar) comprising three South Asian countries (India, Bangladesh, and Sri Lanka) and two Southeast Asian countries (Thailand and Myanmar) was formed with the aim of creating a free trade zone among member countries before 2017. (The Hindu, 13 June 1997) In 2000, sponsored by India, the "Mekong-Ganges
River Cooperation Project" between India and five ASEAN member countries (Vietnam, Laos, Cambodia, Myanmar, and Thailand) was initiated to promote cooperation in tourism, culture, and education in this sub-region. (Singh, 2007: 24-29)

India is clearly aware that it needs to do more to compete with China and other big powers in the markets of ASEAN's original five members (Indonesia, Malaysia, Singapore, Thailand, and the Philippines). Closer engagement with ASEAN's new members provides it an important access to the ASEAN market, therefore So India has proposed economic and technical assistance to these new members; Myanmar, Laos, Cambodia, Vietnam and Brunei including setting up centres for English language training in the Cambodia, Laos, Myanmar, and Vietnam (CLMV) states, and providing unilateral tariff concessions to goods from these countries. (Prime Minister's Office Release December 13, 2005) After intensive efforts to achieve parity with China, Japan, and South Korea in the ASEAN scheme of partnership, India successfully became a summit-level partner in 2002. At the Third ASEAN-India Summit held in November 2004 in Vientiane, India and ASEAN signed the "ASEAN-India Partnership for Peace, Progress and Shared Prosperity" document, setting out a road map for long-term ASEAN-India engagement. (Chairman's Statement of the 3rd ASEAN + India Summit, Vientiane, 30 November 2004) At the 2005 ASEAN-India Summit, as part of its assistance programme for the new members of ASEAN, India announced its intention to set up a permanent Centre for English Language Training in each of them and a "satellite-based network" linking India with those countries for tele-medicine and tele-education. (Chairman’s Statement of the Fourth ASEAN-India Summit Kuala Lumpur, 13 December 2005)

In April 2005, with the strong advocacy of Singapore, Indonesia, and Thailand for India's inclusion in the East Asia Summit (EAS), the ASEAN Foreign Ministers endorsed India's participation in the EAS. This was a significant step in India's drive for stronger linkages with East Asia as well as in ASEAN's effort to have India strategically and economically engaged in the affairs of the region, and to play a counter-weight role vis-à-vis China.
Bilateral Economic Relations

The launch of ASEAN Free Trade Area (AFTA) in Singapore in 1992 and China's efforts to have a free trade agreement with ASEAN by 2012 added to India's concerns. To counter China's economic initiatives and increasing influence in ASEAN, India hosted the First India-ASEAN Business Summit in the Indian cities of New Delhi and Hyderabad in October 2002. India believes it has the potential to enhance technological cooperation, especially in the information technology (IT) sector with the ASEAN countries. (The Tribune, 16 October 2002)

As bilateral political and diplomatic relations between India and ASEAN improved, bilateral economic relations showed a positive trend, with absolute figures increasing steadily. From 1998 to 2004, the total value of trade between India and ASEAN-5 increased from US$5.6 billion to US$14.5 billion, with India's exports to ASEAN-5 valued at US$6.8 billion, while imports from ASEAN-5 totalled US$7.7 billion. ASEAN has become the third largest trade partner of India, ranking behind European Union and the United States. However, the balance of trade has been in ASEAN's favour, especially since the late 1990s. Two of ASEAN's largest trade partners with India — Singapore and Malaysia — accounted for over 60 per cent of total trade between India and ASEAN. (International Monetary Fund, Direction of Trade and Statistics Yearbook, 2005)

In terms of investment, from 1991 to 2002, the accumulation of ASEAN's foreign direct investment (FDI) in India was US$4 billion, or 6.1 per cent of total FDI inflows to India during this period. ASEAN's FDI to India mainly focuses on telecommunication, petroleum, and heavy industrial sectors, with main source countries being Singapore, Malaysia, and Thailand. At present, Singapore is the third largest foreign investor in India (after the European Union and the United States), with its investment of US$1.5 billion in the telecommunication sector and US$2 billion in technology, finance service sectors, and astro-navigation industry. Malaysia is the tenth largest investor in India, having

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2 International Monetary Fund, Direction of Trade and Statistics Yearbook, 2005. ASEAN-5 comprises Singapore, Malaysia, Thailand, Indonesia, and the Philippines
of products from tariff concessions" (Srivastava 2005). Countries like Malaysia and Indonesia would want agricultural products like edible oil, pepper and rubber to be part of the FTA. India's import duties and sectoral FDI caps in telecommunications and aviation are also impeding investments from ASEAN countries. On the part of ASEAN, some countries especially the second tier CLMV, are not ready to open services and IT sectors in which India is more competitive.\(^3\)

The India-ASEAN FTA has come into a stalemate mainly because of the pressure from internal disagreement between the Indian Ministry of Commerce on the one hand, and the Agriculture and Finance Ministries on the other. While the Commerce Ministry has proposed a phased reduction in duty on sensitive products like palm oil, pepper, tea, and coffee, and also proposed to reduce its list of sensitive items to 990, the Agriculture Ministry has raised concerns about the impact of the move on Indian farmers. (“Stalled India-ASEAN FTA Comes under Internal Pressure” May 2006, http://centad.org/tradenews_67.asp) Neither is the Finance Ministry in favour of these proposals as they would result in a loss of revenue arising out of tariff cuts under the agreement.

Though India's FTA negotiations with ASEAN as a group encountered some difficulties, its talks with some individual ASEAN countries have been proceeding smoothly. India signed a bilateral FTA with Thailand in July 2003, a Comprehensive Economic Cooperation Agreement (CECA) with Singapore in June 2005, and is negotiating another CECA-type FTA with Malaysia. (Kumar et al 2006) The India-Singapore CECA is particularly significant for Singapore — a city-state whose development relies heavily on FDI and international trade. After the India-Singapore CECA came into effect on 1 August 2005, Singapore fully eliminated customs duties on all products from India, and India on its part, offered concessions to Singapore on products covering 80 per cent of Singapore's exports to India. The India-Singapore CECA also includes agreements on avoidance of double taxation, mutual recognition agreements that will establish standards, technical regulations, and sanitary measures in

\(^3\) It is predicted that the export value of India's IT industry will reach US$50 billion, which will then account for 6 per cent of the total global IT exports — cited in Thomas (2005).
specified sectors in each country; thus trade and investment relations between these two countries are bound to expand greatly. There have been fears that cheap imports from ASEAN member countries will route through Singapore and reach the India market. Therefore, the CECA involves rules of origin, which stipulate that only goods having 40 per cent local (Singapore or India) content will be eligible for tariff concessions. (Speech by Lee Hsien Loong, 30 June 2005)

Factors Influencing India’s Post–Cold War Policy towards ASEAN:

Strategic Adjustments

During the Cold War period, relying on its leadership role of the non-alliance movement and in the Third World, India played a balancing act between the two superpowers, and created a somewhat significant influence on regional and international affairs. After the Cold War, as the Soviet Union collapsed, India lost a strong ally, together with the military and financial assistance that came with a pro-Soviet orientation. India found itself in a difficult situation, in that it no longer had the leverage that its earlier friendship with the Soviet Union had provided it. Thus its status and prestige ultimately declined in the international arena, and its geopolitical clout decreased dramatically. India therefore had to readjust and change its foreign policy strategy, and create a new place for itself on the international economic and geopolitical stage. (Ayoob, 1990)

But from a geopolitical perspective, as its arch enemy, Pakistan, is on India’s western border, it constitutes a significant geographic obstacle to India’s efforts to create and develop relations with West Asia. Moreover, the political situation in the Middle East remains unstable in the long term, while Central Asia and Afghanistan located to the north of India are backward and lack the potential for cooperation. In the event, the ASEAN countries, as relatively close neighbours of India — both in terms of cultural commonalities and regional interests — have emerged as an attractive proposition in New Delhi’s eyes for cultivating closer relations. India realized that if it wanted to have a significant role as a major power, complete its transition from a "South Asian regional power" to an "Asian major power" and eventually become a "major world power", it
must develop political and economic relations with ASEAN, using ASEAN as a bridge with which to connect itself to East Asia.

Moreover, the 9/11 terrorist attack was a significant turning point in US relations with South Asia. Besides getting India's possible help and facilities in the fight against terrorism (no doubt because of India's own situation as a long-standing victim of terrorism), India's economic liberalization programme, mutual unease over China's rapid rise, and other factors drove these two sides closer. On 22 September 2001, the Bush administration further lifted the sanctions that were imposed under the terms of the 1994 Nuclear Proliferation Prevention Act following India's nuclear tests in May 1998. President Bush and Prime Minister Vajpayee held their first summit in November 2001 and presented a vision for the rapid transformation of the relationship between the two countries. Subsequently this provided more space and flexibility for India to carry out its Look East policy. (Hong, 2007: 121-42)

Maritime Security

The most important sea-lane of communication (SLOC) in the Southeast Asian region is the Straits of Malacca, the main passage between the Indian Ocean and the South China Sea. It is 600 miles long and 300 miles wide on its western side. The length of the Singapore Straits, which connects Malacca with the South China Sea, is 75 miles, with an overall width of less than 12 miles. The Malacca and Singapore Straits provides the artery through which a significant proportion of global trade is conducted. Some 50,000 ship movements carrying as much as one quarter of the world's commerce and half the world's oil pass through these Straits each year.

The second SLOC is the wider and deeper Lombok. It is less congested than the Straits of Malacca, is quite often used as an alternative passage and is considered a safer route.

The third SLOC is the 50-mile long Straits of Sunda, another alternative to Malacca. Because the currents are strong and the depth of the water is limited, deep draft ships do not use these straits. The largest SLOC is the South China Sea. It stretches 1,800 nautical miles from Sumatra to Taiwan and is home to four principal island groups and three major zones of petroleum exploration. Regional and global powers, in terms of
regional maritime security stability and seaborne trade, consider the Straits of Malacca and the South China Sea to be the most important, and the Straits of Malacca are one of the busiest routes in the world.

Maritime transport in these SLOCs is divided into three major categories: dry bulk (dominated by iron ore, grain and coal); liquid bulk (dominated by crude oil and petroleum products); and general cargo (dominated by containers). Tonnage via Malacca and Spratly Islands is dominated by liquid bulk such as crude oil and liquid natural gas, with dry bulk (mostly coal and iron ore) in second place. Coal from Australia and Iron ore from India, as well as crude oil and liquid gas originating in Malaysia and Indonesia; determine the directions of the flow. Container movements originate largely from China and Taiwan, though increasingly, products from Thailand, Indonesia, Malaysia and Vietnam are occupying container space.

International sea-lanes through Southeast Asia are important to the economic and political well being of billions of people throughout the world. The commercial and strategic significance of the Southeast Asian sea lanes requires little elaboration. The sea is a major source of food for the region, and the sea-lanes are the lifeline of East Asian economies heavily dependent on unimpeded access to raw materials and market and investment opportunities throughout the region. All countries have depended on the free passage of goods across the seas, and the majority of Asian Pacific countries, with their export-oriented economic structure, have depended even more on maritime transportation. An uninterrupted and secure flow of shipping is critical to survival and prosperity of regional countries.

South Asia is also a stakeholder in trade passing through these waters, as the South Asian countries depend on these waterways to access all Asian and Pacific Rim destinations including the western coast of North America. Security of these waters is therefore of paramount economic importance to all these countries.

Issues of maritime security arise from several different threat perceptions and are outlined below:-
**Terrorism**

Several Southeast Asian guerrilla and terrorist groups possess substantial maritime capabilities. Since 2000, Al-Qaida, the Moro Islamic Liberation Front, the Abu Sayyaff Group, Jemaah Islamiyah, the Kumpulan Militan Malaysia, the Gerakan Aceh Merdeka, and Laskar Jihad have all been suspected of planning or executing maritime attacks. Other groups have used the sea to transport weapons, move forces, and raise funds. The most successful has been Abu Sayyaff, which has conducted dozens of successful maritime operations in the southern Philippines, metropolitan Manila, and East Malaysia.

There is also the question of greater vulnerability of ports as compared to the security of airports. While airport security has been enhanced considerably, sea-ports remain vulnerable. Increasing containerization of trade also means that goods transported by sea do not undergo the kind of physical checks that air freights undergo. Bulk and liquid cargo also have the problem of rerouting, leading to the difficulty in tracing origins and destinations of sea cargo.

**Marine Crime and Piracy**

Transnational maritime crime involves such economically motivated activity as piracy, smuggling, and illegal migration. Transnational maritime crime has substantial security ramifications. It is costly in human terms and is a major drain on national resources. Furthermore, it has a synergetic effect that exacerbates interstate conflict and non-state political violence. Illegal migration fuels tension between several countries. Transnational maritime crime provides terrorist and guerrilla groups the means to move weapons and personnel, raise funds, and recruit new members. Islamist terrorists are believed to maintain routes in the Celebes Sea to move operatives, explosives, and firearms between Indonesia, Malaysia, and the Philippines.

Piracy may have a nexus with terrorism. Security officials have suggested that terrorists might work with pirates or adopt their techniques. A case in point was the March 2003 hijacking of the chemical tanker *Dewi Madrim*, during which pirates
wielding assault rifles and VHF radios disabled the ship’s radio and took over the helm for about half an hour before kidnapping the captain and first officer for ransom. What looked like just another act of piracy may in fact have been, as many observers have suggested, a training run for a future terrorist mission.

Table 3.1

**Reported Piracy and Sea Robbery Attacks in Southeast Asia**

<table>
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</thead>
<tbody>
<tr>
<td>Global Attacks</td>
<td>445</td>
<td>370</td>
<td>335</td>
<td>469</td>
<td>300</td>
<td>202</td>
</tr>
<tr>
<td>Attacks in Southeast</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asia</td>
<td>189</td>
<td>170</td>
<td>170</td>
<td>257</td>
<td>167</td>
<td>99</td>
</tr>
</tbody>
</table>

**Damage to Marine Environment**

Although less frequently discussed, damage done to the marine environment and tropical reefs, oil spills, overexploitation of fisheries, etc., have also impacted Southeast Asian security. For example, the destruction of reefs and overexploitation of fishing groups are contributing to Indonesian poverty and exacerbating domestic violence. Similarly, guerrillas in the southern Philippines have targeted foreign trawlers because these are seen as holding unfair technical advantages in the race to harvest fish from traditional Moro fishing grounds. The impact of natural calamities such as the tsunami that struck these seas in December 2004 could well be exacerbated by the damage done to the marine environment. Entire communities of fishing villages were decimated by the tsunami.

**Territorial Issues**

Southeast Asian states have been increasingly willing to allow infringement upon or qualification of their sovereignty for the sake of improved maritime security. Perhaps most significantly, in 1998 Malaysia and Indonesia requested the ICJ to arbitrate the ownership of Litigan and Sipadan Islands, and in 2002 Indonesia accepted a ruling in favour of Malaysia.
Today, all extra regional powers involved in Southeast Asian maritime affairs have aligned their interests toward maritime security cooperation, especially in protecting navigation in strategic sea-lanes from transnational threats. Most important among these powers are the United States, Japan, and China. Australia and India, two large neighbors with substantial navies, have also demonstrated commitment to maritime security cooperation in Southeast Asia. This convergence of interests not only removes inhibitors previously at play but also encourages new cooperation.

India also has become increasingly involved in Southeast Asian maritime security, as part of its reinvigorated activism in the wider Asia-Pacific region and its “Look East” policy, aimed at strengthening its influence in Southeast Asia. As seen above, in 2002 the Indian and U.S. navies worked together to ensure the safe transit of high-value units through the Straits of Malacca. In 2003 a Singapore-India agreement to improve maritime and counterterrorism cooperation resulted in the planning for joint exercises on sea-lane control, and the first Indian exercise in Singaporean waters. Shortly after the previously described Indonesia-Malaysia-Singapore coordinated trilateral patrols of the Straits of Malacca began, India raised the possibility of participating and contributing to the operations and exercises.

Domestic Economic Reforms

Apart from the strategic concerns, India’s attention to Southeast Asia was based on important considerations. India’s main objective after achieving independence in 1947 was to attain self-sufficiency under a planned economic system. But in the first four decades, self-sufficiency remained elusive and the import-substitution policy failed to yield the desired result. Instead, what became obvious was an economy weighed down by inefficiency, stagnation, and poor performance. When Prime Minister P.V. Narasimha Rao assumed power in June 1991, India was experiencing the most serious economic crisis since independence with "a steep fall in foreign exchange reserves to about US$1 billion (equal to two weeks' imports), a sharp downgrading of India's credit rating, and a cut-off of foreign private lending" (Joshi and Little 1996: 14). In cooperation with the International Monetary Fund (IMF) and the World Bank, the new government started the process of large-scale economic reforms, openly embraced globalization and
liberalization with obvious enthusiasm, thus affecting a paradigm shift in its economic posture (Nayar and Paul 2003: 207).

Although almost everything needed reforming, the most urgent reforms focused on ensuring rapid economic growth. In order to contain inflation, the government decided to borrow heavily on the market and encourage massive foreign investment rather than "printing money". (Joshi and Little 1996: 261-62) To satisfy the demand for capital and maintain economic growth, India not only needs ASEAN's market, but also needs Singapore and Malaysia's technology and investment to ramp up its infrastructure such as airports, roads and power. The current Prime Minister, Manmohan Singh is committed to carrying on this economic reform when he took office in November 2004. He needs new forces from outside to push ahead with his reform policies because "his economic reform plans have been repeatedly stymied by crucial coalition partners and the left parties" (Srivastava 2005).

Economic Issues

Financial losses from pirate attacks are estimated to run into the billions of dollars. An OECD report estimated that the overall cost of a major terrorist attack on shipping in a strategic location would likely be measured in the tens of billions of dollars. Oil accounts for half of Asia's energy consumption. Japan imports 98 per cent of its oil, and by 2020, China's oil consumption will nearly double its present consumption. Much of that oil will transit through the narrow straits of Southeast Asia. Oil tankers are an especially juicy target; in addition to disrupting energy supplies to and from the region, a single well-placed attack on a large tanker could block a chokepoint like the Strait of Malacca altogether, throwing the entire shipping industry into chaos.

In contemporary times, the Straits of Malacca has assumed critical maritime significance because of the very large volume of trade transactions. The World Bank has predicted that by 2020, seven of the world's top ten economies would be China, India, Indonesia, Japan, South Korea, Taiwan and Thailand, and those in Europe - France and Germany. The size of the Chinese economy is expected to be about 40 per cent larger than that of the United States. Asia in particular has become the focal point of world interest as Asian economies grow at an astonishing rate in comparison to those of the
West. Besides, 60 per cent of the world’s population lives in Asia. Asia also produces 50 percent of the world’s Gross Domestic Product. This is expected to grow to 75 per cent over the next ten years.

The Indian economy has been growing at an impressive rate of 6.5 per cent. In the second quarter of 2005, India has recorded an impressive 8.1 per cent growth. During 2003-2004, merchandise goods exports were valued at US$ 63.5 billion, recording a growth rate of 20.4 percent in dollar terms. They are likely to cross US$ 80 billion in 2005-2006. Asia and Oceania accounted for nearly 46 percent of India’s exports. Exports to China registered a growth rate of 49.8 per cent and China and Hong Kong together accounted for about 10 percent of India’s exports. Similarly, imports by India from the Asia Pacific countries have seen an impressive rise.

In 2004, India also announced a comprehensive Foreign Trade Policy (FTP). The FTP takes an integrated view of the overall development of India’s foreign trade and its primary objective is to double India’s percentage share of global merchandise trade by 2009. Over 75 per cent of India’s trade by volume and 75 per cent by value are seaborne. If one follows the direction of trade of India’s exports and Asia Pacific imports from India, the above statistics are a clear indicator that much of the trade transit through the Straits of Malacca. Therefore, safety and security of these straits is vital for India’s economic growth.

As regards energy requirements, 67 per cent of India’s need is sourced from the Persian Gulf and 17 percent from West Africa. There is very little that is sourced from the Southeast Asian countries. However, keeping in mind the vulnerability of energy security, both in terms of sourcing and transportation, India may, in the future, look towards the Southeast Asian markets. Such supplies will have to transit through the Straits.
Table 3.2

India’s Exports to Asia Pacific Countries (US$ Million)

<table>
<thead>
<tr>
<th></th>
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<th></th>
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<tbody>
<tr>
<td>China</td>
<td>755.99</td>
<td>1975.48</td>
<td>2959.22</td>
<td>49.80</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>1921.23</td>
<td>2613.33</td>
<td>3250.32</td>
<td>24.37</td>
</tr>
<tr>
<td>Indonesia</td>
<td>423.86</td>
<td>751.65</td>
<td>996.33</td>
<td>32.55</td>
</tr>
<tr>
<td>Japan</td>
<td>1266.33</td>
<td>1864.03</td>
<td>1714.34</td>
<td>-8.03</td>
</tr>
<tr>
<td>South Korea</td>
<td>382.62</td>
<td>544.88</td>
<td>NA</td>
<td>42.41</td>
</tr>
<tr>
<td>Malaysia</td>
<td>669.94</td>
<td>634.51</td>
<td>NA</td>
<td>-5.29</td>
</tr>
<tr>
<td>Singapore</td>
<td>789.52</td>
<td>1421.58</td>
<td>2116.54</td>
<td>48.89</td>
</tr>
<tr>
<td>Thailand</td>
<td>503.65</td>
<td>600.42</td>
<td>NA</td>
<td>19.21</td>
</tr>
<tr>
<td>Chinese Taipei</td>
<td>299.48</td>
<td>460.53</td>
<td>NA</td>
<td>53.78</td>
</tr>
<tr>
<td>Philippines</td>
<td>201.71</td>
<td>423.89</td>
<td>NA</td>
<td>110.14</td>
</tr>
<tr>
<td>Total</td>
<td>36011.45</td>
<td>42734.57</td>
<td>NA</td>
<td></td>
</tr>
</tbody>
</table>

Source: India’s Foreign Trade Update, October 2004, Economic Division, Department of Commerce, Ministry of Commerce and Industry, Government of India, New Delhi, p.38.

Table 3.3

India’s Imports from Asia Pacific Countries (US$ Million)

<table>
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<tr>
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<tbody>
<tr>
<td>China P.R</td>
<td>2792.04</td>
<td>4048.35</td>
<td>45.00</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>972.59</td>
<td>1492.57</td>
<td>53.46</td>
</tr>
<tr>
<td>Indonesia</td>
<td>1380.87</td>
<td>2096.35</td>
<td>51.81</td>
</tr>
<tr>
<td>Japan</td>
<td>1836.33</td>
<td>2642.26</td>
<td>43.89</td>
</tr>
<tr>
<td>South Korea</td>
<td>1522.01</td>
<td>2453.57</td>
<td>61.21</td>
</tr>
<tr>
<td>Malaysia</td>
<td>1465.42</td>
<td>2045.20</td>
<td>39.56</td>
</tr>
<tr>
<td>Singapore</td>
<td>1434.81</td>
<td>2029.96</td>
<td>41.48</td>
</tr>
<tr>
<td>Thailand</td>
<td>379.00</td>
<td>608.96</td>
<td>60.68</td>
</tr>
<tr>
<td>Chinese Taipei</td>
<td>460.53</td>
<td>NA</td>
<td>53.78</td>
</tr>
</tbody>
</table>

Source: India’s Foreign Trade Update, October 2004, Economics Division, Department of Commerce, Ministry of Commerce and Industry, Government of India, New Delhi, 51.
Regional maritime security cooperation has also been limited by a lack of resources. Not only have many of the Southeast Asian states faced challenges to their economic development, but also most of them possess sea territories disproportionately large with respect to their land areas and cannot properly patrol them. Only Singapore and Brunei, relatively wealthy states with modest territorial seas, are capable of adequately securing their maritime territories. This is one of the reasons states have generally given their own operations priority over international cooperation. Resource shortages were exacerbated by the Asian financial crisis of 1997, which caused several states, including Malaysia, Singapore, and Thailand, to delay plans to expand and improve their maritime capabilities. The effect was especially profound in Indonesia, where economic hardship and an American spare-pa...
particular moment. Indonesia would require enormous resources to protect its maritime zones.

The controversy over the idea of U.S. participation in joint anti-piracy patrols in the Malacca Straits as part of the Regional Maritime Security Initiative (RMSI) highlighted the divergence of interests between Singapore and its neighbors. Singapore allowing US Customs Service officers to inspect US-bound containers in Singapore under the Container Security Initiative (CSI), and whether the costs of implementing the initiative are worthwhile are still to be made evident. Even if the direct cost is not viable, the indirect benefits are reported to be very high. Australia, US and Singapore also conducted their first joint exercise under Operation Saber. Singapore has thus become the only country receiving US patronage in maritime security issues. As a consequence, it is likely that in the future as well; other ports which are incapable of implementing the CSI might be forced to feed their cargo to Singapore. Singapore would then become the key hub for Southeast Asia. This is a likely advantage to Singapore under the CSI.

Maritime security concerns compete for attention with traditional military threats, guerrilla insurgencies, narcotics production, organized crime, and poverty; accordingly they have historically held rather low positions in the interest hierarchies of most Southeast Asian states, even those with large maritime territories, such as Indonesia and the Philippines.

Failure of SAARC

It is evident that one of the facets of post–Cold War regionalism is the trend towards increasing intra-regional and inter-regional economic and political cooperation. The second trend is the concern with enhancing national and regional security especially in the light of 9/11 terrorism. Nevertheless, India's involvement in the South Asian
The level of intra-regional trade among SAARC countries is low mainly because of the lack of comparative advantages in their economies. Most of the South Asian countries have expertise in the production and export of the same primary products in agriculture, as well as in textile and clothing, and other labour-intensive goods. For example, both India and Sri Lanka export tea and compete to secure overseas markets. As a result, over the years, the level of intra-regional trade has been extremely low in South Asia, hovering around 5 per cent of total trade, as compared with above 60 per cent in the European Union, and 25 per cent in ASEAN. Moreover, the small economies feared that Indian capital and lower-priced goods might flood their markets if they were to liberalize their economies. India has been a forerunner in terms of exports but its share of imports has been low. In 2004, India’s export value to SAARC was US$4.26 billion, while its import value from SAARC was only US$0.84 billion. (See IMF, Direction of Trade and Statistics Yearbook, 2005) SAARC countries have resorted to non-tariff policy barriers such as anti-dumping measures to limit trade with India. (Financial Express 2005) Contrary to the principles and goals of SAARC, bilateral disputes between India and Pakistan such as over the disputed territory of Kashmir, the issues of water sharing with Bangladesh, the problem of illegal migrants from Nepal, and nuclear weapon tests have together impeded the development of regionalism in SAARC. India’s position is weakened by the fact that Bangladesh, Nepal, Pakistan, and Sri Lanka are all on friendly terms with one another, while all have contentious relations with New Delhi. India has become increasingly concerned and worried that it will be marginalized in the ongoing trend of regionalism and globalization.

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4 SAARC came into force in 1985, and has seven members: India, Pakistan, Sri Lanka, Bangladesh, Nepal, Bhutan, and Maldives. Although SAARC has made little progress in terms of economic integration as a whole, some progress is being made in sub-regional cooperation. For example, the BIMSTEC (Bangladesh–India–Myanmar–Sri Lanka–Thailand Economic Cooperation, which was established in 1997) has taken some positive steps in regional cooperation, including the signing of the Framework Agreement for a BIMSTEC FTA, the establishment of the BIMSTEC Chamber of Commerce, the establishment of the BIMSTEC Center in Bangkok, and the pledge to move forward with renewed vigour.
Although New Delhi has been disappointed with SAARC's lack of political trust and economic progress, India has been duly impressed with the economic progress made by ASEAN and its objective of achieving economic integration for all its members. (Green, 1994) India is fascinated and drawn to the dynamic of economic integration in ASEAN and its capital surplus, and has been making great efforts to develop and expand its relations with Southeast Asian countries since the early 1990s.

**The China Factor in India-ASEAN Relations**

One of the most significant changes in the Asian landscape in the latter part of the 1990s was China's rise and its increasing influence in Southeast Asia. Indeed, China's future role, interests, capabilities, and influence are a major concern to India as it is to ASEAN. India specifically resents China's standing in the international order — not only its UN Security Council seat, but also its clout as a nuclear power. In both these dimensions "India sees itself as a coequal with China, and is at a loss to comprehend why China's role aspiration is acceptable while India's is not". (Nathan 2000: 39) In the 21st century, India is equally concerned about the competition and "threat" from an emerging China at all levels, from South Asia to Southeast Asia.

Since the 1962 Sino-Indian border war, China's relations with South Asian nations, especially Pakistan, developed rapidly. China has made substantial investments in Pakistan, Bangladesh, Sri Lanka, and Nepal, thus opening up these nations for Chinese goods. From 1998 to 2004, China's trade with SAARC rose from US$3.9 billion to US$19.4 billion; China's bilateral trade with India rose from US$1.9 billion to US$13.6 billion. (International Monetary Fund, Direction of Trade and Statistics Yearbook 2005) Similarly, bilateral trade between China and Pakistan has been increasing by 44 per cent on a year-on-year basis, reaching US$3 billion in 2004.

In contrast, India's trade with its South Asian neighbours only increased from US$2 billion in 1998 to US$5.1 billion in 2004. (International Monetary Fund, Direction of Trade and Statistics Yearbook 2005) Economic relations between India and Pakistan are almost at a standstill as a result of political conflicts, notably the unresolved territorial
India's trade with Bangladesh hovers around US$1.6 billion a year. Sri Lanka has FTA with both India and Pakistan, but it does not take kindly to India's support for the Tamil Hindu minority in its enduring conflict with the Sinhalese Buddhist majority. (Tarique Niazi, *Japan Focus* 31 May 2006)

India's troubled relations with South Asian nations bolster China's presence in the region. China worked this to its advantage by building a naval port at the Arabian Sea Coast in Gwadar, Pakistan. Similarly, Bangladesh has offered China naval access to its prized Chittagong port, which New Delhi has long sought but to no avail. India needs access to Chittagong port for its planned natural gas imports from Myanmar for shipment to its northeast region. (Tarique Niazi, *Japan Focus* 31 May 2006) In April 2005, China also signed a comprehensive agreement with Sri Lanka which provides access to Colombo's prized ports, and thereby to the Indian Ocean.

China's increasingly economic and strategic ties with major South Asian nations paved the way for its entry into SAARC as an observer at the 13th SAARC Summit held in Dhaka on 12-13 November 2005. India tried in vain to keep Beijing out of SAARC. Pakistan saw China's entry into SAARC as an opportunity to "counterbalance India's designs to act as a regional power and dominate SAARC", while for India, "the present impasse in SAARC has forced New Delhi to review its South Asian strategy and progressively shift it away from SAARC" (Mahmood 2005).

India, however, enjoys a much better situation in Southeast Asia. India's potential as a big power and China's potential threat may have urged ASEAN nations to reassess their relations with India — factors that has encouraged India to increase its presence in the region to compete with China.

During the Cold War, India-Vietnam bilateral relations were close as both shared similar strategic and ideological perspectives regarding the shape and future of post-colonial Asia. In the post-Cold War era, India took the opportunity of developing relations with ASEAN to further enhance its influence in Vietnam. India has deliberately

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5 Pakistan, despite having signed the South Asian Free Trade Agreement that went into effect in July 2006, refuses to trade with India unless the Kashmir issue is resolved
conducted high-profile joint naval exercises in the South China Sea, probably to indicate to Beijing that New Delhi has the ability to impinge on China's traditional strategic area (Sidhu and Yuan 2003: 58). China has taken countermeasures by providing more FDI and low-interest loans to Vietnam. The value of its FDI in Vietnam increased from US$7.2 million in 1995 to US$85.6 million in 2004, with the accumulation reaching US$188.7 million during this period. (ASEAN FDI Database, 2004) The balance-of-power politics is also obvious in the Sino-Indian rivalry in Myanmar, a buffer state between the two rising Asian powers. China had conducted military sales to Myanmar in the early 1990s, and provided Yangon assistance in the construction of military facilities. The suspected installation of intelligence facilities on Coco Island, and Beijing's alleged interest in establishing a naval presence in the Indian Ocean come into direct conflict with India's national security interests. Similarly, to counter China's growing links with Myanmar, New Delhi has sought constructive engagement with the military regime, and has not only agreed to take steps to ensure peace and tranquility along the India-Myanmar border but also inaugurated the Tamu-Kalemyo-Kalewa highway, which provides a cross-border link and "is expected to promote economic development, cross-border trade and tourism in the region" (Sidhu and Yuan 2003: 58).

At the sub-regional level, sponsored by India, the "Mekong-Ganges River Cooperation Project" between India and ASEAN-5 (Vietnam, Laos, Cambodia, Myanmar, and Thailand) was initiated in 2000. India is also a member of BIMSTEC (Bangladesh, India, Myanmar, Sri Lanka, Thailand Economic Cooperation). These projects underline cooperation in tourism, culture, and education; emphasize links between Indian traditional culture and ASEAN's culture, thus underscoring New Delhi's intention to elbow out China's influence from this area. Involvement in infrastructure projects in ASEAN also aided India in countering the influence of China in this sector. In September 2004, Vajpayee declared in New Delhi that India would cooperate with ASEAN to build a railway from New Delhi to Hanoi, cutting through Myanmar, Thailand, Laos, and Cambodia. Some analysts considered this as India's response to China's proposal to build a "Pan-Asian Railway". Obviously, India's intention is to open

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6 India, along with all the other BIMSTEC members, has signed the framework agreement for FTA in February 2004.
up a new trade corridor in the Mekong sub-region, thereby enhancing its clout in the Mekong sub-regional economic cooperation and competition.

At the military level, India was concerned that China has persisted in transferring military equipments and technology to Myanmar. To curb China's growing military influence in Southeast Asia, India and selected ASEAN countries began holding joint military exercises. The Indian navy has conducted joint exercises with Singaporean, Vietnamese, Japanese, and South Korean navies to ensure the safety of strategic waterways in the region such as the Straits of Malacca. In this context, India's Look East policy, launched in 1991 primarily due to economic concerns, has now taken an added security dimension.

In sum, ASEAN's economic success and mutual unease over China's rapid rise are among key factors bringing India and ASEAN closer to each other. Indeed, it is arguable that India's effort to enhance its economic linkages with ASEAN is part of its overall strategy to work with ASEAN to balance the increasing influence that China might wield in its FTA with Southeast Asia. This was clearly reflected in the perspective of India's Ministry of External Affairs, whose goal was to ensure that "engagement with the Southeast Asian region was in line with India's strategic policy to meet the growing threat of China in the region" (Kuppuswamy 2002).

The India Factor in Sino-ASEAN Relations

In the 1970s and 1980s, for several reasons including the India-Soviet alliance and India's recognition of the People's Republic of Kampuchea (PRK) regime under Heng Samrin propped up by Vietnam in July 1980, India was not necessarily seen in a positive light as a promoter of Southeast Asian interests (Han 2002). However, this perspective changed following the collapse of the Soviet Union in 1991 and the rise of China — two major events that fundamentally transformed the Asian landscape at the end of the 20th century. The Southeast Asian countries became worried about China's military power, mainly because of China's nuclear tests, its exclusive claim to sovereignty in the South China Sea and its aggressive attitude towards the Taiwanese
elections in 1996. Fearing that the collapse of the Soviet Union could lead the United States to withdraw from strategic locations in Asia and free China from its previous constraints, Southeast Asian countries were eager to ensure the safety of vital sea lanes of communication, such as the Taiwan, Malacca, Sunda, and Lombok Straits (Yahya 2005).

In this context, ASEAN countries could well regard India as a useful partner to balance China, given the former's nuclear capacity and its naval forces, the largest in the Indian Ocean (Jaffrelot 2003). At the Manila summit in July 1988, some ASEAN countries (Singapore, Vietnam, Malaysia, and Indonesia) consistently recommended a more benign attitude towards India despite the imposition of sanctions on India by the United States, Japan, and Australia.

Considering ASEAN's changed attitude towards India and the closer engagement between these two sides, will the India factor will have some effect on Sino-ASEAN relations. Firstly, both India and ASEAN have their own intentions and different goals in engaging with each other. India's engagement with ASEAN was only part of its Look East policy, ultimately aiming at acquiring the "big power" status which has been pursued by successive Indian leaders ever since its independence in 1947. Indian elites believe that ASEAN would serve as a springboard for its participation in the APEC forum and the annual Asia-Europe Meeting (ASEM) to expand economic gains that would ultimately conduce to India's big power pursuit. For ASEAN, however, its intention of developing relations with India is primarily aimed at balancing its relations with the big powers, so as to promote peace, stability, and prosperity in Southeast Asia. In view of India's past history and goal of pursuing regional hegemony in South Asia, ASEAN countries are still wary of New Delhi's "imperial" ambitions and expansionist policies.

Secondly, the economic linkage between ASEAN and Northeast Asian countries has been far closer than that between ASEAN and South Asia. According to ASEAN Trade Statistics Database, between 2001 and 2004 the trade volume between China and ASEAN-6 (Singapore, Malaysia, Thailand, Indonesia, the Philippines, and Brunei) expanded on average 32 per cent, reaching from US$31.5 billion to US$72.5 billion, accounting for 7.5 per cent of the total volume of ASEAN-6 trade with the outside world.
(US$975.2 billion); whereas trade between the ASEAN-6 and India expanded on average 25 per cent, from US$9.7 billion to US$17.1 billion, accounting for less than 1.7 per cent of total ASEAN trade. In terms of FDI from 1995 to 2004, the accumulated value of China's FDI in ASEAN was US$1,018 million, accounting for 0.42 per cent of the total FDI inflows (US$241,826.4 million) into ASEAN. Japan accounted for US$32,071.3 million (13.3 per cent); Asian NIEs (excluding Singapore) recorded US$20,009.6 million, accounting for 8.3 per cent, whereas FDI from India was US$736.8 million, accounting for only 0.3 per cent of the total FDI inflows into ASEAN during the same period. (ASEAN FDI Database 2004)

In real terms, ASEAN has been drawn into a thick network of trade and investment with Northeast Asia, as is reflected in the capital flows and intra-industry trade between China, ASEAN, and other Northeast Asian countries. A closer look at the behaviour of Japanese multinational firms (MNFs) in East Asia reveals that 96 per cent of the exports of Japanese MNF affiliates were destined for their parent companies, while 83 per cent of their imports from Japan came from their parent companies, contributing to intra-industrial trade between these companies in East Asia of 59 per cent of their total trade within this region. (Lamberte See http://adb.org/Publications) Many corporations of Asian newly industrialized economies (NIEs) are setting up similar production networks in China and ASEAN countries. Much of what is "made in China" in fact contains large doses of value-added created in Japan, South Korea, Singapore, and other Western countries, mainly inputs of more advanced technology and capital-intensive products that are shipped to China for final assembly before being exported to ASEAN. The MNFs in China accounted for 60.6 per cent of China's total trade with ASEAN in 2005; at the same time this sort of trade also accounts for a high percentage of ASEAN's exports to China. This production chain coupled with China's accession to the World Trade Organization (WTO) gives ASEAN ample opportunities and stimulus for expanding trade with China.

In contrast, although India has a comparative advantage as a business outsourcing hub and very good economic growth, its persistent economic weakness (the Indian economy was valued at US$660 billion in 2005, standing at less than one-third of China's
economy of US$2.2 trillion), backward infrastructure has contributed to the reluctance of MNFs from Northeast Asia and ASEAN to locate some parts of their value-chain in India.

Lastly, the impact of the India factor on the future of Sino-ASEAN relations may well depend upon the extent to which India's economic potential can be translated into political and strategic influence. India is still relatively weak in terms of economic and political power, while its broader geopolitical ambitions have to some extent been held in check by its rivalry with Pakistan. Even in the post-9/11 era, India would find it difficult to translate economic power and potential into political and strategic influence.

With regard to post-Cold War ASEAN-China relations, both entities have concentrated on strengthening constructive engagement, not simply creating economic interdependence, with the overall aim of strengthening cooperation in international and regional affairs. For instance, in multilateral fora such as APEC and the ARF, China and ASEAN have found themselves virtually de facto allies, articulating an "Asian way" in organizing regional interactions (Sebastian 2000). China and ASEAN are strong proponents of the principle of non-intervention, sharing perspectives that regional cooperation should adopt an informal, flexible, gradualist, consensus-based approach, rather than the more structured and binding format favoured by the West. In the circumstances, India has a long way to go in competing with China in Southeast Asia where economic and political relations are hugely tilted in Beijing's favour.

China's Approaches

For years, China and India have looked at each other with a mix of apathy and suspicion. As India's economy opened up in the early 1990s and exchanges between these two countries increased, China's perceptions of India changed to become more positive and China's attitude more cooperative. India's economic performance combined with its growing importance in international affairs has led to a reassessment in Beijing of India as a "comprehensive national power", acknowledging that its rise is beneficial to Asia and the world. An article in Beijing Review notes that "with its 1.1 billion populations
with seventh largest land mass and strategic location on the Indian Ocean rim, India has everything necessary to become a major power". (People Daily Online 31 March 2006) Chinese scholars also hold that China and India share many common views on international affairs, and that "while their politicians both dislike American hegemony, particularly in Asia, they have no intention to challenge the existing international order led by the United States, because both of them are developing countries and need a stable international system for their domestic construction". (Ma Jia Li 2006) China and India have every reason to be headed towards greater pragmatic cooperation. In affirming this view, China's ambassador to India, Sun Yuxi cited earlier remarks made by the former senior statesman and leader, Deng Xiaoping that "only when China and India develop well, can one claim that the century of Asia has come. If China and India strengthen cooperation, Asian unity, stability and prosperity will be very hopeful; the world will be in peace and make more progress". (People Daily Online, 31 March 2006)

On India's role in East Asia, China initially viewed India's involvement with a measure of apprehension. Beijing feared that this would enable New Delhi to win recognition as a political and military power in Asia, thus complicating the political situation in that region. China was also concerned that the United States might manipulate India's evolving relations with ASEAN in order to contain China or "smother" China's attempt to exert its influence in the region. As China's policy towards multilateralism changed from initial caution to one that is more confident, so too has it become more confident in viewing India's evolving role in providing new momentum for East Asian cooperation, and thereby strengthening the trend towards multipolarity in Asia and the Asia Pacific. China believes that multilateralism is a much safer and better way to expand its international influence and protect its national interests. For example, ASEAN-sponsored multilateralism in East Asian security and economic affairs has offered China the opportunity to develop a counterweight to America's dominant role in the Asia-Pacific region, and to argue against Japan's EAC (East Asian Community) design based on the creation of a Japan-ASEAN axis and Tokyo's more prominent regional political-military role. As one Indian analyst pointedly observes: "as two major countries in the emerging multipolar global order, the simultaneous development of India
and China will have a positive influence on the future international and regional systems" (Velloor 2006).

It was in light of this recognition that China raised its relations with India to "Strategic and Cooperative Partnership for Peace and Prosperity" in the year 2005 when Chinese premier Wen Jia Bao visited New Delhi. This implied that the relationship has been upgraded from a merely bilateral level to a global level, signalling an important shift in China's policies towards India. China's increasing recognition of India's big power status and growing influence was further verified by Chinese president Wu Jin Tao during his visit to New Delhi in November 2006 when he candidly stated that China welcomed India's rise and supported a greater role for it in international affairs.

China has looked at India as a potential rival whose growth momentum and involvement in East Asia cannot be contained, and hence must be engaged in a constructive way that is good for business on both sides. (Asia Times Online 26 September 2006) China seems to have taken this approach towards New Delhi, taking more specific steps and separating political issues from economic relations. China believes that economic interdependence may encourage the two countries' peaceful ascent and restrain conflict escalation.

Bilateral trade between China and India has been growing rapidly. China has become India's second largest trading partner, with bilateral trade value growing from US$0.26 billion in 1991 to US$18.7 billion in 2005, and is expected to exceed US$20 billion in 2006 (Venu 2005). The two sides agreed to a target of US$30 billion by 2008 and US$40 billion by the year 2010. Moreover, China and India have forged a new alliance in the energy sector — one in which both sides require security for exponentially growing domestic demand. They have worked out new synergies in acquiring overseas energy assets:

(a) China and India have worked jointly in Syria and Sudan, and won a joint bid to buy PetroCanada's 37 per cent stake in Syrian oilfields for US$573 million in December 2004;
(b) China Petrochemical Corp and India's state-owned Hindustan Petroleum Corp Ltd. signed a preliminary agreement for projects in India, China, and elsewhere in March 2006;

(c) China Petrochemical Corp and India's Oil and Natural Gas Corp formed a joint-venture company and invested US$850 million to buy a 50 per cent stake in Omimex de Colombia Ltd., which has oil- and gas-producing assets in the South American country and is owned by US-based Omimex Resources Inc in August 2006. (Asia Times Online, 26 September 2006)

China hopes to develop further this model of cooperation in Southeast Asia to promote their common interests.

Nevertheless, it cannot be denied that some divergent perceptions and interests are apparent between China and India with regard to their respective relations with ASEAN. The long-standing geopolitical rivalry between the two coupled with the almost simultaneous rise to world prominence ensures that these two big countries will be competitors for ASEAN's favours from the tangibles of trade and investment for their domestic modernization to the intangibles of cooperation and support for their increasing international influence.

In the context of exports to ASEAN, the share of electronic products in China's exports to ASEAN increased from 43.1 per cent in 2001 to 50.2 per cent in 2004, while that of India's decreased from 21.3 to 1.9 per cent. (ASEAN Trade Statistics Database 2005) Although India's IT sector is more competitive than China's — in 2001, India's IT exports reached US$7.8 billion, while China's was only US$0.72 billion — (Huang 2005), the IT sector accounts for only 3 per cent of India's GDP. In order to eradicate domestic poverty and realize industrialization, India will be making efforts to develop its industrial sector. While on the part of China, in order to create more jobs for its large population and maintain social stability, it will continue to develop its manufacturing sector. Thus, both countries will be competing with each other to be the world's
manufacturing centre. This competition is the logical extension of their search for potential markets and political influence, and will continue in the near future.

Moreover, Indian Prime Minister Manmohan Singh once said that India's strategic footprint as a "super regional power covers the region bounded by the Horn of Africa, West Asia, Central Asia, Southeast Asia and beyond, to the far reaches of the Indian Ocean" (Pandit 2004). China is conscious of New Delhi's intentions in Southeast Asia, as well as its ambitions to project its power into and beyond the Indian Ocean. India's ambitious geopolitical expansion strategy and its economic potential might not only turn India and China into competitors over oil supplies, but also increase their desire to maximize "relative economic gains" in the short term, especially when weighed against the threat of increased geopolitical competition in the long term. In this sense, China and India are rivals in Southeast Asia.

**Challenges and Prospects for India-ASEAN-China Trilateral Cooperation**

Generally speaking, there exist some common views and understandings of the current state of international political and economic relations among the key players in the region, namely, China, India, and ASEAN. These three entities have similar perspectives on regional integration in one form or another. Globally, China, India, and most ASEAN countries have roughly similar positions on international trade negotiations, including opposition to the inclusion of human rights and environmental standards in international trade agreements. They advocate narrowing the inequities perpetrated by globalization, supporting the democratization of international relations, the harmony of international society, a just and equitable world order and a multipolar world. China, India, and ASEAN are generally committed to preventing hegemonism in Asia, regardless of whether it is internally or externally generated. Such a convergence of strategic interests in the first decade of the new millennium augurs well for trilateral cooperation in many areas including the political, economic, and security dimensions.

There are good indications that such cooperation has already begun. Indeed, Chinese as well as Indian leaders have made concerted efforts not only to widen and
deepen their economic interaction beyond political issues but also to seek out new avenues of potential cooperation in Asia and elsewhere. Thus, a greater emphasis on improving links is evident in economic and trade cooperation. Visits by top leaders on both sides are indicative of this new trend in bilateral relations. Similarly, the working out of bilateral synergies in acquiring overseas energy assets and the setting up of joint ventures reflect positive trends in business relations between these two countries, indicating that one-time rivals can become partners and "stakeholders".

However, domestic politics and internal disagreements on both sides can influence "whether this positive trend will continue or whether it will descend into fierce and antagonistic economic competition" (Sidhu and Yuan 2003: 174). On the part of India, Prime Minister Manmohan Singh said that "the world is large enough to accommodate the growth of India and China", and he believes most constraints to further cooperation with China are inherently internal. (Srivastava 2006) It is true that there exist deep-seated suspicions in the bureaucracy about China that go back to the 1962 Sino-India border war, and it must be recognized that China and India both aspire to great power status; hence there inevitably will be undercurrents of competition and conflict of interests in Southeast Asia. India is certainly concerned over ASEAN's trade diversion in China's favour. The geopolitical and economic realities of Southeast Asia, and the determination of Beijing and New Delhi to gain influence in this region, long-term reconciliation of their strategic interests can prove to be elusive. The thaw in bilateral relations is unlikely to reduce their continuing and long-term competition for regional influence in the ASEAN region. Balance-of-power politics will continue to inform Sino-India rivalry in Myanmar, Vietnam, and other ASEAN countries.

In this context, India is a potential opponent and competitor to China in the Southeast Asian market, and consequently China would be best advised to invest more time and resources into strengthening bilateral relations with both India and ASEAN. With greater transparency and a clearer identification of shared interests in Southeast Asia, there is scope for even better relations and constructive engagement among China, India, and ASEAN.
Cooperation Measures

Global cooperation is characterized by the accession of states to international conventions or other cooperative agreements of worldwide scale. Post 11 September, the United States has pushed for greater surveillance of the oceans, and the IMO convention of December 2002 chalked out a new, comprehensive security regime for international shipping. The most far reaching of these is the new International Ship and Port Security Facility Security Code (ISPS code). The code contains detailed security-related requirements for Governments, port authorities and shipping companies in a mandatory section (Part A), together with a series of guidelines on how to meet these guidelines in a second, non-mandatory section. In essence the Code takes the approach that ensuring the security of ships and port facilities is a risk management activity and that to determine what security measures are appropriate, an assessment of the risks must be made in each particular case. This puts additional burden on risk mitigation measures, including costs of marine insurance.

South East Asian states, with the exception of Singapore, will most likely be followers rather than leaders in the development of these measures, complying with initiatives that offer net advantages. Singapore, a relatively rich nation with a strong maritime outlook, a critical dependence on international trade, and a security strategy that relies heavily upon international cooperation, may lead the way.

Even when extra regional powers participate, a multilateral cooperative arrangement maybe considered regional if its goals are primarily regional. In South East Asia, the development of stronger multilateral arrangements for maritime security cooperation has received wide discursive endorsement. Such cooperation could come in the form of new multilateral agreements or be superimposed on an existing organization, such as ASEAN, ARF or APEC.

Bilateral agreements are most likely to be operationalized between states that have generally cooperative outlooks, are least distrustful of each other, and share security
interests. A prototype would be the coordinated Malaysian-Thai border patrols. In 1992, Singapore and Malaysia have conducted joint patrolling exercises.

If bilateral agreements are more likely than multilateral endeavors to produce operational cooperation, the most profitable form of future cooperation will be a synergetic network of bilateral arrangements. Because they are based on bilateral agreements, networked cooperation arrangements enable states to customize the most direct relationships so as to maximize value and minimize risk. The networks, however, also increase trust and understanding between all their members, thus reducing the costs of building further cooperative relationships. Such networks would be informal at first, but once formalized would provide benefits to parallel those of multilateral arrangements.

It is possible to draw certain clear directions from the trends. Firstly, maritime security in the South East Asian seas has to take note of the interests of stakeholders like India and the South Asian countries, who use these seas as a major trade route. These stakeholders have already evinced their interest and willingness by participating in joint security exercises and in strategic initiatives. Secondly, the issues of maritime security overarch issues of terrorism as well as trade and have to be handled holistically.

The costs of increased surveillance, risk mitigation, CSI and other measures may have to be viewed against the benefits of clearing the area of all these threats. The terrorist events, 2002 and 2005 Bali bombings have highlighted the vulnerability of this region. Thirdly, it is clear that economic growth in Asia in the next two decades will outpace the rest of the world, and that commodities, fuel as well as finished products will overwhelmingly have to depend on these trade routes to integrate into world trade flows. Initiatives and co-operation, therefore, cannot be viewed through the narrow prism of immediate cost-benefits alone, but through a larger worldview of regional security.

**East Asia Summit**

The concept of an East Asia Grouping has significant history going back to an idea first promoted in 1991 by then Malaysian Prime Minister Mahathir bin Mohammad for an East Asia Economic Caucus (Malik 2005).
The final report in 2002 of the East Asian Study Group, established by the ASEAN Plus Three countries, was based on an EAS involving ASEAN Plus Three, therefore not involving Australia, New Zealand or India (Final Report of the East Asia Study Group, Nov. 2002). The EAS as proposed was to be an ASEAN led development, with the summit to be linked to ASEAN summit meetings however the issue was to which countries beyond those in ASEAN the EAS was to be extended to.

The decision to hold the EAS was reached during the 2004 ASEAN Plus Three summit and the initial 16 members determined at the ASEAN Plus Three Ministerial Meeting held in Laos at the end of July 2005 (http://www.mofa.go.jp/region/asia-paci/eas/outline.html). Credit for advancing the forum during the 2004 ASEAN plus Three summit has been attributed to Malaysia (Dillon, 2005).

The East Asia Summit (EAS) is a forum held annually by leaders of 16 countries in the East Asian region. EAS meetings are held after annual ASEAN leaders' meetings. The first summit was held in Kuala Lumpur on December 14, 2005. The 16 countries involved in the first EAS in December 2005 are Indonesia, Malaysia, Philippines, Singapore, Thailand, Brunei, Vietnam, Laos, Myanmar, Cambodia plus the three additional members of ASEAN Plus Three China, Japan, South Korea plus India, Australia and New Zealand.

Prior to the first meeting there was significant discussion as to which countries should be represented (Indian Express, 01 March 2006). At the time there were difficulties in the relationship between the "Plus Three" members (ie Japan, China and South Korea) of ASEAN Plus Three (Philip Bowring, 2005), and the perception that India and to a lesser extent Australia and New Zealand were present to balance the growing China power all meant the first meeting's achievements were limited. Russia expressed early interest in EAS membership and attended the first EAS as an observer hosted by Malaysia.

The East Asian Summit (EAS) held at Kuala Lumpur on 14 December 2005 after a 15-year gestation period was an important event in the evolution of Asian relations. The
former Malaysian Premier Dr Mahathir first mooted the idea in 1990. Sixteen world leaders from ASEAN, China, Japan, South Korea, India, Australia and New Zealand, representing half the world’s population attended the summit. The Russian President Vladimir Putin also addressed the summit after attending the first ASEAN-Russia meeting. Russia has been keen on becoming a part of the EAS.

The summit leaders in their Kuala Lumpur Declaration of 14 December 2005 pledged themselves to work towards realising the dream of building the Asian Community. This will be done through a “broad based dialogue on strategic, political and economic issues of common interests”. In this dialogue process, the significance of issues like “financial stability, energy security, economic integration, growth, and trade and investment expansion, narrowing down of the developmental gap and eradication of poverty, and good governance” were highlighted.

The persisting differences among the participants, particularly China, Japan and South Korea were set aside for the duration of the conference, as the participants were well aware that the EAS countries account for a fifth of the global trade and is expected to be the growth engine of the future global economy. With the significant economic growth registered by the Asian giants, China and India, the revival and reforms in the Japanese economy and the economic dynamism being displayed by ASEAN, the EAS looks certain to emerge as the growth centre of Asian and world economies. The economic thrust of the region has also given it a considerable political clout, which was articulated by the Filipino leader Ms Gloria Arroyo when she said “together, the political clout of this grouping is considerable”.

The key to the success of the EAS therefore lies in “togetherness”. The deep differences that were visible during the summit, as China and South Korea separately refused to have bilateral interaction with Japan, will have to be either harmonised for or isolated from the regional priorities. There is a natural balance of forces emerging in the region and the challenge before the EAS leaders is to make this balance constructive and conducive to the interests of the larger community. The signing of the summit declaration
after resolving divergent viewpoints, underlines the fact that the EAS leadership has the necessary foresight and resilience to meet this challenge now as well as in future.

The key to constructive engagement in the region lies with ASEAN, which is set to form the core of the emerging community and drive the EAS in desired direction. China may want to join this core to play a leading role in shaping the regional dynamics as it has repeatedly laid the thrust of “ASEAN + 3” formation (China is a part of +3). Chinese Premier Wen Jiabao’s comments that “the East Asia summit should respect the desires of the East Asian countries and should be led by East Asian countries” reflected China’s aspirations. China also has the material strength of its extensive economic engagement with the region and growing military capabilities to buttress its claims to do so, but a Chinese insistence in this respect, beyond a limit will arouse hidden apprehensions about China’s possible desire to dominate the region. This may provoke anti-Chinese forces in the region to stoke the smouldering fires of regional rivalries to weaken and sabotage the EAS movement. The EAS, accordingly should avoid the so called “class differences” between “ASEAN+3” and “ASEAN+1”. Malaysian Prime Minister and the host of the summit did well to reiterate that “the East Asia Summit together with the ASEAN+3 and the ASEAN+1 process could play a significant role in community building in the region.” The essence of unity lies in aggregating interests and aspirations and not in asserting them. The Summit Declaration, therefore, rightly emphasised the “principles of equality, partnership, consultation and consensus”. The Declaration also made it clear that the ASEAN remains the “driving force” of the EAS and the community building endeavour will be “consistent with and reinforce the realisation of the ASEAN community”.

Yet another challenge before the EAS is to work faster for bridging economic differences in the region. The EAS was a gathering of rich as well as poor countries, of the faster developing and slow growth economies. The economic divide within the ASEAN, which the former Singapore Prime Minister Goh termed as the “digital divide” between the old ASEAN 6 and the new ASEAN 4, namely Cambodia, Myanmar, Laos and Vietnam, is wide and striking. There are also questions of political order (democracy) and human rights that insert divergence in the emerging community. These questions will
have to be addressed within the parameters of sovereignty and freedom of internal affairs. Here again ASEAN has evolving mechanisms, which can be improved and implemented in the interests of the whole community.

India looks at the EAS as a firm move in the direction of realising its long cherished dream of building Asian community. India strongly supports ASEAN as core of the EAS as it has been supporting the ASEAN Regional Forum to remain ASEAN driven. India’s Prime Minister Dr Manmohan Singh made this clear on the eve of his departure to Kuala Lumpur on 13 December 2005 when he described ASEAN as the “experienced driver”. He also emphasised the growing co-operation with the other Asian giant, China, rejecting the speculation that India is interested in containing or balancing China in the region. The emphasis on constructive engagement with China was evident during his meeting in Kuala Lumpur with his Chinese counterpart. India sees the EAS as an Asian arc of advantage. To concretise this perspective, India has committed itself to contribute to the stability and prosperity of the region. To fulfil its prevailing and future commitments, India has to reform its economy faster so as to prepare itself for active participation in the Pan-Asian Free Trade Agreement that found echo during the summit. It has also pledged all possible support, ranging from credit lines to building human resource and technological capabilities, to the weaker members of the region. India will welcome the opportunity, as and when it comes, to join the APEC in reinforcing its commitment to the whole region. In playing its positive role in the region, India will be guided by its legitimate interests in conformity with “peace, stability and prosperity of the region” as a whole, and not by old animosities or new affinities.

The EAS is the first step in the direction of a vision of the Asian people. Through bilateral and multilateral interactions and dialogue on “broad strategic, political and economic issues of common interests and concerns”, the members would “strive to strengthen global norms and universally recognised values”. India’s participation in the EAS is a real opportunity to broaden and deepen its engagement with the emerging Asia.

The next EAS was to be held on December 13, 2006 in Metro Cebu, Philippines. After the confidence building of the inaugural EAS the 2006 EAS will help to define the
future role of the EAS, its relationship with ASEAN plus Three and the involvement of Russia in EAS. However in the face of Tropical Typhoon Utor the summit was postponed until January 2007 (Bangkok Post 10 Dec. 2006). It was re-scheduled for January 15, 2007, approximately a month after the original scheduled date. The outcomes are summarised in the Chairman's Statement of the Second East Asia Summit.

The EAS members signed the Cebu Declaration on East Asian Energy Security, a declaration on energy security and biofuels containing statement for members to prepare, non-binding, targets (http://www.12thaseansummit.org.ph).

As to trade and regional integration the following was noted in the Chair's report:

We welcomed ASEAN's efforts towards further integration and community building, and reaffirmed our resolve to work closely together in narrowing development gaps in our region. We reiterated our support for ASEAN's role as the driving force for economic integration in this region. To deepen integration, we agreed to launch a Track Two study on a Comprehensive Economic Partnership in East Asia (CEPEA) among EAS participants. We tasked the ASEAN Secretariat to prepare a time frame for the study and to invite all our countries to nominate their respective participants in it. We welcomed Japan's proposal for an Economic Research Institute for ASEAN and East Asia (ERIA).

The reality appears however that movement towards such a relationship is a long way-off. Lee Kuan Yew has compared the relationship between South-East Asia and India with that of the European Community and Turkey, and has suggested that a free-trade area involving South-East Asia and India is 30 to 50 years away.

The members of EAS agreed to study the Japanese proposed (The Japan Times, 17 Jan. 2007) Comprehensive Economic Partnership in East Asia (CEPEA). The Track Two report on CEPEA is due to be completed in mid-2008 (Jakarta Post 21 Nov. 2007) and at the Third EAS it was agreed this would be considered at the Fourth EAS.
As noted above the Second EAS welcomed the Economic Research Institute for ASEAN and East Asia (ERIA). It was subsequently announced that the ERIA would be established in November 2007 and confirmed at the Third EAS.

The issues of Myanmar (Burma), following the 2007 Burmese anti-government protests, and climate change were expected to be discussed at the Third EAS. Myanmar successfully blocked formal discussion of its internal affairs (Tan, 2007).

The summit did issue the Singapore Declaration on Climate Change, Energy and the Environment.

The Summit also agreed to the establishment of the Economic Research Institute for ASEAN and East Asia and to receive the final report on the Comprehensive Economic Partnership in East Asia at the Fourth EAS (www.aseansec.org).

The outcomes are summarised in the Chairman's Statement of the 3rd East Asia Summit Singapore, 21 November 2007.

After the EAS was established the issue arose of whether any future East Asia Community would arise from the EAS or ASEAN plus Three. Prior to the creation of the EAS it appeared that ASEAN plus Three would take the role of community building in East Asia (Netto 2002).

Malaysia felt that it was still the case that the role of the community building fell to ASEAN plus Three shortly before the second EAS despite "confusion". China apparently agreed whereas Japan and India felt the EAS should be the focus of the East Asian Community.

After the first EAS the feasibility of EAS to have a community building role was questioned with Ong Keng Yong, the secretary-general of ASEAN being quoted as describing the EAS as little more than a "brainstorming forum" (http://news.ninemsn.com.au). Nevertheless the Chairman’s Press Statement for the Seventh ASEAN plus Three Foreign Ministers’ Meeting Kuala Lumpur 26 July 2006
said. The Ministers welcomed the convening of the East Asia Summit as a forum for dialogue on broad strategic, political and economic issues of common interest with the aim of promoting peace, stability and economic prosperity in East Asia. In this respect, they recognized that the East Asia Summit could make a significant contribution to the achievement of the long-term goal of establishing an East Asian community.

It appeared that over time following the first EAS the focus was less on whether the EAS has a role in community building to what the role and whether it was secondary to ASEAN plus Three. By mid-2006 the Chinese news site Xinhua Net suggested the community would arise through a two-phase process with ASEAN plus Three as the first phase and the EAS as the second phase. The China-India joint declaration of 21 November 2006 linked, at paragraph 43, the EAS with the East Asian Community process (Press Release, PIB, Govt. of India 21 Nov. 2006).

The concentric circle model of the community process with ASEAN at the centre, ASEAN plus Three at the next band and the East Asia Summit at the outer band is supported by the Second Joint Statement on East Asia Cooperation Building on the Foundations of ASEAN plus Three Cooperation, which said: Looking Forward to a Decade of Consolidation and Closer Integration (2007-2017) Defining the Objectives and Roles of the ASEAN Plus Three Cooperation in the Emerging Regional Architecture. “We reaffirmed that the ASEAN plus Three Process would remain as the main vehicle towards the long-term goal of building an East Asian community, with ASEAN as the driving force. We recognised and supported the mutually reinforcing and complementary roles of the ASEAN plus Three process and such regional fora as EAS, ARF, APEC and ASEM to promote East Asian community building. We reiterated that East Asian integration is an open, transparent, inclusive, and forward-looking process for mutual benefits and support internationally shared values to achieve peace, stability, democracy and prosperity in the region. Guided by the vision for durable peace and shared prosperity in East Asia and beyond, we will stand guided by new economic flows, evolving strategic interactions and the belief to continue to engage all interested countries and organisations towards the realisation of an open regional architecture capable of adapting to changes and new dynamism”.

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On any view community building is not a short term project. However after the second EAS the Indian Prime Minister Dr. Manmohan Singh was confident that the EAS would lead to an East Asia Community. China had also apparently accepted this was the case (www.chinaview.cn).

If achieved the Comprehensive Economic Partnership for East Asia (CEPEA) would be a tangible first step in the community building process. The second EAS seems to have increased confidence in CEPEA but is still only a proposal (Vembu 2007).

It has been suggested that as the EAS consists of an "anti-region" the prospects of it forming a community are less than likely (Breslin 2007).

The relationship between the EAS on the one hand and ASEAN Plus Three on the other is still not clear. As discussed above, some countries are more supportive of the narrower ASEAN plus Three grouping whereas others support the broader, more inclusive EAS. ASEAN plus Three, which has been meeting since December 1997 (http://www.aseansec.org/16580.htm) has a history, including the Chiang Mai initiative which appears to have led to the development of the Asian Currency Unit. This may be significant for those advocating a broader role for EAS in the future.

The tension between the groupings extends to the respective members' intentions towards future Free Trade Agreements with China and South Korea focused on ASEAN plus Three and Japan on the broader EAS members (Basri 2005).

The 1997 Asian financial crisis had demonstrated the need for regional groupings and initiatives. It was during this time ASEAN plus Three had commenced and it was also during this time that the East Asian caucus was being discussed.

The EAS is just one regional grouping and some members down play its significance, the former Australian Prime Minister John Howard has stated that the EAS was secondary as a regional summit to Asia-Pacific Economic Cooperation (APEC) which has on his view a premier role (Dobell 2005). Not all members of the EAS, notably India, are members of APEC. However as the EAS meetings are scheduled with the
ASEAN plus Three meetings (they both follow the annual ASEAN meetings) and all members of ASEAN plus Three are members of EAS the ability of the two forums to remain relevant given the existence of the other remains in question. China has stated its preference for both, EAS and ASEAN plus Three to exist side-by-side (People’s Daily 14 Dec. 2005).

The relationship between APEC, ASEAN plus Three and the EAS remained unresolved heading into the 2007 APEC meeting. Following the meeting the then Malaysian Prime Minister Abdullah Badawi described ASEAN Plus Three as the primary vehicle and implied APEC was the lesser of the three (Pandiyan 2006). At the same time a Malaysian commentator writing in a Singaporean newspaper described concentric circles for the three with ASEAN Plus Three at the centre and APEC at the outer, also suggested the Nikai Initiative, with its regional OECD like plans, might overtaking the remaining role for APEC.

Russia participated in the first EAS as an observer at the invitation of 2005 host Malaysia and has requested to become a member. Its request to become a future member seems to be supported by China and India (Baruah 2007). Timor-Leste is a candidate ASEAN member seeking membership within five years (from 2006); presumably new members of ASEAN would also join the EAS. Pakistan and Mongolia have been proposed as future members by Malaysia. Pakistan and Bangladesh have been raised by Japan. The United States has now stated that it hopes to have some role in the future of the EAS. The European Union has indicated it wishes to have a role as an observer. The Arab League has held talks and expressed its desire to have a role as an Observer. However, ASEAN has decided to freeze new “membership” of EAS for at least two years (The Times of India 20 May 2006).

In the light of India’s attempt to build closer relations with East Asian countries within the framework of India’s Look East Policy, it is pertinent to both analyze its current impact and make policy recommendations for implementation. India’s Look East Policy assumed a greater economic dimension than a parallel political, strategic or even cultural one. Given India’s economic reforms and the attendant efforts to integrate with
the regional and global economy, it is but natural that Indian diplomacy, particularly in its relation with ASEAN countries, will focus more on economic issues like trade, investment, goods and services. India’s efforts in these areas have no doubt been successful. Beginning initially with its sectoral dialogue partnership with the ASEAN, India graduated first to full dialogue partnership with attendant membership of the ASEAN Regional Forum (ARF), then to the mechanism of ASEAN-India summit, at par with ASEAN plus Three (China, Japan and South Korea) and finally to the membership of the East Asian summit. These interactions have resulted in considerably greater integration with the rest of Asia than is commonly realized. This success was not due to India offering any 'niche' in terms of the creation of a future economic architecture or strategic order in Asia, as in the case of China, which has seized the leadership in practically everything that is happening in the Asia-Pacific region. India’s Look East Policy has been more reactive to what China has been doing in the region than a proactive one attempting to make a distinct Indian mark and “getting others to want what you want.”

The region now looks towards India because of its potential as an economic powerhouse and partly to balance China’s overwhelming economic and strategic influence. However, compared with the clout India has achieved as an economic player, its strategic role in the security of Southeast and East Asia is still quite marginal, notwithstanding its status as a nuclear weapons power and the second largest country in Asia. Apart from its participation in the ARF dialogues and occasional forays into the Straits of Malacca for patrolling in combating piracy, India unfortunately is an insignificant player in the security structure of the region. What strikes observers of India’s Look East Policy is the conspicuous absence of a strategic vision of a future Asia-Pacific that can inform its policies and actions in the coming years and will allow it to establish its rightful place in the Asian balance of power. If India has to emerge as a major power in the Asia-Pacific it has to have not only a vision of its own economic future but also a vision of its future strategic role in the region. India has not so far clearly spelt out its strategic objectives in the region in any of its policy papers. It has however, sought defence cooperation with countries like Myanmar, Indonesia and Vietnam and
secured a role for itself in the security of the Straits of Malacca as a likely insurance against Chinese hegemony in Southeast Asia. India's hesitation in taking a more open and assertive role is informed not only by its limits of military and economic power, but also by its intent to avoid a direct confrontation with China, which considers Southeast Asia as its sphere of influence.

Moreover, India's relations with China are on the upswing despite the lack of progress on the boundary issue and New Delhi is loath to see this affected. Promotion of India's strategic objectives need not be through the projection of its hard military power as the 'Realist' school would have us believe, but could be more effective through the exercise of its 'soft' power, in terms of education, culture and democracy. The liberal institutional approach emphasizes soft power aspects with cultural attraction, ideology and international institutions as the main resource. Soft power strategies rely more on common political values, peaceful means for conflict management, and economic cooperation in order to achieve common solutions. India's ability to play a major role in Asia not so much in the area of trade and investment where China has overwhelming presence, but in its human resources, democracy and culture in which it has a distinct advantage over other Asian countries.

While the central government in Indonesia has already implemented devolution of power hoping that a fairer distribution of national wealth will reduce separatist sentiments and regional violence, there is a lack of institutions at the local level to absorb such autonomy. This is where India can help through its ITEC (technical cooperation) programme, training in local self-government and institution-building at the grassroots level. With little investment, India can reap rich dividends in terms of both promotion of democracy in a vitally important neighbouring country and goodwill from the leadership and the people.

Another area India can make an impact is in the field of higher education. During his visit to Indonesia in April 2005, commemorating the Bandung Conference, Prime Minister Manmohan Singh declared that India intended to stay engaged by sharing experiences "gained from our own development process — with nations in Asia." To
quote Singh, "Human resource development holds the key to employment and wealth creation, particularly in this age of globalization. This has been our strategy and we have laid particular emphasis on training and skills development as we globalize. We have extended technical assistance valued at about US$1 billion. We stand ready to do more."

Undoubtedly Indonesia has been one of the prominent beneficiaries of Indian technical cooperation programmes meant for fellow developing countries. Around 1,000 Indonesian experts as well as officials received training in India under ITEC and India offered more than 1,100 scholarships to Indonesian students to study at Indian universities. In May 2006, India opened a US$750,000 Vocational Training Centre in the country and it will open another in Aceh soon. But, there are greater potentials for India-Indonesia cooperation in education, which will be of benefit to both countries. Everywhere in Asia, there is greater demand among the younger generation to learn English, the language of globalization. Myanmar and the two least developed countries of Indochina, Cambodia and Laos, can benefit from India’s abundant English language teachers, who could help those countries at much less expense than the British or Australians. One of the important reasons for the Asian economic crisis of the late 1990s was that while there had been a shift in the production line, there was no commensurate development in higher education in most of the Asian NICs to keep pace with such a shift. India has a lead in information technology and Indian IITs and IIMs have a very high reputation in those countries. Many Southeast Asians have expressed their interest not only to come and study in these institutions, but also to have these institutions open their campuses in their countries, particularly in Indonesia. There are businessmen of Indian origin who would only be too glad to raise the money for opening these campuses and support the faculty. What they want is the brand name and some experienced backup faculty from India. Again the dividends that India will get will be rich and unmatched. India will also cement civil society interactions, an important component of mature and enduring state-to-state relations. Let India initiate an innovative political and cultural charm offensive to give more substance to India’s Look East Policy.