

India Is Widening Its Relations in Asia

by Ramtanu Maitra

In recent years, Indian policy towards Asia as a whole has gone through a sea-change. A number of factors brought about this policy shift. Perhaps the most important one is the massive growth of China's economic power, which forced the Indian political leadership to realize that unless they find a way to broaden India's economic sphere in the region, and become less dependent on the western economies to increase trade, the country will be left far behind. The second factor was the change of attitude of the Southeast Asian nations' leaders vis-à-vis India. It is evident that the Southeast Asian countries, hit by the 1997 currency turmoil, have come to realize that their economies would be more stable if they were integrated through physical infrastructure with the two Asian giants, India and China.

The Indian economy during the Cold War days was a slow-growing economy, concentrating almost entirely on its domestic market. India's foreign policy was virtually delinked from its economic policy, although its foreign policy alignment with the erstwhile Soviet Union in many areas had brought India some heavy basic industry technologies and military technologies. All that helped India to a certain extent, but not very much.

During that period, India, though one of the leaders of the Non-Aligned Movement, considered most of Southeast Asia as an American stronghold and stayed away. The Southeast Asian nations, buoyed by American links, considered the Indian economy too public sector-dependent and, therefore, a negative model.

'Look East' Policy

It took India a while—almost ten years after the Soviet Union had collapsed—to make forays to build new bridges with the the Association of South East Asian Nations (ASEAN) and the newly-formed Central Asian nations. During that decade, India was slowly taking off the shackles of controls and regulations which not only prevented faster economic growth, but acted as an impediment to modernizing technologies. This was the period Indian analysts consider as the period of economic reform. These reforms, though considered inadequate by most economists, were welcomed widely in the region and beyond, bringing in promises of new investments and faster growth.

The Indian Ministry of External Affairs had announced in 1991 the adoption of a "Look East" policy. India became a

sectoral partner of ASEAN in late-1991 in the core sectors of trade, investment, and tourism. The concept, however, was given flesh by the present Bharatiya Janata Party (BJP)-led government in 1999. Following a number of visits by both sides, India was eventually upgraded from sectoral partner to full dialogue partner in the fifth ASEAN summit in Bangkok in December 1995. In July 1996 India was invited to join the Asian Regional Forum (ARF). India's inclusion in ARF was hailed as a major diplomatic achievement and a welcome and logical extension of its Look East policy. The ARF comprises Australia, China, Canada, the European Union, Japan, New Zealand, Papua New Guinea, Russia, South Korea, and the United States; the ten ASEAN countries; and India.

In 1997, under Indian initiative, Bangladesh, India, Myanmar, Sri Lanka, and Thailand came together to form an economic association called BIMSTEC linking the littoral states of the Bay of Bengal. It was identified as an economic grouping whose objective was to promote rapid economic cooperation between members in key areas like trade, investment, tourism, fisheries, agriculture, transportation, and human resources development. India and Sri Lanka have already concluded a bilateral Free Trade Agreement that is showing the potential to rapidly expand trade and economic cooperation.

The Mekong Ganga Cooperation (MGC) project was announced by the foreign ministers of the six nations involved at the ASEAN Ministerial Meeting (AMM) at Bangkok in July 2000. The Mekong-Ganga Cooperation was formally launched on Nov. 10, 2000 in Vientiane, the capital of Laos, to increase cooperation in tourism, culture, and education. The signatories to the initiative are India and five Southeast Asian Nations, namely Thailand, Vietnam, Laos, Cambodia, and Myanmar. The initiative was designed to define regions in the new global economy, while keeping their native identity and character intact. The six countries also undertook to develop transportation networks including the East-West Corridor project and the Trans-Asian Highway.

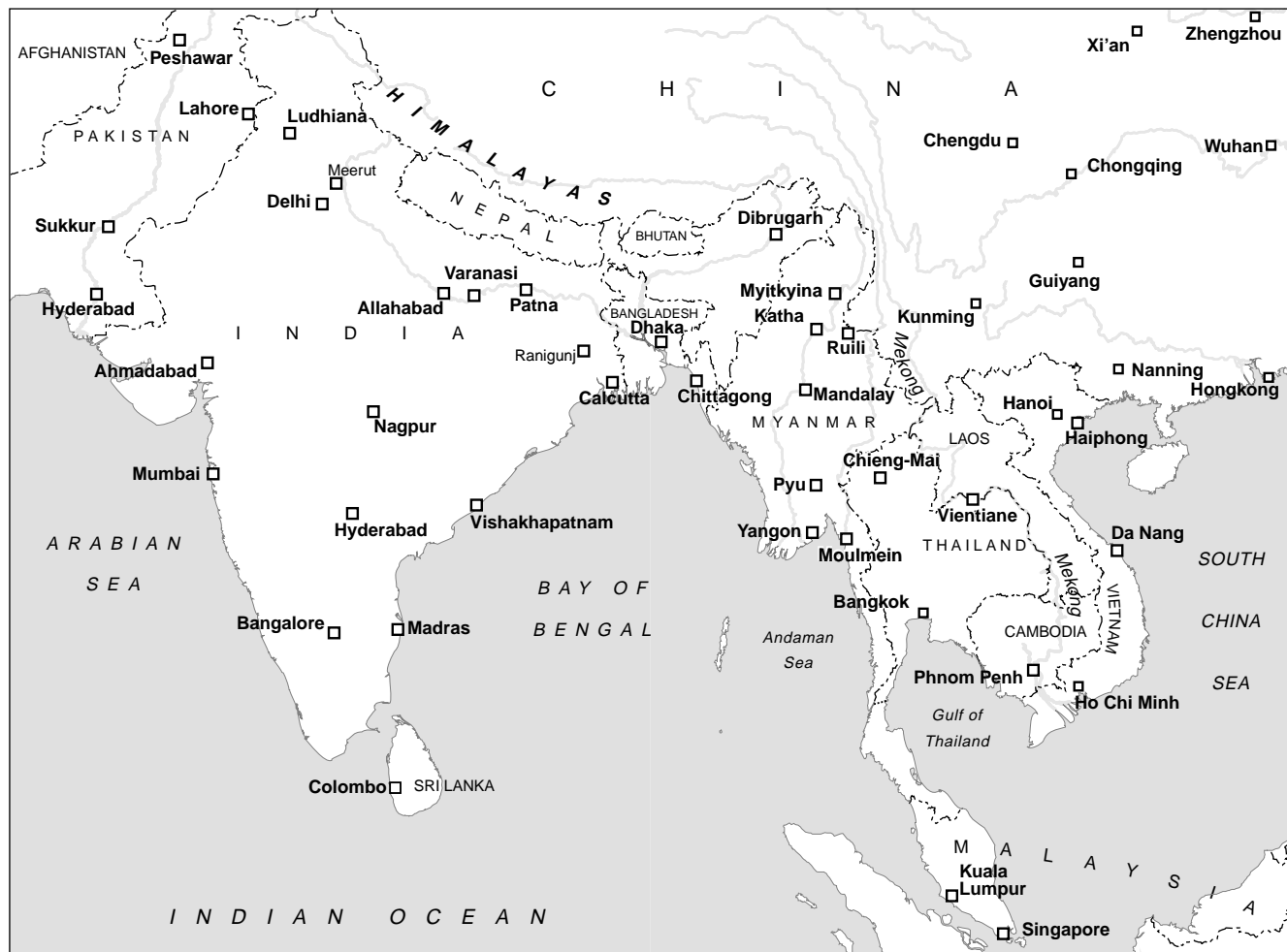
The Trans-Asian Highway (an old proposal of the UN's Economic and Social Commission for Asia and Pacific, or ESCAP) may become a reality. The MGC ministerial level meetings are scheduled to be held every year in July along with the ASEAN ministerial meetings and Post Ministerial Conferences.

The Myanmar Factor

The key ingredient to make the Look East policy a success was the inter-linking of India with Southeast Asia and Indochina. By the early 1990s, it became evident that India and Myanmar would have to start a dialogue to stem drug-trafficking and gun-running across the border with India's north-eastern states. For India, Myanmar was an important land bridge to Southeast Asia. It also had to consider China's growing trade and military assistance to Myanmar.

In November 2000, India's External Affairs Minister

India and Southeast Asia



Jaswant Singh became the first senior Indian official to visit Myanmar since then-Prime Minister Rajiv Gandhi in 1987. Among other things, Singh inaugurated the 130 kilometer Tamu-Kalemyo road link which connects Tamu, close to the Indian border, with Kalemyo in Myanmar's Sagaing division. Apart from boosting trade with Myanmar, the road, built by India's Border Roads Organization, is seen as India's gateway to Southeast Asia.

A week later, Gen. Maung Aye, Myanmar's Chief of Army Staff and Vice-Chairman of the ruling State Peace and Development Council, was in New Delhi. Although Gen. Maung Aye met with the India's top leaders, the road to reconciliation remained strewn with dynamite. India's policy towards its northeastern neighbor, with whom it shares a 1,600 kilometer-long border, has been ambiguous ever since the military junta in 1988 refused to recognize Aung San Suu Kyi's election victory, a year after Rajiv Gandhi's visit. The outpouring of support for Aung San Suu Kyi was huge within India. To the credit of Indian policymakers, they kept the

issue of restoration of democracy in Myanmar in perspective without giving in to emotions. Even today, New Delhi espouses inclusion of Aung San Suu Kyi and her party in a government arrangement, if worked out within Myanmar.

At the same time, there is no doubt that the India-Myanmar relationship is growing on the basis of bilateral infrastructural development projects. Early this month, Indian Vice President Bhairon Singh Shekhawat was in Yangon. During his stay there, India agreed to assist Myanmar in upgrading the 800-kilometer railroad line on the Yangon-Mandalay route, and also announced extension of a \$57 million credit line for the purpose. The Indian Vice President also signed two agreements on enhancing joint education and research programs, and waiving visa requirements for diplomats and Myanmar officials.

Train to Hanoi

On Sept. 4, Indian Prime Minister Atal Behari Vajpayee told the second India-ASEAN business

Summit Forges Mekong Links

Despite rising demands that Myanmar's Southeast Asian neighbors join in isolating and confronting its military regime in Yangon, the Prime Ministers of Myanmar, Thailand, Laos, and Cambodia instead held a Nov. 11-12 summit in Pagan, the historic capital of Myanmar (Burma). It was the first-ever summit of these countries, which comprise four of the six members of the Greater Mekong Subregion (with Vietnam and Yunnan Province, China). It was initiated by Thai Prime Minister Thaksin Shinawatra, to announce a joint economic road map to accelerate growth among these countries. Laos, Myanmar, and Cambodia remain among the poorest nations in Southeast Asia.

Thaksin called the concept behind the summit, "four countries, one economy." The Pagan Declaration, issued on the occasion, calls for transforming the border areas of these countries into "a zone of durable peace, stability, and economic growth" for some 138 million people. Thaksin summed up the leaders' intent: "We shall pool our strengths, pool our sincere hearts. We will put all our conflicts, misunderstandings away. In four or five years, we will see no border conflicts nor illegal migrants."

Thailand alone accounts for 91% of the combined four

economies, and hosts over 1 million illegal foreign workers. Among the elements of the cooperation, Thailand pledged \$250 million annually for regional projects, announcing that a public organization under the Thai Finance Ministry would be set up within a year to open export credit lines for the three neighboring states. Modeled on the Japanese Overseas Economic Cooperation Fund, the credits aim to encourage financial support from western donor nations. The Asian Development Bank will contribute 30% of the total. Among the projects are a concessionary loans of \$300 million for a proposed 200-kilometer road linking Thailand's Tak province to the Myanmar town of Thaton. This road is also part of a planned east-west corridor linking India and Vietnam. Thailand also plans to make available some 100 scholarships annually for students from its neighboring states.

Thailand is also expected to offer Myanmar about \$50 million in the form of aid, and a low-interest loan to support construction of transportation links between the two, including an 18-kilometer stretch linking the Thai border town of Mae Sot and the Myanmar town of Myawaddy. A further low-interest loan of \$445 million will be granted for joint Myanmar-Thai development of plantations for corn, potatoes, beans, and bamboo shoots. Thailand has also agreed to support a study into feasibility and construction of a deep seaport at Myanmar's Tavoy.

—Gail Billington

summit at New Delhi: "Work has started on a trilateral highway project linking Thailand, Myanmar, and India. Under the Mekong-Ganga cooperation, we are also looking at a New Delhi to Hanoi rail link." India's plan to build a rail link to Hanoi, the capital of Vietnam, has been designed for two reasons. First, it will boost trade between India and ASEAN substantially. Second, Cambodia, Laos, Vietnam, and Myanmar—the four newer members of ASEAN, all of which will be on the rail route—have been the most vocal in pushing India's case for closer ties with ASEAN. Furthermore, there is no rail connection now among Vietnam, Laos, and Cambodia. A single line connects Malaysia with Thailand and Singapore, and southern China with Vietnam. In the eastern direction, the railroads in Myanmar stop several hundred kilometers away from its borders with Bangladesh and India. "Bilateral trade with ASEAN now exceeds \$10 billion," Vajpayee said, "but it has barely scratched the surface of its potential. We must target a turnover of \$15 billion over the next two years and \$30 billion by 2007."

When Vajpayee visited Phnom Penh last November for the India-ASEAN summit, Cambodian Prime Minister Hun Sen suggested that India could help Cambodia build a railway network that would eventually form part of the direct "land-

bridge" rail corridor from Singapore up to Kunming in southern China.

In addition to the four newly-admitted members of ASEAN, India is getting strong cooperation from Thailand. During his October visit to Southeast Asia, Vajpayee in Bangkok pointed out that there was a "happy confluence of India's 'Look East' posture and Thailand's 'Look West' strategy. Thailand's acclaimed competence in infrastructure building—which includes ports, airports, highways, and urban amenities—matches our growing requirements in these fields." In the knowledge economy, the Prime Minister said, India's software skills could usefully support the rapidly developing hardware capabilities of Thailand. "Our growing skills in biotechnology can be combined to utilize the range of biodiversity in our two countries," he told the Thai media. Observing that India is among six countries with the ability to provide "end-to-end" capabilities in space, from design and fabrication to tracking and control and launching satellites, Vajpayee stressed, "We have a special expertise in the area of harnessing space technologies to developmental applications" on Earth.

There are two other major developments in the Indian initiative in Southeast Asia and beyond. Heralding a new era

in their relationship, China, Japan, and India have agreed to create a free trade zone with member countries of ASEAN, the Indonesian newspaper *Tempo Interactive* reported on Sept. 5. This agreement was reached during a consultation held in Phnom Penh, Cambodia on Sept. 3-4, between ASEAN economic ministers and those of China, Japan, and India.

“We have even settled some framework agreement concepts with particular dialogue partners,” Pos Marodjahan Hutabarat, the Indonesian Ministry of Trade and Industry’s Director-General of International Trade and Industry Cooperation, told reporters in Jakarta on Sept. 5. The agreement will lead to the forming of a potential market for the products of Indonesia and other ASEAN countries. More than 2.5 billion people—including 520 million people in ASEAN, 1.2 billion in China, 1 billion in India, and 100 million in Japan—will be at the very least a potential market exceeding the number of consumers in European countries.

On Nov. 5, the Indian External Affairs Minister, Yashwant Sinha, said that India’s “Look East” policy was not restricted to the ten countries of ASEAN, but extended to Northeast Asia as well—Japan, China, and the Koreans. “I have said that we have entered Phase II of our Look East policy, which is more comprehensive in its coverage, territorially and materially,” Sinha said in New Delhi. According to him, if India wanted to pursue its national and international goals, it was imperative that peace prevailed in the region. Any threat to peace from state or non-state actors was a threat to the goal of prosperity “for our people.”

Central Asia ‘New Silk Road’

India is getting very active politically in the Central Asian nations as well. Following the ouster of the Taliban by the United States and the Northern Alliance, New Delhi has provided the Afghan interim President Hamid Karzai with buses, built hospitals and girls’ schools, and in essence, has a very visible presence in Kabul. India had been a long-time ally of the Northern Alliance.

On Jan. 30 of this year, Minister Sinha, while in Bishkek, Kyrgyzstan, announced that India, Iran, and Afghanistan have agreed to develop a “new silk road” to enhance trade with Central Asia. “The route will utilize Chah Bahar Port of Iran to send goods through Afghanistan and to Central Asian countries. It is being estimated that this new route will cut distances by 1,500 kilometers,” Sinha said in his address to the Kyrgyz National State University.

India is going to construct 200 kilometers of this new road, which might usher in an entirely new era of trade relations and people-to-people contacts between India and Central Asia, he said. “This new silk route of prosperity is India’s wish for its relations with Central Asia.” Sinha recalled how the old silk route had provided a meeting point for China and India two millennia ago, carrying out a high volume of trade then.

Observing that energy and hydro-electricity were two other areas where a lot could be achieved, Sinha said that

India, with its high demand for energy, could import oil and gas from the region, which has huge reserves.

On Nov. 14, after a three-day trip to Moscow, Prime Minister Vajpayee was in Dushanbe for 22 hours. He became the first-ever Indian prime minister to visit Tajikistan. Underlining its strategic interests in Central Asia, India set up a Joint Working Group with Tajikistan to combat international terrorism. Vajpayee agreed on this with Tajik President Emomali Rakhmanov. Eight treaties were signed at the conclusion of the summit, which include the agreement to intensify their defense cooperation, and to build a highway linking them through Afghanistan and Iran’s Chah Bahar port, with the sea link completing the transport corridor to India.

Before Vajpayee landed at Dushanbe, a contingent of the Indian Defense Ministry’s military engineering services workers were packing up after a grueling day of building a runway at an air base that lies 10 kilometers northeast of the Tajikistan capital. The place is called Ayni, and the base is India’s first ever in a foreign country. An Indian Defense Ministry spokesman confirmed that New Delhi was involved in upgrading infrastructure at the Ayni air base and “has plans to station its troops” and air platforms in the near future, to support its energy security interests in Central Asia.

This is just another signal that India has placed great importance on Central Asia, which is rich in oil and natural gas. Indian oil major ONGC Videsh Limited (OVL) has tied up with Kazakstan’s government for oil exploration in the fields at Alibekilometerola and Kurmangazi. OVL currently has a 15% stake in Alibekilometerola and 10% in Kurmangazi; both oil fields straddle the Kazak-Russian border. Significantly, Indian and Tajik Special Forces held joint exercises in February 2003.

After successful diplomacy in Southeast Asia, India is now primed to replay its historical role in Central Asia, after a gap. Apart from Vajpayee’s current visit to Dushanbe, Indian Defense Minister George Fernandes headed for Kazakstan and Kyrgyzstan, and External Affairs Minister Sinha visited Uzbekistan—both in the first week of November. In Uzbekistan on Nov. 6, Sinha underlined the importance of Central Asia from the Indian perspective, saying that New Delhi was looking at greater economic engagement with the region.

Attending the India-Central Asia Conference at Tashkent, capital of Uzbekistan, Sinha outlined the plan for a 200-kilometer road between Zaranj and Delaran in Afghanistan. “Once this road is complete, it will reduce by 1,500 kilometers the distance between India and Central Asia,” he said. Sinha pointed out that India was one of the first countries to have missions in all Central Asian countries. “Our desire for multiple transport links with Central Asia is in tune with our economic progress. . . . India has become a major center for outsourcing. Our cooperation with Central Asia includes cultural, economic, defense, and security relations. For us, Central Asia is our ‘immediate and strategic neighborhood,’ ” the India minister emphasized.