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India's Look East Policy : Challenges and Opportunities Ahead

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Abstract - Prior to 1991, India almost did not look to its neighbouring Eastern countries. Rather, it maintained a very close relationship with the Western and Middle East countries. Because, firstly, as a colonial habitant of the British – India the entire mindset of the people of India was dominated by the Socio-economic philosophy of the western countries. Secondly, India was tied up with the then USSR during the Cold War period. Thirdly, India had to import most of the imported goods from defence equipments to petroleum products or crude oil and natural gas etc. from the Western and Middle East countries. With the collapse of the Soviet Union the Cold War period came to an end when most of the nations accepted the new era of Globalisation, Liberalisation and Privatization in their economy as well as other socio-cultural fields. The nations have realized that the means to making wealth is by developing of international trade and encouragement of foreign investments etc. The South East Asian countries have also experienced with the New Economic Reform Policies as a result, there have been rapid economic development and growth in South East Asian countries. Thus with the introduction of the “New Economic Policy 1991” India opened its door to the South East Asian countries for trade and other socio-economic activities.

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India's Look East Policy : Challenges and Opportunities Ahead

Dr. Homeswar Kalita

I. INTRODUCTION

Prior to 1991, India almost did not look to its neighbouring Eastern countries. Rather, it maintained a very close relationship with the Western and Middle East countries. Because, firstly, as a colonial habitant of the British – India the entire mindset of the people of India was dominated by the Socio-economic philosophy of the western countries. Secondly, India was tied up with the then USSR during the Cold War period. Thirdly, India had to import most of the imported goods from defence equipments to petroleum products or crude oil and natural gas etc. from the Western and Middle East countries.

With the collapse of the Soviet Union the Cold War period came to an end when most of the nations accepted the new era of Globalisation, Liberalisation and Privatization in their economy as well as other socio-cultural fields. The nations have realized that the means to making wealth is by developing of international trade and encouragement of foreign investments etc. The South East Asian countries have also experienced with the New Economic Reform Policies as a result, there have been rapid economic development and growth in South East Asian countries. Thus with the introduction of the "New Economic Policy 1991" India opened its door to the South East Asian countries for trade and other socio-economic activities.

II. BACK GROUND OF THE LEP

The Chinese aggressing of 1962 has taught India about its own rights responsibility and character of its rival neighbors . India was compelled to maintain strategic relationship with the SEA countries. China has maintained a close commercial and military relations with India's neighbor and rival Pakistan. It has been trying to influence Nepal, Bangladesh and Myanmar cultivating extensive trade defense and economic relation. China has adopted some anti-democratic and unethical means to expand its influence over the neighboring country of India like Myanmar, which had been criticized by the international community following the violent suppression of pro-democracy activities in 1988. On the other hand, India's domestic politics and

economy is largely dependent upon the oil rich Middle Eastern nations, which may be shifted to the oil and natural gas reserves found in Myanmar. This situation reached the boom in 1990 when the USSR, the most faithful partner of India was collapsed.

III. OBJECTIVES OF THE STUDY

The study has been undertaken with the following objectives;

- 1) To highlight the main areas developed out of the "Look East Policy" and
- 2) To examine the trade opportunities coming out of the LEP.

IV. METHODOLOGY

The methodology adopted in this study is quite descriptive. Required information have been collect from different books, e-books, News papers, Govt. notification etc. Inferences have been drawn with the help of simple statistical tools.

V. SIGNIFICANCE OF THE STUDY

The GDP growth rate and GDP per capita Income level of India is not satisfactory in comparison to other major economic players of South East Asia like- China, Japan Singapore etc. To upgrade this condition, India should try to enhance its economic activities in the SEA countries. Since the study has attempted to find out the business opportunities in the SEA countries, it is hoped that this study will help the trade, business and industry sectors to expand their activities in the SEA countries.

VI. ANALYSIS OF THE FINDING

a) *A brief introduction of the SEA countries:*

A brief description about the socio-economic statistics have been highlighted in the tables 6.1 and 6.2 (Part- A, Part- B and Part- C). There are 15 South East Asian (SEA) countries (excluding China and India) in the said tables. Singapore is the smallest country (land size- 697 square km only) and Indonesia is the largest country (land size 19,04,569 Sq. KM). The smallest size of population live in Brunai (Population in 2010= 4 lakh only) while the largest size of population live in Japan (population in 2010 = 12.7 crore).

Table 6.1 : An introductory statistics of the South East Asian Countries.

Sl.No.	Countries	Capital	Area in Sq.Km	Population in crore (2010)
1	MYANMAR	Yangoon	6,76,578	5.3
2	THAILAND	Bankkok	513120	6.7
3	LAOS	Vientiane	236800	0.63
4	VIETNAM	Hanoi	3,31,210	8.9
5	MALAYASIA	Kuwalalampur	3,29,847	2.8
6	SINGAPORE	Singapore City	697	0.3
7	BRUNEI	Bander Seri Begawan	5765	0.04
8	INDONESIA	Jakarta	19,04,569	24
9	PAPUA NEW GUINEA	Port Moresby	462840	0.6
10	PHILIPPINES	Manila	300000	9.9
11	TAIWAN	Taipei	35980	2.3
12	N.KOREA	Pyongyang	120538	2.3
13	S.KOREA	Seoul	99,720	4.8
14	JAPAN	Tokyo	377915	12.7
15	CHINA	Beijing	9596961	133
16	CAMBODIA	Phnom perch	181035	1.4
17	INDIA	New Delhi	3287263	121

Source : -GK-"ALMANAC"-2012. Edited by -S. K. Sachdeva. Pub. by-Competition Review Pvt. Ltd. New Delhi—110008. Pages from 257 to328

b) Area of India –ASEAN relation:

The India ASEAN relationship includes cooperation in sectors such as Science & Technology, Defence, Human Resource Development, Health & Pharmaceuticals, Space Sciences, Agriculture, Information & Communication technology, Transport and Infrastructure, Tourism and Culture and small and Medium Enterprises etc.

c) Profile of Indias LEP:

The "Industrial Policy of 24th July' 1991 is known as the precursor to the Look East Policy (LEP) of India which was initiated by the then Prime Minister Narasimha Rao and Finance Minister Dr. Manmohan Singh (Now Prime Minister) and followed by the successive Prime Minister Atal Bihari Bajpayee and Dr. Manmohan Singh. It was introduced with a view to develop economic and strategic relationship with the

ASEAN (Association of South East Asian Nations) countries. It has passed two phases since its inception. The first phase started in 1991 and ended in October' 2004. The second phase started from November 2004 and is being continued till the date.

i. The First phase of LEP :

a. Partnership with ASEAN countries :

The major developments are:— In the first phase, India tried to develop trade, Political cooperation and industrial links with ASEAN countries. India became a sectoral dialogue partner of ASEAN in 1992. In 1995, it became a full dialogue partner. It participated in the ASEAN Ministerial meeting (AMM), the post Ministerial conference (PMC) and the ASEAN Regional Forum (ARF) in July' 1996. In October 2002, the first India-ASEAN business summit was held in Delhi, which was

addressed by the then Prime Minister Atal Bihari Bajpayee. Another ASEAN –India summit was held in on 05th November 2002 at Phnom Penh (Cambodia).

b. INDIA-ASEAN Regional Form (ARF) :

India became a member of the ARF in 1996. Such participation has increased India's engagement in Asia-Pacific region both in politico – security and economic spheres. India has launched several activities under this mission such as peacekeeping, marine security and cyber security.

c. Bilateral Relations :

India could managed in achieving some major bilateral relations with the South East Asian (SEA) countries since launching of the LEP. High level visit of heads of states from most of these nations have taken place. India has entered into a few bilateral Free Trade Agreements with Thailand and economic cooperation agreements with Indonesia and Singapore. It has entered into bilateral defense agreement with Malaysia in 1993 which includes supply of defence equipments and military training. At the same time, special attention is being paid to Cambodia, Laos and Vietnam under bilater agreements. It is worth mentioning that Indonesia and Singapore have helped India to get into the East Asia summit despite objections from China and some other ASEAN countries. On the other hand, Myanmar has a special place from India's strategic and security perspective.

d. Under Indo-Myanmar bilateral agreement, India has completed the 160 km "India Myanmar Friendship Road " from Tamu to Kahemyo, Kaletwa built by the Border Roads organization in 2001.

e. India has entered into a Framework Agreement on Comprehensive Economic Cooperation (CECA for establishing a FTA in a time frame of 10 years) in 2003.

f. India has recognised The Treaty of Amity and Cooperation (1967) on which ASEAN was formed in 2003.

ii. The second Phase of LEP :

a. Free Trade Agreement (FTA) :

The signing of the India-ASEAN Free Trade Agreement on 13th August 2009 at Bangkok is regarded as the crowning glory of India's LEP. The agreement was only for trade-in-goods and did not include software and information technology. Two way trade between India and ASEAN was \$ 47 billion in 2008 against the estimation of \$ 10 billion.

b. ASEAN –INDIA Summit :

The 7th ASEAN India Annual Summit was held on 24th October, 2009. The India-ASEAN Business summits are also held along-with the Annual ASEAN India summits where business delegates meet and interact to enhance the trade relations.

c. East Asia Summit (EAS) :

The 4th EAS summit was held at Thailand in October 2009 where PM Dr. Manmohan Singh attended and promised a contribution \$ 1 million over a period of 10 years for the Economic Research Institute for ASEAN East Asia (ERIA). India's proposal for establishment of the Nalanda University in Bihar is under active consideration of the EAS.

d. Bay of Bengal Initiative for Multi Sectoral Technical and Economic Cooperation (BIMSTEC):

India has played leading role in this grouping. It was established on 6th June 1997 taking Myanmar, Thailand, Sri Lanka, India and Bangladesh. The Second BIMSTEC summit was held in New Delhi in November 2008. India has set up a Tsunami warning centre to share information with the BIMSTEC countries. Various negotiations are underway for a BIMSTEC Free Trade Agreement in goods. In the Myanmar BIMSTEC ministerial summit (December, 2009), climate change issue was included in its Agenda.

e. Mekong Ganga Cooperation (MGC) :

The MGC concept was initiated by India in 2000 in Vientiane (Laos), consisting Myanmar, India, Thailand, Laos, Cambodia and Vietnam. This project aims at revitalizing and developing trade, tourism communications and transport. The MGC has undertaken the "Asian Highway Project" to link up Singapore with New Delhi in South Asia via Kuala Lumpur, Ho Chi Minh City, Phnom Penh, Bangkok, Vientiane, Chiang Mai, Yangon, Mandalay, Kalemmyo, Tamu, Dhaka and Kolkata. India has already taken the first step in this direction and has built the road linking Tamu (Manipur) to Kabenyo (Myanmar). Since January 2007, India is holding the chair of the MGC, despite the fact that China has been opposing the MGC since in perception. Under the project, a proposal is under consideration to set up the "Asian Railway Link" connecting New Delhi and Hanoi. With the MGC there is potential for direct flights between Guwahati and Ho-Chi-Minh city Imphal – Hanoi.

f. India-Japan Bilateral strategic dialogue & pacts - 2011:

India and Japan held the fifth External Affairs Ministerial bilateral strategic dialogue in Tokyo on 29th October 2011. At the talks, despite its own recent nuclear disaster, Japan assured India of taking forward the civil nuclear cooperation. Japan has also proposed to help in bringing high speed bullet trains to India.

On 6th June 2011, India signed seven agreements with Japan under which Japan will provide loans worth a total of Rs. 8,632 crore would be provided as Official Development Assistance (ODA). The said loans are for various infrastructure development including the Bangalore Metro, power, energy, urban transport, road safety, forestry and financial services etc.

On February 16, 2011 the two country signed a Comprehensive Economic Partnership Agreement (CEPA) which aimed at giving greater market access to both the countries. The agreement covers trade in goods and services and investment where Japan assured India market access of pharmaceutical industry also. The CEPA ensures that the sensitive sectors for India are fully protected. These includes agriculture, fruits, spices, wheat, basmati rice, edible oils, wines and spirits, auto and auto parts. Japan has also committed to cover engineering services such as mechanical, electrical, construction, industrial, design engineers and project management specialists. Apart from that it has also agreed to grand access to additional category of instructors for Yoga practitioners, classical musical and dance practitioners chefs and English language teachers.

g. India - Myanmar Bilateral ties -2011:

On 14th October 2011 India's PM Dr. Singh and visiting President of Myanmar Mr. U Thein Sein held talk in New Delhi, where India sought to booster its ties with Myanmar by offering additional \$ 500 million loans. The talk agreed to examine the feasibility of establishing Railway links and speed up work on two hydel projects in Myanmar. Beside other matters, they agreed to boost up cooperation in the oil and natural gas sectors.

h. India - Vietnam pacts - 2011:

On 12th day of October 2011, India and Vietnam signed six agreements which includes a pact to promote oil exploration in South China Sea. In this regard it may be mentioned here that the China raised objections to India exploring for oil in the South China Sea, claiming that it was a part of china. India and Vietnam rejected China's claim, because as per UN the Blocks belong to Vietnam. In the field of security cooperation, the two nations instituted mechanism of a biennial dialogue on security issues. The two countries also decided to increase the trade target to \$ 7 billion by 2015 from the present mark of \$ 2.7 billion.

i. India - South Korea agreements- 2011:

During the South Korea visit of Indian President Mrs. Pratibha Patil on 30th July, 2011, the two nations signed an agreement for cooperation in peaceful user of nuclear energy. The two sides also discussed the possibilities of South Korea using the India Space Research Organisation (ISRO) facilities for launching its satellistes.

Besides, Mr. Patil also hold discussion with the representatives of the business class of S. Korea, which is home to electronic and automobile giants like LG, Samsung, Hyundai and Daewoo etc. among others.

j. India -Malaysia agreement - 2011:

On 18th February 2011, India signed a Comprehensive Economic Cooperation Agreement (CECA) with Malaysia in Kuala Lumpur. The agreement

gives India's doctor and accountants, apart from two wheelers, cotton garments and basmati rice greater access to the Malaysian Market.

k. Other Major Developments:

1. The year 2006 was celebrated as the India China friendship year.
2. India's PM Dr. M.M. Singh visited Japan in December 2006 when the two countries agreed on Social Economic Partnership Initiative.
3. The then President Dr. A.P.J. Abdul Kalam visited the Republic of Korea (S.Korea) in Feb' 2006 at the invitation of the president of ROK for the first time as India counterpart. Four agreements were signed during this visit.
4. The ROK President Lee Myung Back attended as the Chief Guest in the Republic Day 2010, New Delhi. Currently there are about 9000 Koreans staying in India with about 7000 Indians living in Korea.

iii. The China Factor:

It is seen that China (has been trying to keep India outside) is afraid of India for losing its big boss status and trading market in the SEA countries. China has been trying to keep India outside the SEA countries market.

The Chinese commentators have been critical of India's LEP. A People's Daily editorial opened that India's LEP was "Born out of failure" of India trying to play the Soviet Union and the USA against each other for its own benefit during the Cold War, and that trying to do the some with China and Japan by strengthening its ties with the letter would also fail.

China has always been considering India as its rival and trying to be the single player in the SEA countries. It has remained as the largest military supplier to Myanmar and presently to Pakistan also. Most of arms recovered from Indian Militant groups are made in China. India offered to train Myanmar's military personal and sought their cooperation in curbing separatist militant groups the drug trafficking corridor to North East India.

In fact, China is enjoying a number of economic and military advantages over India. China's intention is to maintain its historical dominance role in Asia and also the full control of its economic destiny in the manner of a huge empire like state. The Taiwan crisis of independence, the present Japan's Senkaku islands issues are some important examples of China's ongoing bossism status.

India's main advantages over China lies in its official recognition and use of English language, the language of technology and its relatively clean state of records in economic cooperation with South East Asia.

iv. *Business opportunities for India in the SEA Countries:*

The business potentialities for India lying in the SEA countries can be understood by having a look on the table No. 6.2 (part –A, part B, part C) which is self explanatory to a large extent. The table tells about the International Major Trading Partners, Main Imports and main Exports of the SEA nations in brief besides the GDP and GDP Per Capita Income. India's business community can generate their export at a cheaper price with high quality items of goods and services of such kinds which have been important by the SEA nations from other trading partners. For example, Laos (country No. 3 of table 6.2 (part A) has been importing rice, foodstuff, petroleum products, machinery and transport equipments from countries like China, Russia, France, US etc. India can find a door to export its Basmati Rice, Jaha Rice, petroleum products etc. to Laos under its Free Trade Agreement pact with Laos. In the same manner, India can establish more oil refineries in its NE states like Assam by acquiring Oil Blocks in Myanmar through the OVL.

VII. CONCLUSION

At present, the LEP has become an established policy having commitment to the SEA nations. Commerce with SEA nations accounts for almost 45% of India's foreign trade. The policy should be well cared and enhanced to areas like Human Resource Development, democracy and culture – where India has a comparative advantage over the Asian countries. The Nalanda University Project may play a vital role strengthening India's relation with the SEA nations.

Another important matter is that, India is a leading country of the world in Information Technology and Management Sciences. Many SEA countries are interested to set up IIT and IIM campuses in their places.

Tourism may play a vital role in upgrading the present status of LEP. Places of Buddhist interest like Bodhi Gaya, Sarnath and Nalanda and places of Muslim interest like Taj Mahal, Red Fort, Fateh Sikri Ajmer etc. have to be suitably promoted to attract the people of the SEA nations.

If India can fulfill the enacted agreements with the SEA nations and fold up new ties and strategies, it will be a stabilizing and balancing force in Asia.

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Table 6.2 (PART-A) : Some economic statistics of the South East Asian Countries.

9	Countries	GDP in 2009 (US billion \$)	GDP Per Capita in 2010 (US \$)	International Major Trading Partners	Main Imports	Main Exports
1	MYANMAR	57.5	1,100	Japan, E.C, China, South East Asia.	Machinery, Construction and transportation equipment manufactured goods.	Rice, oilseeds, metals, rubber, gems, teak.
2	THAILAND	540.1	8,200	Japan, US, Singapore, Malaysia, Netherlands, UK, Germany, Hong Kong, France, China.	Capital Goods, intermediate goods and raw materials.	Machinery & Manufactures, Agri-product, fishery products
3	LAOS	14.2	2,100	Thailand, Malaysia, Vietnam, Russia, China, Japan, France, US, Hong Kong, Singapore.	Rice, Food stuffs, Petroleum products, machinery, transport equipments.	Electric power, forest products, machinery, transport equipment
4	VIETNAM	256.9	2,900	C.I.S. Countries, Singapore, Japan, Eastern Europe, Hong Kong, Thailand.	Petroleum, Steel Products, Rail road equipments, Chemicals, Medicines, Raw cotton, Fertilizer Grain.	Agricultural products, Coal, minerals, Rubber, palm oil, timber, tin, petroleum, electronics.
5	MALAYASI A	1.7	4,300	US, Japan, Singapore, Western European Countries, Taiwan.	Machinery, Crude Oil, Capital Equipments, Chemicals, Consumer goods.	Rubber, palm oil, timber, tin petroleum, electronics

Table 6.2 (PART-B) : Some economic statistics of the South East Asian Countries.

Sl.No.	Countries	GDP in 2009 (US billion \$)	GDP Per Capita in 2010 (US \$)	International Major Trading Partners	Main Imports	Main Exports
6	SINGAPOR E	243.2	52,200	US, Japan, Malaysia, Hong Kong, Thailand, Taiwan	Aircraft, Chemicals, Foodstuffs, manufactured goods, Petroleum.	Machinery, vehicles, electronic equipment, petroleum products, rubber, food, chemicals, clothes.
7	BRUNEI	19.9	51,200	Japan, Thailand, UK, US, Singapore, S. Korea	Machinery, transport, equipments, manufactured goods, food stuffs.	Crude petroleum, liquefied natural gas
8	INDONESIA	962.5	4,000	Japan, US, Singapore, E.C.	Rice, Wheat, Iron & Steel, Chemicals, textiles	Rice, Cascara, Rubber, coffee, palm oil, tea
9.	PAPUA NEW GUINEA	13.7	2,300	Australia, UK, Japan, Germany, U.S., Singapore, Spain, New Zealand	Machinery, transport equipments, Fuels, chemicals	Gold, Copper, Coffee, Coca, copra, lobster, timber.
10	PHILIPINE S	324.2	3,300	US, Japan, Western European Countries and Latin American Countries	Machinery, Food stuffs, chemicals, Pharmaceuticals, Transport equipments.	Clothes, electronic equipments, coconut oil, timber

11	TAIWAN	735.4	32,000	US, Japan, Hong Kong and Germany	Machinery, Basic metals, crude oil, chemicals	Electronic equipment, metal goods, machinery, Textiles, plastic goods
<i>Table 6.2 (PART-C) : Some economic statistics of the South East Asian Countries.</i>						
Sl.No.	Countries	GDP in 2009 (US billion \$)	GDP Per Capita in 2010 (US \$)	International Major Trading Partners	Main Imports	Main Exports
12	N. KOREA	40	1,900	Russia, China, Japan, Hong Kong, Germany, Singapore.	Machinery and equipment, petroleum, food stuffs, cooking coal.	Minerals, chemicals and metallurgical products
13	S. KOREA	1.4 Trillion	28,100	US, European Union, Japan	Transport equipment, textiles, oil, grain, chemicals & Machinery	Textiles, electric and electronics, steel, ships
14	JAPAN	4.2 Trillion	32,700	US, Middle East, Western Europe, S.E. Asian Countries	Fossil Fuels, metal ore, raw materials, food stuffs, machinery & Equipments.	Machinery, vehicles, ships, steel, electronic equipments, chemicals automobiles, textiles.
15	CHINA	8.7 Trillion	6,600	US, Japan, Hong Kong, Germany, Taiwan, Macao, Singapore, Canada, C.I.S. Countries, Italy	Grains, chemicals, fertilizer, steel, industrial raw materials, Machinery and Equipments.	Agri-products, petroleum, minerals, metals, textiles, garments, telecommunications
16	CAMBODIA	27.9	1,900	Eastern Europe, Vietnam, Republic of CIS, Japan and India	Food stuffs, Fuel, Machinery	Natural rubber, rice, paper wood
17	INDIA	3.6 Trillion	3,100	US, UK, CIS countries, Japan, EC, Middle East	Machinery & Transport equipments, Crude oil & Natural gas, edible oils	Jems & Jewellery, Engineering goods, tea, leather manufactures, textile & clothing, fruits, petroleum products, rice, wheat.

Source : -GK-"ALMANAC"-2012. Edited by -S. K. Sachdeva. Pub. by-Competition Review Pvt. Ltd. New Delhi-110008. Pages from 257 to 328.

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