



December 2016

*Produced by The National Bureau of Asian Research for the Senate India Caucus*

## UNDERSTANDING INDIA'S EVOLVING ROLE IN ASIA THROUGH AN ASEAN PRISM

**I**n 2014, not long after taking office, Prime Minister Narendra Modi announced his Act East policy, signifying an upgrading of India's commitment to the Asia-Pacific. While India's relationships with neighbors to its west such as Afghanistan and especially Pakistan tend to generate the lion's share of media attention, the Modi government has quietly sought to make a name for itself in East Asia. In 2016 the Woodrow Wilson International Center for Scholars launched a new India in Asia initiative that examines New Delhi's relations with the Asia to its east. In this Q&A, Michael Kugelman, the Wilson Center's senior associate for South and Southeast Asia, discusses the key drivers and constraints of India's foreign policy toward this region, and particularly the Association of Southeast Asian Nations (ASEAN).

**Over the past ten years, India's trade volumes with ASEAN have expanded fivefold, and we have also seen an uptick in formal India-ASEAN dialogues. What is driving this interest in deeper ties?**

There are three major reasons for this increased engagement with the ASEAN region. The first two reasons are economic in nature. First, India needs more markets for its rapidly growing economy. This remains the case even as New Delhi pushes for domestic-led growth through the Make in India initiative, which encourages national and multinational companies alike to manufacture products in India. The ASEAN region has some of the fastest-growing economies in the world, with countries like Vietnam—which set a national record last year for levels of incoming FDI—and Singapore leading the way. On the whole, ASEAN offers tantalizing economic opportunities for India. According to a McKinsey assessment, the region collectively constitutes the seventh-largest economy in the world and

houses more than two hundred of the world's largest companies.

Modi is pursuing more economic engagement with ASEAN at a fortuitous moment. Just as India is keen to access new markets, the flourishing ASEAN economy needs to find new markets of its own. U.S. president-elect Donald Trump has vowed to withdraw the United States from the Trans-Pacific Partnership (TPP) accord immediately after taking office. TPP member countries like Singapore, Vietnam, and Malaysia will be keen to explore alternative arrangements that help them gain access to key markets, and the Indian market—with its young, growing population of 1.2 billion—could be quite inviting.

Second, India's economy needs not just markets but also fuel, and so the energy markets of ASEAN are also critical. Indian domestic energy supplies have been unable to keep up with the high demand of a growing economy, and Indian

policymakers are well aware that they must look overseas to help bridge the supply-demand gap. For instance, India's increasing need for coal has led the country to import that fuel from Indonesia, and it has also inked energy deals for oil exploration with Vietnam. Australia, thanks to its ample natural gas and coal supplies, could be a future target for Indian energy policy planners. Keep in mind that a majority of India's current energy imports—including two-thirds of its oil imports—are sourced from the Middle East. New Delhi should, and likely does, view energy imports from the relatively more stable and closer-to-home ASEAN region as less fraught with risk and therefore better for energy security. Additionally, thanks to India's prodigious need for energy for both consumer use and economic growth, energy security is a matter of national security. To this end, a plan to diversify the sources of energy imports—and particularly in a way that would situate more of them in more stable regions—would also serve Indian national interests.

The third chief reason for India's deepening ties with the ASEAN region is strategic: It wants to gain a stronger diplomatic and economic foothold in a part of the world where China's influence and presence are considerable. India does have opportunities to enlarge its profile in Southeast Asia. In some ASEAN countries, China's deep footprint in the neighborhood isn't particularly welcome. Several of them, such as Vietnam and the Philippines, are embroiled in territorial disputes with China in the South China Sea and are deeply opposed to what they perceive as provocative Chinese moves. Not surprisingly, recent public opinion surveys by the Pew Research Center find that Vietnamese and also Filipino views of China are negative, with barely 15% of Vietnamese and less than 40% of Filipinos expressing favorable views toward China. Additionally, Myanmar, long very close to China, has in recent years sought to distance itself a bit from Beijing and forge a more independent foreign policy—a shift that has contributed in part to its detente with the United States. India has wisely taken



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advantage of Myanmar's policy shift by pursuing deeper cooperation, as evidenced in particular by a maritime accord concluded this past February.

In effect, in the ASEAN region, New Delhi sees an opportunity to lean in, win more friends, and gain more influence. At the same time, India may need to move quickly to take advantage of a window of opportunity that could well close. Recent efforts by Philippines president Rodrigo Duterte to expand cooperation with China highlight how even Asian nations not known for their strong ties to Beijing are trying to engineer shifts in their bilateral relations—perhaps impelled by increasing concern about less robust future U.S. leadership in the ASEAN region and in the Asia-Pacific on the whole.

**How does India's Act East policy fit into this picture? Is there something fundamentally different in India's reinvigorated interest in Southeast Asia, or is this an extension of the existing status quo?**

The Act East policy is rooted in a fundamental objective—engaging with East Asia—that is not new. For decades, through its Look East policy, India had focused on its relations with the countries to its east, and in particular close friends like Japan. The drivers of the Act East policy mirror those of India's ASEAN outreach: a desire to capitalize on attractive markets, a need to diversify energy supplies, and a determination to counteract the influence of China. What makes Act East different is its more urgent tone. The policy is meant to telegraph a desire to engage more robustly with countries to the east—in both the ASEAN region and Northeast Asia, particularly Japan and South Korea.

That the Act East policy—one predicated on intense levels of engagement—would be announced during the Narendra Modi administration is unsurprising. This is a leader who not only revels in globe-trotting and in the pageantry of diplomacy but also values forming new global relationships and strengthening existing ones. Earlier this year in an interview he said that because “the world is interconnected and interdependent, you will have to connect with everybody at the same time.” He has made more than 50 foreign trips as prime minister, including more than a dozen to East Asia. As of mid-November, Modi had made

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8 trips to the ASEAN region (including visits to Thailand, Laos, Vietnam, Malaysia, Singapore, Myanmar, and Australia).

All this said, a big reason for India's decision to declare its new Act East policy is heightened concern about China. New Delhi appears unwilling to sit on the sidelines any longer while China intensifies its activities—some of them quite provocative—in India's broader neighborhood. Economic, geopolitical, and security factors, all deeply interconnected, drive this concern about China. First, China is searching for markets to feed its own growing economy, and since this entails it being more active in South and Southeast Asia, tensions are generated and security concerns come to the fore. India, of course, has its own economic reasons for deepening its role in East Asia, which heightens competition with China and has the chance of generating tensions.

Second, India's economic motivations for expanding its engagement in Asia aggravate its security concerns in the region. Its relations with Vietnam provide a useful case study. India has deepened its ties with Vietnam significantly in recent years, in great part to facilitate access to energy assets there. It now has an energy accord with Vietnam that grants oil exploration rights off the coast of Vietnam. India's growing interests in Vietnam mean that its energy security could now be directly affected by the territorial dispute in the South China Sea, in which Vietnam is very much embroiled. Conflict or even limited unrest in the region could endanger Indian oil exploration activities as well as the Indian nationals carrying them out.

More broadly, India's growing energy ties with Vietnam mean that it is increasingly caught up in the volatile web of geopolitics in the South China Sea. This is not to say that India is actively seeking to stake out a position in the dispute. On the contrary, while it is keen to deepen energy and broader economic cooperation with countries that are involved in the dispute, New Delhi does not want to be in a position where it must take sides. However, if it succeeds in deepening ties with many of these countries, and if its

cooperation with the United States in Asia continues to grow, then India may find itself increasingly perceived as being a member of the anti-China camp—even though New Delhi has no desire to openly antagonize Beijing. While India wishes to subtly push back against China's growing presence in the broader Indo-Pacific, it has no desire to provoke its powerful neighbor.

**China is ASEAN's largest external trading partner and has a strong presence in Southeast Asia in sectors such as manufacturing, energy, and healthcare—areas where the Modi administration has expressed an interest in increasing India's global competitiveness. How do China, India, and ASEAN view the prospects of deepening India-ASEAN ties?**

For India, an expanded presence in ASEAN is all about finding new markets for its growing economy. It's also about influence, to be sure, and an effort to push back subtly against China. India surely understands, however, that its efforts to deepen its economic links with ASEAN could prove a tall order, simply because China has cornered so many markets and sectors in the region. New Delhi also has its work cut out for itself in terms of becoming more competitive in these areas. It's not just a matter of India positioning itself politically to make inroads in the face of China's entrenched presence in the ASEAN region. It's also a matter of the country positioning itself economically to ensure that consumers will want to start looking to Indian products as well as, much less instead of, Chinese goods.

As for China, it will not be overjoyed about the prospect of deepening India-ASEAN ties because India is a key strategic competitor. However, because China is so far and away the bigger investor and economic player in ASEAN, it has little to fear from India, at least not in the near term. This is the case across the board. From military modernization and the pursuit of mineral and energy resources to global investment, India is always playing catch up with China.

As for ASEAN, its relationship with India is complicated. Many members are increasingly uncomfortable with China's actions in the South China Sea. At the same time, however,

several countries have a strong interest in continued robust Chinese engagement and investment in ASEAN, particularly those that are home to sizable Chinese diasporas. From an economic perspective, ASEAN nations likely want both countries engaged in the region. Indian and Chinese markets alike provide tantalizing opportunities.

**As India becomes increasingly integrated into the region's trade networks, what future role does it see for itself in regional frameworks such as the Asia-Pacific Economic Cooperation (APEC)?**

India may be ramping up its bilateral trade volumes, though the story is very different in a broader multilateral context. The country is not embedded in the main regional economic architecture. It has a presence in economic institutions in other parts of Asia—like the South Asian Association for Regional Cooperation and the Shanghai Cooperation Organisation in Central Asia—but it really is absent from the economic institutions to its east. Not only is India not a part of APEC, but it is also not a part of the TPP. There are very significant policy questions that emerge from this reality, one being how India may be affected by missing out on all the key supply chains in Southeast Asia if it continues to not be integrated into these regional economic groupings. India's prospects for joining APEC are relatively remote for the foreseeable future, and that's because it likely would not qualify to join. Indeed, even as the country's presence on the world stage has grown and its global profile has expanded significantly, it continues to be a difficult negotiating partner in international trade negotiations.

There is one notable emerging regional economic organization that India appears keen to join, and that is the Regional Comprehensive Economic Partnership, or RCEP. The significance of this fledgling entity has increased with Trump's intention to withdraw the United States from the TPP. Quite tellingly, however, rumors have surfaced—though they have been denied by New Delhi—that India nearly got itself kicked out of the ongoing negotiations over RCEP because of an overly protectionist position.

India may have good political reasons to embrace protectionism. Despite rapid urbanization, agriculture remains a core contributor to the Indian economy, with 55% of laborers working in the agricultural sector. Not surprisingly, farmers have long been regarded in India as a key political constituency, and the political class fears that farmers and the agricultural sector could face major shocks if the government were to reduce energy and food subsidies and other protections. And yet if India wants to be seen as a credible player on the regional economic stage, it will need to make some compromises.

**What long-term impacts could India's renewed diplomatic presence in Southeast Asia have for the future role of the United States in the region?**

The United States has long wanted India to be more engaged in Southeast Asia and in the Asia-Pacific on the whole. In fact, it was Hillary Clinton—not Modi or any other Indian leader or thinker— who first coined the term “act east” and proposed that India follow through with such a policy. One could make a strong argument that this policy best amplifies the shared interests of India and the United States in the world as well as their strong prospects for deeper cooperation. In effect, both countries are undertaking a rebalance to Asia—India with Act East and the United States with its widely publicized rebalancing policy. India enjoys ever-deepening relations with some of the Asian countries that represent Washington's closer friends in the region—Japan, South Korea, and increasingly Vietnam.

India and the United States also share a similar challenge in rebalancing: resisting the inevitable distractions and imperatives of events elsewhere in the world that could constrain their efforts to complete their respective pivots. Washington's rebalancing policy has always been treated with skepticism in many Asian capitals, given its inability to extricate itself from matters in the Middle East and, more recently, Europe and Russia. For India, the distractions are closer to home, where it faces genuine threats from Pakistan and anti-India terrorists on its soil. These issues will not be going away anytime soon.

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All this said, if one looks to the future, there is more policy clarity in India than in the United States when it comes to Asia. Despite the inevitable distractions, the Modi government will continue to intensify its diplomatic and economic ties with ASEAN and the broader Asia-Pacific. We simply do not have this assurance with the United States. Even as the Obama administration promoted its rebalancing policy and spoke of its intentions to deepen U.S. engagement in Asia, many Asian countries doubted whether Washington truly intended to formalize this policy. This skepticism was fueled by two factors—first, the lack of a detailed blueprint from Washington to indicate what the rebalance is really about, and second, the many distractions that the United States has faced in the Middle East, Russia, and elsewhere that have precluded more robust engagement in Asia. Now, with the election of Donald Trump, the future role of the United States in Asia is completely up in the air. In addition to signaling his intention to withdraw from the TPP, Trump has indicated a desire to reassess long-standing relationships in Asia, including those with alliance partners like Japan and South Korea.

While the extent of the United States' future role in Asia is clouded by uncertainty, there is a fair amount of clarity about U.S.-India relations. This relationship, which has grown tremendously in recent years and enjoys bipartisan support, is poised to deepen further. Trump is likely

comfortable with the main drivers of U.S.-India cooperation—shared democratic values, convergent interests oriented around combating terrorism and pushing back against China, and a three-million-strong Indian-American diaspora that Trump courted on the campaign trail. Additionally, Trump should get along well with Modi, both of whom are conservative, have close ties to the business world, and regard themselves as tough-talking, can-do reformers from outside the political establishment.

A major challenge for Trump and Modi is to figure out how much they want to, and are in a position to, have their countries cooperate in Asia. The United States is interested in having India engaged not only more diplomatically and economically but also more militarily. To this end, Washington is keen to cooperate operationally with New Delhi on the security front, particularly through joint patrols. And yet when the head of U.S. Pacific Command, Admiral Harry Harris, raised the possibility of these joint patrols in a speech in India in March, the response from New Delhi was far from supportive. The uptake here is that while U.S. and Indian interests are well-aligned in Asia, the two nations still need to flesh out the parameters that guide

exactly how they can partner together. The newest dimension to this challenge is Trump's suggestion that the United States play a less active role in the world, including in Asia. If Trump does seek to scale back U.S. activities in the region, then prospects for U.S.-India cooperation of course could suffer.

The future of U.S.-India cooperation in Asia has implications for New Delhi's own outreach to ASEAN and its broader Act East policy. India is perfectly capable of developing a larger profile in Asia without assistance from the United States. Still, its ability to gain influence and to expand its role in ASEAN and beyond is enhanced by Asia-centered cooperation, including security cooperation, with the United States, whose leadership continues to be regarded by many Asian countries as essential to the region's peace and prosperity. 

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