



INDIA-US INSIGHT

"Advancing the Strategic Potential of India-US Relations, Accelerating India's Economic Development"

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India's Future as an Asia-Pacific Power

Amb. Hemant Krishan Singh



Having spent the better part of the last two decades away from India, I am going through a period of re-discovery. Signs of change are manifold and unmistakable, the result of the enterprise of the Indian people since their productive capacities were liberated by the economic reforms of July, 1991. A growing middle class and multiple civil society actors are seeking avenues for even faster progress. A new phase of India's democratic evolution is simultaneously underway, reflecting a widespread desire for better delivery of governance by democratic institutions.

"India's international profile is part of the calculus of national ambition."

India still has miles to go along the path of economic development. Nevertheless, the overwhelming mood of its youthful people is one of dynamism, self confidence and high aspirations. This yearning is not limited to the domestic scene alone. India's international profile is part of the calculus of national ambition. There is both the need for wider participatory frameworks for foreign policy formulation and pressure for greater activism by the South Block establishment.

As I look back to the 1980s when I was closely involved with India-US relations, I can recall troubled times. The Tarapur Agreement had collapsed. The Soviets were in Afghanistan. A massive \$ 3.2

billion in US military aid was flowing into Pakistan where Mujahideen were staging. The A.Q. Khan network was busy procuring clandestine nuclear supplies. The end game of the Cold War was underway. Yet, in the midst of adverse conditions, there was foresight and new direction. Prime Minister Indira Gandhi took a conscious decision to embark on a new chapter in India-US relations, sending out signals to President Ronald Reagan culminating in her successful state visit in 1982. The seeds of future progress were sown.

Today, the Cold War and the Soviets are long gone but the ISAF is in an unstable Afghanistan racked by a brutal Taliban insurgency, preparing to draw down by 2014. Pakistan is teeming with extremist Jihadist groups even as it has received billions of dollars in American largesse over the past decade. A.Q. Khan may be under house arrest but along with his legacy, concerns about nuclear security abound.

"Growing regional challenges and strategic opportunities between India and the US point to the imperative need for closer relations."

What has really changed is that India-US relations have been progressively transformed, with the most progress coming over the past decade. The two countries are engaging each other in a multiplicity of dialogues. We may not always agree but we are beginning to put inertial constraints behind and define the many areas where we can pursue shared objectives. Bilateral ties are expanding across a broad spectrum, including defence and homeland security. However, the promise of the paradigm changing India-US civil nuclear agreement remains to be fulfilled and

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Issue Brief

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"India's Prevailing Political Economy: The Logic of Reform"
by Amb. Hemant Krishan Singh
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concerns about an emerging hiatus in the momentum of bilateral ties await their only remedy, a new push for taking the relationship to a higher level. Growing regional challenges and strategic opportunities between India and the US point to the imperative need for closer relations. It is time for another leap of faith.

Whatever terms we use to characterise the India-US strategic partnership, it is indispensable for India's emergence as an independent pillar of the global community in the 21st century. The impact of India's economic and geo-strategic empowerment will be nowhere more evident than in Asia. So in this first issue of *India-US Insight*, let us look at what India and the US can do together in Asia against the wider backdrop of the forthcoming EAS Summit which the US will be attending for the first time.

"As Asia returns to its historic status, India's emergence as a major economy will become increasingly dependent on integration with the other fast growing nations of South East and East Asia."

Asia is today the world's most dynamic region in terms of economic growth. With persisting economic difficulties in the US and EU, Asia's importance in both economic and strategic terms will only grow in the years ahead. As Asia returns to its historic status, India's emergence as a major economy will become increasingly dependent on integration with the other fast growing nations of South East and East Asia. To enhance its role in evolving Asian architecture, India must naturally leverage its strategic partnerships with the United States, Japan, Indonesia, Singapore, Vietnam and other friendly nations with whom we share a common desire to promote

regional peace, stability and prosperity.

India's "Look East Policy" tends to be regarded as an initiative launched in 1992. In fact, it is part of a natural evolution which was heralded by Jawaharlal Nehru as far back as the Asian Relations Conference in March 1947 but remained blocked for decades by the rupture with China, Cold War constraints and misplaced apprehensions about ASEAN.

As India and other Asian countries emerged from centuries of European domination during which they had become isolated from one another, Nehru declared that : "It is fitting that India should play her part in this new phase of Asian development... geographically she is so situated as to be the meeting point..". Nehru's footprint for Asia was no different from the Asia-Pacific reach of the Look East Policy as it is becoming defined today. He welcomed the participation of Australia and New Zealand "because we have many problems in common, especially in the Pacific and in the Southeast region` of Asia, and we have to cooperate together to find solutions".

"Nehru's pre-independence idea of India's role in a newly rising Asia remains equally relevant today."

Nehru's pre-independence idea of India's role in a newly rising Asia remains equally relevant today. So does the appeal by Singapore's Lee Kwan Yew to Indira Gandhi in 1968 urging India to take "an active interest in the security, political stability and economic development" of Southeast Asia. Not surprisingly, these views are being echoed by several of our friends and partners.

During his visit to India in November 2010, President Barack Obama stated:

"Like your neighbours in Southeast Asia, we want India to not only 'Look East', we want India to 'engage East', because this will increase the security and prosperity of all our nations."

Speaking in Chennai in July 2011, Secretary of State Hillary Clinton called on India to "act East" and "shape positively the future of the Asia-Pacific".

Addressing a conference in New Delhi in September 2011, former Japanese Prime

Minister Shinzo Abe similarly urged India to work alongside Japan and the US to "build an open, liberal, free and vibrant Asian community" through the EAS.

"It is in India's self interest to participate actively in the emerging Asian economic and security architecture and once again play its role as an Asian power."

We in India have a tendency to react to such exhortations with suspicion or petulance, perhaps understandably so. However, that alone cannot be a substitute for informed policy making. It is in India's self interest to participate actively in the emerging Asian economic and security architecture and once again play its role as an Asian power. Let us not forget that given Nehru's contributions to the Asian renaissance in the 1950s and India's growing regional stature, it was India's Prime Minister who was invited to address world leaders on behalf of Asia at the 50th anniversary of the Bandung Conference in 2005.

Despite the daunting security challenges India faces in its immediate neighborhood, it cannot remain constricted to the South Asian space as some of our neighbours may prefer. The recently announced steps towards enhanced security cooperation with Afghanistan reflect greater comfort levels on the part of the US in recognising India's legitimate role in that country as well as in South and Central Asia.

"The primary anchor of this updated Look East Policy must remain India's relations with ASEAN..."

India must shed its reticence and transition from being a well regarded "benign" power sharing civilisational affinities with East Asia to a modern, "effective" power which brings reassurance to our partners and takes responsibility alongside them for underwriting freedom and prosperity in the Asia-Pacific. This will give us greater leverage and strategic room to

proactively promote our interests across the near and distant corners of Asia.

The primary anchor of this updated Look East Policy must remain India's relations with ASEAN, with whom we share the crossroads that bring about Shinzo Abe's "Confluence of the Two Seas" and Dr. Manmohan Singh's "Arc of Advantage". With new economic integrations and security arrangements taking shape concurrently, ASEAN must remain the pivot of a multipolar regional environment. As maritime nations, we can work together to create a maritime security regime that ensures freedom of navigation to all littoral and user countries.

"India's growing political, defence and economic relations with ASEAN contribute greatly to regional stability at a time of considerable flux and changing power equations".

India's growing political, defence and economic relations with ASEAN contribute greatly to regional stability at a time of considerable flux and changing power equations. With the conclusion of pending agreements on Investments and Services, the India-ASEAN FTA will be completed this year. India-ASEAN trade will reach \$ 70 billion by 2012, almost on par with our trade with China. Indian investments in ASEAN are increasing. As we mark 20 years of dialogue partnership in 2012, we must upgrade the strategic content of India-ASEAN relations.

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The second pillar of India's Asian policy must be a dynamic and vigorous India-Japan-US trilateral strategic partnership.

India's role in Asia-Pacific and Indian Ocean maritime security has grown significantly over the past decade and

extends from the shores of Africa to the South China Sea. This was first recognised after the "Alondra Rainbow" rescue operation by the Indian Navy in 1999. The informal G-4 grouping following the devastating Asian tsunami in December 2004, comprising India, Japan, the US and Australia, successfully coordinated a multilateral effort to mobilise relief in response to the crisis. This showcased India's maritime capabilities, made possible by the Navy's familiarity with regional waters from the Andaman Sea to the Lombok Straits. The Indian Navy is a leading member of multilateral anti-piracy operations in the Horn of Africa.

India and Japan have concluded a Security Cooperation pact and launched a 2+2 dialogue. The Japan-US 2+2 Security Consultative Committee has welcomed India as "a strong and enduring Asia-Pacific partner". The framework of democratic nations engaged in creating the "Arc of Freedom and Prosperity" promoted by Japanese PMs Shinzo Abe and Taro Aso has begun to take shape.

"...the India-Japan-US Trilateral has become more a question of what India and Japan can bring to this partnership."

India must welcome robust and continued US engagement in Asia as any US retrenchment from the region will be welcomed only by China. With the US holding firm to its intention of remaining a "resident power" in Asia but clearly under financial stress, the India-Japan-US Trilateral has become more a question of what India and Japan can bring to this partnership. India must show its willingness to assume responsibility and occupy the strategic space available to the East. It must also make progress on the agreed Framework of India-US defence cooperation. Japan must reassert its strategic posture in the Far-East as Asia's pre-eminent technological power with significant self-defence

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capacity. The dynamic defence doctrine announced by Japan in December 2010 is

timely. As an era of "hegemonic stability" fades, Trilateral cooperation can underpin a multi-polar regional power balance in the Asia-Pacific.

"China's 'peaceful rise' requires monitoring."

As responsible democracies, India, Japan and the US do not need to sound defensive as they pursue shared objectives. It is amply clear that each of the three countries seeks greater bilateral cooperation with China and would like to welcome China as a responsible stakeholder in regional peace and economic progress. At the same time, the Trilateral countries cannot be oblivious to the rapid pace of China's military modernisation, the lack of transparency in its military build-up, China's increasingly assertive posture and a host of unanswered questions about China's future conduct on territorial disputes, cyberspace and outerspace. China's "peaceful rise" requires monitoring.

It is of little comfort that China has placed "no entry" signs by unilaterally declaring the South China Sea as part of its "core national interest" over which it has "indisputable sovereignty". The Trilateral countries must partner ASEAN in upholding the freedom of navigation in the South China Sea in keeping with international laws, norms and conventions.

"It will ...be important for the Trilateral meeting to harmonise India-Japan-US perspectives on regional security architecture ..."

The first Track I India-Japan-US meeting must be convened early and outline the practical scope of Trilateral security cooperation, from East Asia to the Indian Ocean, covering HADR, maritime security, counterterrorism and counterpiracy. Trilateral countries must develop cooperative frameworks with other regional partners. Japan should review its outdated arms export principles, opening up prospects for procurement, transfer of technology and co-production with India and the US. It will also be important for the



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Trilateral meeting to harmonise India-Japan-US perspectives on regional security architecture and the respective roles of ARF, ADMM+ and EAS.

Apart from security issues, Japan has a very important role to play in the accelerated integration of the Indian economy with those of South East and East Asia. Japan's example and leadership in general and strategic decisions of corporate Japan in particular have been instrumental in integrating this region's economies through FDI. Japanese companies must now do the same with India. Japan's ODA-led infrastructure building and improved access to the Indian market under the bilateral CEPA will facilitate India's participation in Asian and global production and supply chains.

"India's role and relevance as an Asia-Pacific power was first formally recognized when it was invited to join the inaugural EAS Summit in 2005."

The third critical pillar of India's Asian strategy is the EAS. India's role and relevance as an Asia-Pacific power was first formally recognized when it was invited to join the inaugural EAS Summit in 2005.

EAS has hitherto remained focused on economic integration and regional global goods. However, with the entry of the US (and Russia) this year, there is pressure to reorient EAS as a Summit- level forum for political and security issues. With the growing ascendancy of problems related to the South China Sea, maritime domain issues, freedom of navigation, respect for international law and peaceful settlement of disputes will gradually all come to play in the EAS. China's wish to relegate EAS to the status of a talking shop is unlikely to materialize as it evolves into a forum for substantive decision making on regional architecture.

"...India must ensure that with the expansion of EAS, there is no dilution of its primary role in shaping regional economic integration."

However, India must ensure that with the expansion of EAS, there is no dilution of its primary role in shaping regional economic integration. India is not a member of APEC and TPP is not an option. The proportion of India's trade with the original 16 EAS countries has grown from 19% to 30% of its total trade between 1991 and 2010. This process is being accelerated by bilateral and ASEAN + 1 FTAs. Whereas the latter are a somewhat inefficient vehicle of trade liberalization, the proposed CEPEA will create a seamless free trade area along the footprint of the EAS 16, providing the institutional connectivity for an eventual regional market and

community.

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At the AEM meeting held in Manado on 13th August, 2011, 10+3 and 10+6 Economic Ministers decided to constitute three new working groups on trade in goods, trade in services and investment liberalization for both a 10+3 EAFTA and a 10+6 CEPEA. Studies have already indicated that regional economies would gain more from the wider CEPEA than EAFTA. Given the lower threshold of India's regional economic engagement, its gains from CEPEA will be substantial.

India is lagging behind in terms of participation in East Asia's regional production networks, undermining manufacturing growth and employment prospects. Progress on this front has also been severely hampered by the absence of regional connectivity and poor domestic infrastructure (ports, roads, power) along India's eastern seaboard. It is of crucial importance that India works closely with ERIA, the OECD-like organization providing support for economic integration in East Asia. ERIA has developed a Comprehensive Economic Development Plan for East Asia and is currently working on the development of three infrastructure-cum-industrial corridors, one of which is the Mekong-India corridor which will connect Chennai with Thailand, Cambodia, Laos and Vietnam. Greater connectivity between India and ASEAN will benefit Indian economic growth while bringing equal benefits to ASEAN from growing Indian demand.

India's Prime Minister Dr. Manmohan Singh has long been a strong proponent of an Asian Economic Community. Let us hope that he will be able to advance this vision at the forthcoming East Asian Summit and find resonance for India's more holistic approach towards EAS from his US counterpart.

On a concluding note, a word about the ICRIER-Wadhvani Chair's approach. It will invariably be constructive, forward looking and action oriented, designed to unlock the full strategic potential of India-US partnership as India assumes its destined role as an Asia-Pacific power.

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