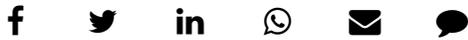


Gazing eastward

SUKUMAR MURALIDHARAN



Uneasy ties: India's approach of bypassing South Asia promised dividends, but it also became "an obstacle to India's membership in ASEAN forums" - Reuters

If India wants to create effective regional networks with South Asian nations, it is imperative to bury the ghosts of the past

India's Republic Day this year will witness a gathering of 10 heads of state and government in Delhi, a significant departure from the custom of having one invited dignitary on the occasion. In providing a platform for the top political leadership of the Association of South-East Asian Nations (ASEAN), India seeks to reaffirm a quarter-century-long eastward orientation in foreign policy.

The last time Delhi played host to a similar galaxy was in May 2014, at the inauguration of Narendra Modi's prime ministerial tenure. As the first Prime Minister elected with an absolute majority since 1984, Modi appeared to be signalling a new beginning, reaching out to the broader community of South Asian nations and the global Indian diaspora.

It did not turn out very well. Relations with Pakistan have regressed into the template of bitter mutual recrimination and the occasional armed skirmish.

There has been a modest uptick in relations with other SAARC nations, but India is seen in various instances to have not delivered on promises of reciprocity. Towards the end of Frederic Grare's *India Turns East, International Engagement and US-China Rivalry*, he points out that regional networks are typically created by commencing "with immediate neighbours and then gradually enlarging the scope of the dialogue to include countries further outside their neighbourhood". India's approach was the opposite, to "bypass" South Asia. This promised dividends, but also became at some point "an obstacle to India's membership in ASEAN forums".

This, perhaps, is key to understanding the rather different experiences that India and China have had in their engagement with the global economy, a point that Grare glosses over with this very cursory mention. Beginning in the mid-1980s, China managed to bury many of the ghosts of the past, at least to the extent required to promote a vigorous investment drive in manufacturing.

Despite unrequited grievances reaching into the dim recesses of history, China managed to open the doors for investment from Japan. Hong Kong was still a British-administered city-state and Taiwan an "outlaw province" in the official narration. Yet, China successfully managed to transform these politically unsettled situations into pragmatic economic engagement.

Hong Kong and Taiwan — categorised as "newly industrialising economies" — were then rapidly increasing their share in counterpart surpluses from the growing US current account deficit. Over a short period, China managed to leverage the investments it received from these sources into a dominant position in global exports, assuming top position among the countries prospering from the uncontrollable spiral of the US current account deficit.

This growing clout of China — a nation that India has not been able to come to terms with even when the balance was less skewed — is read by Grare as a brake on the "look east" policy. "Look east", he argues, was an effort to revive the traditional Indian "Asianist" view that was shattered by a border conflict with China in 1962. It was also an effort to use the economic miracles of ASEAN and East Asia as a bridge towards an engagement with the West.

An entanglement with the growing rivalry between the US and China was inevitable. India's attitude here has been divided: there are growing worries over China, though a zealous insistence on autonomy has prevented a full engagement with US containment strategies.

Economic bonds are known frequently to offset strategic ambiguities. Since the first hesitant openings in the early-'90s, trade between India and China has grown dramatically. This might seem an effective solvent for strategic rivalries, Grare argues, except that here the balance has been consistently adverse to India.

That may be an overly simplistic view, since the bilateral trade balance is only one among a larger complex of parameters. India's imports from China — largely in the infrastructure, telecommunications and information technology sectors — have been a contributor towards its ambition to emerge as a service economy superpower. The true magnitude of the crisis for India is that this effort has not really succeeded: the surplus from services transactions with the West has fallen significantly short.

The story of India's "look east" policy is not complete without considering the overall strategic and economic picture. Grare's prognoses seem compromised in this respect by an implicit view of US power as the fulcrum around which all strategic calculations should revolve. Early in his book, he identifies the Trans-Pacific Partnership (TPP), an Obama administration-driven project, as potentially a key driver of the "new regional order". This reading now stands confuted by the Trump administration's decision, within a week of taking office, to pull out of the TPP.

After its formulation as a device to isolate China from the emerging regional architecture, the abrupt US withdrawal from the TPP now leaves the terrain open for China to shape. The shift in the balance of power is slow but certain. Perhaps the ultimate lesson, concealed between the lines of Grare's book, is the need for India to bury the ghosts of the past, rather than get entangled in regional stratagems that a resentful but declining superpower may conjure up.

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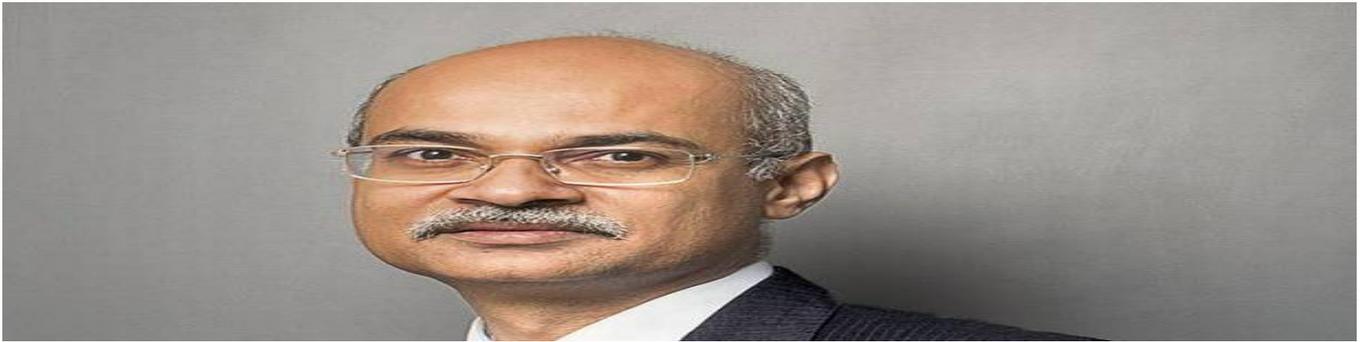
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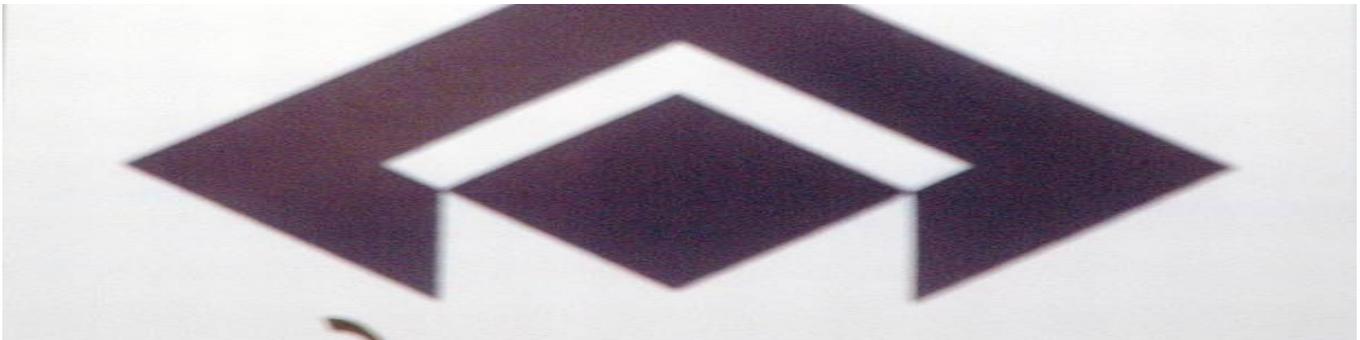
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