

# INDIA'S ACT EAST POLICY:

## FINDING OPPORTUNITIES IN POST-PANDEMIC ADVERSITIES

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*India's Act East Policy has fallen short of its promised potential due to factors like China's increasing influence in the region, rising tensions between India and China, and India's withdrawal from the RCEP. Since the end of 2019, the COVID-19 pandemic has damaged economies, disrupted supply chains, interrupted services, and led to many more challenges. Despite such issues, the pandemic triggered a new urgency to re-imagine the cooperation and explore new avenues of collaboration under the Act East Policy. This issue brief discusses the new areas of cooperation—in health, digitalization, and the green economy—with India's eastern neighbors.*

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### Introduction

Based on the 4Cs—Culture, Commerce, Connectivity, and Capacity Building—India's Act East Policy (AEP) aims to enhance economic and security integration between India and South East Asia as well as East Asia. Launched in November 2014 by Prime Minister Narendra Modi, the Act East Policy can be called an upgraded version of the Look East Policy, which the Narasimha Rao government announced in 1991. However, the Look East Policy was constrained by its limitations. Firstly, the policy was announced when India was undergoing an economic recovery after losing its

strategic partner USSR. It restricted India from pursuing intensive economic integration with the ASEAN countries. Secondly, the policy focused exclusively on the South East Asian region and crossed out India's cooperation with other regions. On the other hand, the Act East Policy promotes economic, strategic, and cultural relations with the vast Asia-Pacific region at different levels.<sup>1</sup> The policy also includes the economic development of India's Northeastern Region (NER) to bridge the connectivity gap between India and South East Asia/East Asia.

Though the AEP has encouraged cooperation through various projects such as Agartala-Akhaura Rail Link, Kaladan Multimodal Project, Trilateral Highway, etc., the policy has faced many hurdles. The first obstacle came from growing Chinese influence in the ASEAN region and rising tensions between India and China. The presence of ethnic Chinese in many South East and East Asian countries drove a wedge in India-ASEAN relations. Second, India's withdrawal from the Regional Comprehensive Economic Partnership (RCEP) due to a trade imbalance has affected the AEP as it reduced opportunities for trading with ASEAN countries. Third, countries like Indonesia, Malaysia, Thailand, and Singapore expressed their concerns about India's approach toward minorities.<sup>2</sup> Moreover, as Dr. Rajeshwari Pillai Rajagopalan mentions, "India does not enjoy a very good track record" regarding infrastructural assistance. India also suffers with the problem of delivery deficit. For example, "the long-delayed India-Myanmar Kaladan connectivity project remains unfinished seven years after its first deadline."<sup>3</sup> Whereas under China's Belt and Road Initiative (BRI), the first

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road-rail transport link (test cargo) as a part of China-Myanmar Economic Corridor (CMEC) has already arrived at the Chengdu rail port in Sichuan province in August 2021.<sup>4</sup> These challenges waned the initial enthusiasm for the AEP.

At the end of 2019, the COVID-19 pandemic hit the world. It caused a dramatic loss of lives and restricted movements. The pandemic damaged economies, disrupted supply chains, interrupted services, and led to many more challenges. Despite such issues, as Dr. S. Jaishankar mentioned, the pandemic triggered a new urgency to re-imagine cooperation under the AEP. The pandemic introduced new areas of cooperation such as health, digitalization, and the green economy. Thus, it can be said that although the AEP began to phase out before the pandemic, it has found more opportunities for robust cooperation between India and Southeast and East Asian countries post-pandemic.

### **Acting East with the Northeast**

In June 2020, the then Union Minister of State for Development of North Eastern Region Dr. Jitendra Singh stated that new paradigms would emerge post-COVID, making North

East the country's economic hub and a preferred destination for startups.<sup>5</sup> Under the AEP, the northeastern states have experienced substantial progress in infrastructure development, such as rail, road, and air connectivity. Such growth can help find opportunities even in times of crisis. Even when the pandemic intensified in 2020, Assam's chief secretary Kumar Sanjay Krishna interacted with CEOs and representatives of various European companies via video conferences. Assam's government promised to provide basic infrastructures such as land, water, electricity, and roads in the backdrop of the AEP.<sup>6</sup> In 2022, Assam Chief Minister Himanta Biswa Sarma inaugurated a conclave on 'Act East through North East' in which he mentioned that "Northeast India has the potential to become the link for trade with ASEAN."<sup>7</sup> He further stated that Assam is striving to become a gateway to Southeast Asian countries.

Developing the northeastern region is also crucial for improving India's security aspect. India has signed agreements with Myanmar to boost economic, defense, and cultural ties. For example, Manipur and Myanmar signed an agreement in 2020 to run a bus service from Imphal to Mandalay to promote tourism and people-to-

people relations.<sup>8</sup> Though the inaugural trip got cancelled due to the pandemic, the bus service is expected to boost trade and tourism between India and Myanmar post-pandemic. Furthermore, the Kaladan Multimodal Transit Transport project is essential for India as it connects Mizoram with Myanmar and facilitates cross-border trade. It is also vital because Myanmar holds a strategic significance for India. For example, insurgency in the Northeast has raised a number of rebel groups such as the United Liberation Front of Asom (ULFA), National Socialist Council of Nagaland (K-faction), and Manipuri outfits such as the People's Liberation Army, which have been operating from the Sagaing region in north-western Myanmar.<sup>9</sup> With Myanmar's military cooperation (Tatmadaw), the Indian government eliminated such groups' camps and training facilities. That's why even after Myanmar's military coup, India decided to engage with Myanmar through diplomatic and economic exchanges.

### Post-Pandemic Opportunities

The COVID-19 pandemic has opened a few new doors of cooperation for India in the Southeast Asian and East Asian regions. These could rejuvenate the AEP.

*Digitalization:* Lack of physical connectivity combined with the COVID-19 pandemic has attributed to a decline in trade with ASEAN and East Asian countries. On the other hand, it has accelerated the need for the digitalization of economies. India has gradually drafted its digital financial system and has introduced digitalization in banking through innovative payment systems, digital currency, etc. After the outbreak of coronavirus, emphasis has been put on contactless payments through QR codes, wallets, and UPI. Similarly, ASEAN countries have come up with 'ASEAN Digital Masterplan: 2025' and are looking to enhance digital cooperation. India can step up

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and share its know-how in creating “an integrated, interoperable system with UPI.”<sup>10</sup> Such engagement would also facilitate a smooth and secure transfer of funds across borders.

Likewise, Japan is also entering a period of digital transformation on a vast scale. In 2018, the Japanese government signed the India-Japan digital partnership with the aim of merging India’s strength in software and Japan’s strength in hardware to deepen the bilateral economic relationship. The post COVID era has brought opportunities for India and Japan to work closely in the fields of cybersecurity, ICT, 5G, Open RAN, telecom network security, submarine cable systems, and quantum communications.<sup>11</sup> During the 2022 India-Japan Summit, Prime Minister Modi and Prime Minister Kishida addressed the necessity of digital transformation in the post-COVID world. The Prime Ministers also welcomed the ‘India-Japan fund-of-funds’ that mobilizes funds for emerging Indian tech startups.<sup>12</sup>

*Health Care:* The COVID-19 pandemic has proved that cooperation among nations is needed to overcome threats related to human lives. Collaboration is also required to manage future outbreaks. Under *Vaccine Maitri* (Vaccine Friendship) campaign (2021), India shipped thousands of Indian Covishield vaccines, manufactured under license from Oxford-AstraZeneca, to some 60 countries.<sup>13</sup> Among the ASEAN countries, India sent vaccines to Indonesia, Thailand, Myanmar, Laos, and Cambodia.<sup>14</sup> By providing pandemic-related health assistance to neighboring countries, India appeared to have lessened the Chinese influence in the neighborhood. However, India’s Vaccine Diplomacy got suspended due to the catastrophic second wave, during which Chinese vaccines flooded ASEAN health centers. China supplied approximately 182 million Sinopharm or Sinovac vaccines to Thailand, Singapore, Myanmar, Cambodia, Vietnam, Laos,

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Indonesia, Philippines, Brunei, and Malaysia.<sup>15</sup> Nonetheless, the Chinese vaccines had proven to be 20 percent less effective against the Delta variant.<sup>16</sup> India’s Covishield showed 63 percent, and Covaxin showed 65.2 percent efficacy against the Delta variant.<sup>17</sup> Against this backdrop, India gets another chance to improve its delivery deficit and resume the Vaccine Maitri campaign for Southeast Asian countries.

With the help of digital platforms such as *e-Vidhya Bharti* and *e-Arogya Bharati* Network (e-VBAB), India can expand the tele-medicine and tele-education partnership between India and ASEAN. Initially, e-health care services like *e-Vidhya Bharti* and *e-Arogya Bharati* “served as a digital bridge between India and Africa,” in which Indian universities, institutions, and super-specialty hospitals collaborated with African educational institutions to share medical know-how.<sup>18</sup> Despite challenges such as data privacy and security, time and cost, and lack of uniform guidelines, India can also develop an e-VBAB network with ASEAN as ASEAN countries are now gradually narrowing the gaps of digitalization in the Southeast Asian region. India and ASEAN have already established educational exchange programs that can facilitate the implementation of such e-health care services.



Despite the geographical distance, India and South Korea became closer during the pandemic. When India struggled with its deadly second wave, South Korea provided oxygen concentrators, oxygen cylinders, stretchers, etc., to India. Moreover, India and South Korea have always been inspired by each other's achievements in the medical field. For example, "India's leading pharmaceutical company was approved by the Korean Food and Drug Administration for selling human vaccines in the Korean market."<sup>19</sup> Similarly, South Korea's remarkable "track and test" method was appreciated and was later implemented in India. The India-South Korea cooperation in health care spilled over to the economic partnership, defense and security cooperation, and coordination in other multilateral forums between the two countries. Moreover, India's Act East Policy and South Korea's New Southern Policy (NSP) converged to provide more opportunities in the post-pandemic era. Also, both countries are looking at each other for an alternative supply chain network to balance China's growing dominance. For example, "in October 2020, when the Modi administration announced the names of domestic and global companies found eligible for the Production-Linked Incentive (PLI) scheme in electronic manufacturing, Samsung was accepted while Chinese companies' applications' were rejected."<sup>20</sup>

*Green Economy:* The coronavirus pandemic has acted as a 'wake-up' call and shown that it is possible to make transformational changes overnight. For instance, during the 2020 lockdown and decline in economic activity, "the overall use of plastic declined by about 2 percent."<sup>21</sup> The pandemic has also created opportunities for green economic recovery by boosting green jobs and implementing measures to reduce environmental damage. Thus, this provides a new platform of cooperation for India, ASEAN, and East Asian countries. According to Union Power and New & Renewable Energy Minister RK Singh, "India

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and ASEAN together can develop the entire ecosystem for renewable energy (RE) and explore joint initiatives for building RE manufacturing hubs in the region."<sup>22</sup> Since India has already taken steps towards solar energy with the International Solar Alliance (ISA) and the One World One Sun One Grid (OWOSOG) initiative, it can look at collaborating with the ASEAN power grid.<sup>23</sup> Moreover, in the last COP26, India and ASEAN have taken the initiative to achieve Net Zero targets. Thus, by realigning energy, innovation, and trade policies, India-ASEAN can establish green value chains.

Apart from this, the ASEAN region is also exposed to climate hazards. On the list of the Long-Term Climate Risk Index (CRI), out of 10 countries most affected from 2000-2019, Myanmar ranked 2<sup>nd</sup>, the Philippines ranked 4<sup>th</sup>, and Thailand ranked 9<sup>th</sup>.<sup>24</sup> Devastating events such as cyclones, seismic hazards, storms, fires, and flooding have caused considerable damage and fatalities in the ASEAN region. In India, the issue of air pollution has made people vulnerable to COVID-19, and

early heat waves in various Indian cities have added more symptoms (loose motions, vomiting, dehydration) to COVID-19 patients in Delhi.<sup>25</sup> Hence, India and ASEAN must take steps to mitigate the impact of climate change by building green bridges. Together, they can fight issues like energy security, food security, water security, coastal flooding, urban heat stress, etc.

India can also learn some lessons from South Korea on how to recover the economy while maintaining a sustainable environment. When other countries were battling the pandemic, South Korea used the opportunity to promote and build a greener and cleaner economy. In 2020, South Korea announced the Green New Deal to help the country's economy recover from the pandemic-related recession. The Korean government planned on creating 1.9 million new jobs by 2025 and placed emphasis on "advancing digital technologies, boosting the green transition of key sectors, including energy, housing, mobility, and industry."<sup>26</sup> Under this plan,

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the government planned to create 230,000 energy-saving buildings, produce 1.13 million electric cars, and invest in projects that reduce reliance on fossil fuels. Both ASEAN and India can work on coming up with such 'green agreements' to recover sustainably from COVID-19. For example, India and Japan launched a Clean Energy Partnership to ensure energy security in areas such as electric vehicles, storage systems, solar energy, wind energy, etc. Also, in 2021, Hyundai announced it would invest around INR 4,000 crore in six electric vehicle models in India by 2028.<sup>27</sup>

### **Conclusion**

India's Act East Policy has fallen short of its promised potential due to factors like China's increasing influence in the region, India-China rising tensions, India's withdrawal from the RCEP, etc. Yet, post-pandemic, the AEP could be revived by engaging in new fields or opportunities provided by the pandemic. Despite many challenges like loss of lives, social distancing, economic loss, etc., some silver linings can be identified. New avenues of collaboration could be digital platforms and a

focus on climate change and healthcare. Moreover, the pandemic has also disrupted the established supply chain, which was dominated by China. One of the significant outcomes of the pandemic is the shift in global supply chains away from China to other economies, which is beneficial for India and its partners. For example, in 2021, Hyundai Motor sought to develop India as a hub for vehicle parts and asked its vendors to shift their markets from China to India. Also, India entered into a trilateral Supply Chain Resilience Initiative (SCRI) arrangement with Australia and Japan, where they agreed to explore other countries to make them join this initiative. For India-ASEAN, the shift in the supply chain, coupled with cooperation in new areas, can bring about a plethora of opportunities, making India 'act east' literally. To make the AEP work, India should focus on the economic development of the Northeastern region as its geographical location makes it a 'bridge' connecting India with Southeast and East Asia. Once the relations are 'bridged' through smooth connectivity, only then can India make the AEP work successfully by exploring new areas of cooperation with its eastern neighbors.

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