Act East Policy: A Review of India's Trade, Investments, Cultural Exchange, and Strategic Alliances


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Abstract: India's Act East Policy (AEP) is a comprehensive foreign policy initiative that has gained momentum over the past few decades. This paper presents a comprehensive review of the AEP, focusing on its key components, including trade, investments, cultural exchange, and strategic partnerships. The AEP, launched in the early 1990s, represents a significant shift in India's engagement with the Asia-Pacific region, emphasizing economic cooperation, cultural diplomacy, and strategic collaborations. This paper explores the evolution of the AEP, its historical context, and its impact on India's relationships with countries in the East and Southeast Asian regions. The researchers examine the growth in trade and investment ties, highlighting the increasing economic interdependence between India and its eastern neighbours. Furthermore, this review discusses the cultural exchange initiatives that have fostered people-to-people connections and increased mutual understanding. The AEP's role in strengthening India's strategic partnerships in the Asia-Pacific region is a significant aspect of this analysis. We discuss India's engagement with major players like Japan, Vietnam, and the ASEAN nations, along with the implications for regional stability and security. This review synthesizes the existing literature on India's Act East Policy, offering insights into its successes, challenges, and potential for further development. By analysing trade statistics, investment patterns, cultural exchanges, and strategic alliances, this paper provides a holistic view of the AEP's multifaceted approach to regional diplomacy and cooperation.

Keywords: Act East Policy, Indian International Trade, Foreign Investments, Strategic Alliance

1. Introduction

India's Act East Policy, launched in 2014, represents a significant shift in India's foreign policy strategy. This policy builds upon the earlier Look East Policy, which was initiated in the early 1990s as India's response to the changing dynamics of the Asia-Pacific region. The Look East Policy focused on enhancing economic and strategic ties with Southeast Asian countries. However, the Act East Policy goes beyond this by expanding India's outreach to encompass the broader Indo-Pacific region. India's Act East Policy represents a significant paradigm shift in the country's foreign policy, reflecting a strategic realignment of its engagement with East and Southeast Asian nations. Launched in 2014, this policy marks a departure from the previous "Look East" policy by emphasizing a more proactive and comprehensive approach to economic cooperation, cultural exchange, and security collaboration with countries in the Indo-Pacific region. The Act East Policy has gained prominence not only as a key diplomatic initiative but also as an essential driver of India's foreign relations, influencing trade, investments, cultural exchange, and strategic partnerships in the region. In this review, we will delve into the multifaceted aspects of India's Act East Policy, examining its impacts on trade, investments, cultural exchange, and strategic partnerships. Through an analysis of the policy's evolution, objectives, and achievements, this study aims to shed light on the broader implications for India's role in the global geopolitical landscape. As we embark on this exploration of India's Act East Policy, it is essential to reference the seminal work of scholars and analysts who have closely examined this foreign policy initiative. This paper provides a comprehensive understanding of the subject matter. By synthesizing and building upon existing research, this review aims to contribute to the ongoing discourse on India's Act East Policy, offering fresh insights into its dynamics and its significance for India's role in the rapidly evolving Indo-Pacific region.
India's "Act East Policy" (AEP) has emerged as a pivotal component of its foreign policy framework in the last decade. The AEP aims to strengthen India's engagement with the dynamic economies of East and Southeast Asia and foster closer ties, not only on the economic front but also in cultural exchange and strategic partnerships. This literature review examines existing scholarship to gain insights into the various dimensions of India's Act East Policy, with a specific focus on trade, investments, cultural exchange, and strategic partnerships. India's Act East Policy represents a significant paradigm shift in the country's foreign policy, reflecting a strategic reorientation of its engagement with East and Southeast Asian nations. Launched in 2014, this policy marks a departure from the previous "Look East" policy by emphasizing a more proactive and comprehensive approach to economic cooperation, cultural exchange, and security collaboration with countries in the Indo-Pacific region.

The Act East Policy has gained prominence not only as a key diplomatic initiative but also as an essential driver of India's foreign relations, influencing trade, investments, cultural exchange, and strategic partnerships in the region. In this review, we will delve into the multifaceted aspects of India's Act East Policy, examining its impacts on trade, investments, cultural exchange, and strategic partnerships. Through an analysis of the policy's evolution, objectives, and achievements, this study aims to shed light on the broader implications for India's role in the global geopolitical landscape. As we embark on this exploration of India's Act East Policy, it is essential to reference the seminal work of scholars and analysts who have closely examined this foreign policy initiative. This paper provides a comprehensive understanding of the subject matter. By synthesizing and building upon existing research, this review aims to contribute to the ongoing discourse on India's Act East Policy, offering fresh insights into its dynamics and its significance for India's role in the rapidly evolving Indo-Pacific region. This paper provides a comprehensive review of the historical context of India's Act East Policy, with a particular emphasis on trade, investments, cultural exchange, and strategic partnerships.

2. Historical Context

The Act East Policy can be traced back to India's Look East Policy, which was a pivotal step in India's engagement with the Asia-Pacific region. It was introduced in the early 1990s following the end of the Cold War, and it marked India's attempt to reposition itself in the global landscape. India's initial focus was on enhancing economic cooperation with countries in Southeast Asia. The Look East Policy facilitated India's entry into forums like the Association of Southeast Asian Nations (ASEAN) and led to the signing of several bilateral and regional trade agreements (Rana, 2016). However, the Act East Policy, introduced by the Modi government, represents an evolution of these earlier efforts. It reflects India's recognition of the growing importance of the Indo-Pacific region in global geopolitics (Pandey, 2017). The Act East Policy seeks to foster greater connectivity, trade, and investments with countries not only in Southeast Asia but also in the broader Indo-Pacific region, including Japan, Australia, and the United States. This expansion underscores India's ambitions to play a more active role in the evolving regional order (Das, 2019).

Under the Act East Policy, India has been proactive in pursuing economic partnerships with countries in the Asia-Pacific region. Bilateral trade agreements, such as the Comprehensive Economic Cooperation Agreement with ASEAN, have played a significant role in enhancing economic cooperation (Singh, 2018). Furthermore, India's investments in infrastructure development in Southeast Asia, such as the Kaladan Multimodal Transit Transport Project, have strengthened its economic ties with the region (Rajagopal, 2015). In addition to economic aspects, cultural exchange has been a fundamental component of India's Act East Policy. India has been promoting cultural diplomacy by organizing events like the India-ASEAN Commemorative Summit and through initiatives like the "Festival of India" in various ASEAN countries (Bhattacharyya, 2018). The Act East Policy has also contributed to the forging of strategic partnerships. India's growing defense cooperation with countries like Japan and Australia is a testament to this shift (Gupta, 2020). The policy's emphasis on strengthening security ties aligns with India's desire to play a more active role in the Indo-Pacific region.

In conclusion, India's Act East Policy represents a significant shift in India's foreign policy, building upon the foundations of the Look East Policy. It aims to enhance trade, investments, cultural exchange, and strategic partnerships with countries in the broader Indo-Pacific region. Understanding the historical context and evolution of this policy is essential for analyzing its impact and future prospects.
3. Act East Policy: A Shift in Indian Foreign Policy

India's Act East Policy, launched in 2014, marked a significant shift in India's foreign policy, emphasizing the country's engagement with East and Southeast Asian nations. This literature review explores the key dimensions of India's Act East Policy. Trade, investments, cultural exchange, and strategic partnerships are the key dimensions considered in the study. The goal is to provide a comprehensive overview of the policy's impact and implications for India and the region.

3.1 Trade and Economic Aspects

The Act East Policy has catalyzed a surge in India's trade with countries in the Asia-Pacific region. According to the Ministry of Commerce and Industry, India's trade with these nations has grown consistently since the policy's inception (Ministry of Commerce and Industry, 2020). Notable trade agreements, such as the Comprehensive Economic Partnership Agreement (CEPA) with South Korea, have bolstered economic ties (Singh, 2018). Furthermore, the establishment of the India-ASEAN Free Trade Area has provided a framework for deeper economic integration (Gupta, 2017). The economic aspect of the Act East Policy is a primary driver. Trade, in particular, plays a central role. According to Choudhury and Dey (2017), India's trade with the Association of Southeast Asian Nations (ASEAN) has grown significantly, highlighting the policy's success in enhancing economic relations. In addition, Sengupta (2019) discusses how India's investments in the East have contributed to economic growth in the region, with substantial investments in infrastructure and manufacturing. The Act East Policy has had a profound impact on India's trade relations with East and Southeast Asian countries. Scholars have pointed out that the policy has led to an increase in trade volume with countries like Vietnam, Singapore, and Thailand (Mukherjee, 2016). This is in line with India's ambition to strengthen economic ties in the region. Furthermore, it has been suggested that the Look East Policy, which preceded the Act East Policy, laid the foundation for India's enhanced trade engagements (Dutta, 2015).

India's trade relationship with ASEAN has been steadily growing over the years. ASEAN is a significant trading partner for India, and it plays a crucial role in India's "Act East" policy, aimed at strengthening economic and strategic ties with the Southeast Asian region.

Here is a table highlighting key trade statistics and trends: in USD Billion

<table>
<thead>
<tr>
<th>India’s trade with ASEAN</th>
<th>2016-17</th>
<th>2017-18</th>
<th>2018-19</th>
<th>2019-20</th>
<th>2020-21</th>
<th>2021-22</th>
<th>2022-23</th>
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</thead>
<tbody>
<tr>
<td>EXPORT (USD Billion)</td>
<td>30.96</td>
<td>34.20</td>
<td>37.47</td>
<td>31.55</td>
<td>31.49</td>
<td>42.32</td>
<td>44.00</td>
</tr>
<tr>
<td>%Growth</td>
<td>23.19</td>
<td>10.47</td>
<td>9.56</td>
<td>-15.82</td>
<td>-0.19</td>
<td>34.43</td>
<td>3.95</td>
</tr>
<tr>
<td>IMPORT (USD Billion)</td>
<td>40.62</td>
<td>47.13</td>
<td>59.32</td>
<td>55.37</td>
<td>47.42</td>
<td>68.08</td>
<td>87.57</td>
</tr>
<tr>
<td>%Growth</td>
<td>1.77</td>
<td>16.04</td>
<td>25.86</td>
<td>-6.66</td>
<td>-14.36</td>
<td>43.57</td>
<td>28.64</td>
</tr>
<tr>
<td>TOTAL (USD Billion)</td>
<td>71.58</td>
<td>81.34</td>
<td>96.80</td>
<td>86.92</td>
<td>78.90</td>
<td>110.4</td>
<td>131.57</td>
</tr>
<tr>
<td>TRADE BALANCE (USD Billion)</td>
<td>-9.66</td>
<td>-12.93</td>
<td>-21.85</td>
<td>-23.82</td>
<td>-15.93</td>
<td>-25.76</td>
<td>-43.57</td>
</tr>
</tbody>
</table>

Source: Ministry of commerce and industry

1. **Overall Trade Growth:** The table illustrates that the trade volume between India and ASEAN has fluctuated in recent years. In 2018, there was a significant increase in trade, reaching nearly $97 billion. However, trade declined in 2020, likely due to the economic impact of the COVID-19 pandemic. In 202, trade was estimated to have rebounded to cross $ 130 billion.
2. **Exports and Imports**: India's exports to ASEAN countries have been growing, although at a slower rate in recent years. Meanwhile, India's imports from ASEAN nations have consistently exceeded its exports. This trade imbalance is partly due to India's higher demand for products such as electronic goods, machinery, and chemicals, which are imported from ASEAN countries, including Singapore, Malaysia, and Thailand.

3. **Key Trade Partners**: Some of India's major trading partners within ASEAN include Singapore, Indonesia, Malaysia, and Thailand. These countries have significant bilateral trade with India and have various economic ties, including investments and joint ventures.

4. **Free Trade Agreements (FTAs)**: India has Free Trade Agreements with several ASEAN countries, such as the ASEAN-India Trade in Goods Agreement. These FTAs have played a role in facilitating trade and reducing tariffs on various goods.

5. **Economic Growth and Market Access**: The trade relationship between India and ASEAN is influenced by the economic growth in both regions. As India's economy expands and ASEAN countries continue to grow, trade is likely to increase. Market access, infrastructure development, and ease of doing business are crucial factors affecting trade relations.

3.2 Investments and Business Opportunities

Foreign direct investment (FDI) inflows into India from the Asia-Pacific region have witnessed a considerable uptick under the Act East Policy. This has been facilitated by initiatives like the "Make in India" campaign, which seeks to attract investments in manufacturing and infrastructure (Das, 2019). Moreover, the policy has prompted Indian companies to explore business opportunities in the East, leading to strategic investments in sectors such as technology, pharmaceuticals, and renewable energy (Jain, 2021). India's efforts to attract foreign investments from East and Southeast Asia have been a subject of interest among researchers. Scholars such as Rajan (2017) have analyzed the impact of the Act East Policy on foreign direct investments. Their research indicates that India's policy measures have attracted substantial investments in sectors like manufacturing and infrastructure.

3.3 Cultural Exchange and Soft Power

Cultural diplomacy plays a vital role in India's Act East Policy. Cultural exchanges and people-to-people interactions have been fostered through initiatives like the India-ASEAN Youth Summit and the Mekong-Ganga Cooperation program (Chatterjee, 2016). India's efforts to promote its soft power through yoga, cinema, and cuisine have also contributed to a deeper cultural understanding between nations in the Asia-Pacific region (Sen, 2017). The Act East Policy also encompasses cultural diplomacy as a means of strengthening India's soft power. Chhabra (2016) highlights the role of cultural exchange programs in building bridges with East Asian nations. Furthermore, Mohanty (2018) emphasizes how Bollywood and Indian cuisine have contributed to promoting India's cultural influence in the region. Cultural exchange is an integral part of India's Act East Policy. Researchers have examined the cultural diplomacy aspect of the policy (Sharma, 2018). Cultural exchange programs, academic collaborations, and the promotion of Indian art and culture in the region have been instrumental in building people-to-people connections. The cultural dimension of the policy has been considered a soft power tool that enhances India's influence in the region.

3.4 Strategic Partnerships

India's strategic partnerships in the East are integral to regional stability. Pant (2015) argues that the Act East Policy has allowed India to bolster its strategic partnerships with key nations in the region, enhancing security and geopolitical influence. Additionally, Jain and Sharma (2017) discuss the importance of India's partnership with Japan as a linchpin of the policy's strategic dimension. The Act East Policy is not solely about economics and culture. It also holds significant strategic implications. India's strengthening partnerships with countries like Japan, Australia, and the United States are vital for regional stability and security (Pandey, 2020). These alliances are seen as a counterbalance to the growing influence of China in the region. The Act East Policy also has significant implications for India's strategic partnerships. Scholars have focused on India's evolving relations with countries like Japan, Australia, and the United States. Recent studies have explored the role of these nations in
India's Act East Policy and the broader Indo-Pacific strategy (Pandey, 2020). It is suggested that these partnerships are crucial in balancing China's influence in the region.

4. Challenges and Critiques

While the Act East Policy has received widespread attention and support, it is not without its challenges and critiques. Scholars like Menon (2019) have highlighted issues such as infrastructure bottlenecks, bureaucratic hurdles, and concerns over India's ability to compete with China's economic presence. Addressing these challenges is essential for the policy's sustained success. India's Act East Policy represents a significant transformation in the country's foreign policy approach. This literature review has provided insights into the policy's impact on trade, investments, cultural exchange, and strategic partnerships. It is evident that the policy has yielded positive outcomes in these areas, but challenges remain. India's pursuit of closer ties with East and Southeast Asia holds the potential to reshape regional dynamics and enhance its global influence.

4.1 Challenges

1. Geo-Political Competition: The Asia-Pacific region is a highly competitive geopolitical arena, with major players like China and the United States vying for influence. India's AEP faces the challenge of navigating this complex web of relationships without compromising its sovereignty and interests (Menon, 2015).

2. Infrastructure Deficit: Connectivity and infrastructure gaps in India's northeastern states hinder effective engagement with Southeast Asia. Overcoming this challenge requires substantial investments in infrastructure development (Bhaumik, 2018).

3. Historical and Cultural Differences: India's cultural and historical ties with Southeast Asia have weakened over the years. Re-establishing these connections poses a cultural and diplomatic challenge (Biswas, 2019).

4. Economic Integration: Ensuring economic integration with the region is a complex task. India needs to address trade barriers, harmonize regulations, and promote its businesses in the region (Saxena, 2018).

4.2 Opportunities

1. Economic Growth: The Asia-Pacific region is one of the fastest-growing economic regions in the world. India can benefit from this growth by deepening economic cooperation and trade with countries in the region (Saran, 2017).

2. Strategic Alliances: AEP provides India with opportunities to forge strategic alliances with like-minded nations to promote regional stability and security, countering any hegemonic ambitions (Panda, 2020).

3. Cultural Exchange: Reviving historical and cultural ties with Southeast Asian countries can foster stronger people-to-people connections and promote soft power (Gupta, 2016).

4. Connectivity Initiatives: India can leverage infrastructure projects like the India-Myanmar-Thailand Trilateral Highway and the Kaladan Multi-Modal Transit Transport Project to enhance connectivity with Southeast Asia (Choudhury, 2019).

In conclusion, India's "Act East Policy" faces various challenges related to geopolitical competition, infrastructure, historical ties, and economic integration. However, it also offers significant opportunities for economic growth, strategic alliances, cultural exchange, and improved connectivity. Successfully addressing these challenges and capitalizing on the opportunities will be crucial for the policy's success in enhancing India's engagement with the Asia-Pacific region.

5. Conclusion

The Act East Policy is a multifaceted approach that spans trade, investments, cultural exchange, and strategic partnerships. Existing literature demonstrates that this policy has yielded positive outcomes in terms of economic relations, cultural diplomacy, and strategic partnerships, reinforcing India's role in the East and Southeast Asian region. Future research should continue to evaluate the effectiveness of this policy and its
evolving impact on India's foreign relations. India's Act East Policy represents a significant transformation in the country's foreign policy approach. It has led to a notable increase in trade and investments, facilitated cultural exchanges, and strengthened strategic partnerships in the Asia-Pacific region. As India continues to engage with its eastern neighbours, it remains to be seen how this policy will evolve and shape India's role in the global landscape. This literature review has provided insights into the policy's impact on trade, investments, cultural exchange, and strategic partnerships. It is evident that the policy has yielded positive outcomes in these areas, but challenges remain. India's pursuit of closer ties with East and Southeast Asia holds the potential to reshape regional dynamics and enhance its global influence. India's "Act East Policy" faces various challenges related to geopolitical competition, infrastructure, historical ties, and economic integration. However, it also offers significant opportunities for economic growth, strategic alliances, cultural exchange, and improved connectivity. Successfully addressing these challenges and capitalizing on the opportunities will be crucial for the policy's success in enhancing India's engagement with the Asia-Pacific region.

References


