

Significance of Act East Policy on India's Trade with South East Asia

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Abstract:

The Act East Policy (AEP), introduced in 2014 as a strategic enhancement of India's earlier Look East Policy, aims to deepen political, economic, and cultural relations with Southeast Asia and the broader Indo-Pacific region. This paper examines the significance of the AEP in shaping India's trade relations with ASEAN countries. It explores the infrastructural, institutional, and policy initiatives undertaken to strengthen connectivity, facilitate trade agreements, promote sector-specific collaborations, and develop India's North-East region as a trade gateway. Drawing upon secondary data, the paper highlights key projects such as the India–Myanmar–Thailand Trilateral Highway, Kaladan Multi-Modal Transit Transport Project, and various trade agreements like the India–ASEAN Free Trade Agreement. Despite these initiatives, trade trends reveal a stagnant export pattern and a steep rise in imports, indicating a limited immediate impact of the policy. The paper concludes that while the AEP holds considerable potential for transforming India's regional trade landscape, tangible results depend on timely execution of projects, diversification of exports, and enhanced regional integration.

Keywords: Act East Policy, India, South East Asia, Trade

1. INTRODUCTION

A country's economy is largely dependent on its trade with rest of the world. India's trade percentage. Approximately 11% of India's total trade occurs with ASEAN countries in FY 2023–24. India's imports from ASEAN (Association of South East Asian Nations) were around US \$79.66 billion, while exports stood at about US \$41.2 billion. The "Act East Policy" is a foreign policy initiative of the Indian government that was introduced in 2014. It is an extension and upgrade of the previous "Look East Policy," which was initiated in the 1990s. The Act East Policy aims to strengthen India's engagement with countries in the Asia-Pacific region, particularly Southeast Asia, East Asia, and the Pacific. The policy is based on the premise that India's future economic growth and strategic interests are closely linked with the dynamic economies of the East Asian region. It seeks to enhance political, economic, and cultural ties with these countries, promote regional integration, and position India as a major player in the evolving Asian strategic and economic architecture. The policy paper titled "Acting East: India in the Indo-Pacific" by Dhruva Jaishankar states about four strategic pillars of Act East: Securing the Indian Ocean through maritime domain awareness, infrastructure development, and naval modernization, integrating with Southeast Asia via trade, institutional linkages (ASEAN, BIMSTEC), and physical connectivity (e.g., IMT Highway, Kaladan Project), strategic partnerships such as deepening ties with the United States, Japan, Australia, and others to counterbalance China, managing China through engaging with China on trade and multilateral forums, while countering its strategic influence (e.g., BRI, South China Sea). Under such

background, it is obvious that Act East policy plays a major role in the trade relations of India with South East Asia. India's trade relationship with Southeast Asia is significant for several strategic, economic, and geopolitical reasons. Southeast Asia lies along vital maritime trade routes (Malacca Strait, South China Sea), crucial for global and Indian trade. The economies of India and South East Asia are complementary that create mutual benefit in trade. ASEAN is India's 4th largest trading partner after the US, China, and the EU. Strengthening ties with Southeast Asia can help India to reduce dependence on China for key imports like electronics and chemicals. Southeast Asia's population of over 680 million offers a growing middle class, creating huge demand for Indian goods and services (especially IT, pharma, and education). India's cultural, religious and ethnic connections with South East Asia make trade with them easier. This paper is an attempt to look at the initiatives taken under Act East Policy to strengthen the trade relations of India with South East Asia along with tracing the trend of India's trade with South East Asia

2. Objectives:

The study aims to

1. To discuss the areas focused under Act East Policy to strengthen India's Trade relation with South East Asia.
2. To locate the trend of India's exports and imports with South East Asia

Methodology:

The study is based on secondary data and the line of analysis is descriptive.

Analysis and Discussion:

Areas addressed by Act East Policy to facilitate trade between India and South East Asia are as follows:

1. Setting up Infrastructure for Improved Connectivity:

The Act East Policy (AEP) of India emphasizes connectivity, trade, cultural ties, and strategic cooperation with the ASEAN countries and the broader Indo-Pacific region. A key component of the policy is infrastructure development, especially in India's North-Eastern Region (NER), which serves as a vital gateway to Southeast Asia.

- a. India-Myanmar-Thailand Trilateral Highway (IMT): India-Myanmar-Thailand Trilateral Highway (IMT Highway), 1,360 km (850 mi) long route, is a 4-lane highway under construction under India's Look East policy that will connect Moreh, India with Mae Sot, Thailand via Myanmar. In India, about 70% of the work is complete, with the highway expected to pass through Moreh, Kohima, Guwahati, Srirampur, Siliguri, and Kolkata, spanning over 2,800 km. In Myanmar, most of the highway has been constructed, with 1,512 km completed. However, the project has faced delays due to internal conflicts in the country. In Thailand, most of the project's work in Thailand is complete, with the highway expected to pass through cities like Sukhothai and Mae Sot.
- b. Kaladan Multi-Modal Transit Transport Project: The Kaladan Multi-Modal Transit Transport Project is a \$484 million infrastructure initiative aimed at enhancing connectivity between eastern India and Myanmar. It is progressing and is expected to be completed by July 2025. The project aims to connect Mizoram to the Bay of Bengal, offering an alternative trade route through Myanmar's Sittwe port. The road section connecting Paletwa to the India-Myanmar border is also making progress. The maritime component of the project, including the development and operationalization of Sittwe Port, is also nearing completion. The Sittwe waterway is part of the Kaladan multimodal project, and the Integrated

Customs & Immigration Checkpost at Zochawchhuah-Zorinpui has been operational since 2017. Package-I of the project, which includes the Paletwa inland jetty to Kaletwa road route in Myanmar, is complete.

Trans-Arunachal Highway

It is an under-construction 2-lane more than 2,407 km (1,496 mi) long highway in Arunachal Pradesh state in India. It runs from LAC in Tawang in northwest to Kanubari in southeast at tri-junction of Assam-Nagaland-Arunachal Pradesh. It connects at least 16 districts of Arunachal Pradesh. It starts from India's north most military post (north of Hathung La Ridge) in Tawang district. This strategically important highway network enhances Indian military's capabilities in combating the threat of China's Western Theater Command opposite India's eastern sector of Line of Actual Control.

Bharatmala Pariyojana (North-East Focus)

Under Bharatmala Phase-I, about 5,000 km of roads in NER are being constructed to improve regional and international trade connectivity, especially to border areas.

Rail Connectivity to ASEAN

Jiribam–Imphal–Moreh railway line (towards Myanmar border): This railway line project is one of the crucial connectivity projects for the Northeastern region connecting Manipur to Myanmar, which is currently underway.

Agartala-Akhaura rail link (India-Bangladesh): The Akhaura–Agartala rail link is a transformative cross-border railway project connecting Agartala (Tripura, India) with Akhaura Junction (Brahmanbaria, Bangladesh). Length of the railway line is 12.24 km in total (5.46 km in India & 6.78 km in Bangladesh). Although virtually it was inaugurated on 1 November 2023 by PM Modi and PM Hasina, full regular services are still pending due to incomplete infrastructure and political instability in Bangladesh.

- a) Border haats, land customs stations, and integrated check posts (ICPs) are set up in Moreh, Dawki, and Zokhawthar to facilitate trade.
- b) In North East India, airports in Guwahati, Imphal, Agartala, and Dibrugarh are being expanded. UDAN international scheme is launched for the development of international connectivity.
- c) Digital and Energy Infrastructure: Optical fiber expansion projects and power grid connectivity (such as the India–Myanmar–Thailand electricity grid potential) is promoted for regional integration in the digital and energy sectors for seamless trade and passenger movement between India and Southeast Asia.

Development of all the infrastructure may result in reduced transportation costs, faster delivery times, and easier movement of goods that can boost bilateral and regional trade.

2. Trade Agreements & Economic Integration

A major component of the Act East Policy is to promote trade and investment through strengthening bilateral and multilateral trade agreements.

The present Trade agreements of India with South East Asia are:

- A. India–ASEAN Free Trade Agreement (FTA): This is in force since 2010 in case of Goods and since 2015 in case of Services and Investment. In this agreement the parties are India and 10 ASEAN nations (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam). It agrees on elimination of tariffs on over 80% of traded goods, liberalization in services and investments and promotes regional supply chains and Indian investments in ASEAN.

- B. India–Japan Comprehensive Economic Partnership Agreement (CEPA): This agreement is in force since 2011 related to Goods, services, investment, and intellectual property.
- C. India–South Korea Comprehensive Economic Partnership Agreement (CEPA): This agreement is in force 2010 and upgraded in 2018 for Reduction in tariffs for automobiles, electronics, steel, and textiles, it also allowed greater access for Indian pharmaceuticals.
- D. India–Singapore Comprehensive Economic Cooperation Agreement (CECA): This agreement is in force since 2005, revised in 2018. This agreement liberalized trade in goods and services.
- E. India–Thailand Early Harvest Scheme (EHS): This scheme is initiated under India–Thailand FTA negotiations on Reduction of tariffs on selected goods.
- F. Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) FTA is signed in February, 2004 with the Members: Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka, Thailand to boost intra-regional trade and connectivity. The agreement is not functional yet, negotiations are going on.

3. Development of North-East India as a Trade Gateway

North East India, comprising the eight states holds immense geopolitical significance in India's Act East Policy. The region shares borders with several Southeast Asian nations, including Myanmar, Bangladesh, Bhutan, and China, thereby serving as India's gateway to the East. This strategic location positions North East India as a crucial link in India's efforts to deepen its engagement with East Asia and promote regional connectivity. (Farooqi & Teckchandani, 2024)

Under Act East Policy, Government of India has stressed upon Special Economic Zones (SEZs) and border trade points in the North-East. Integrated Check Posts (ICPs) are established at Moreh (Manipur), Dawki (Meghalaya), and Sutarkandi (Assam). Border Haats are set up along India-Bangladesh border to encourage local trade and people-to-people contact. Trade centres and logistics hubs are developed in Guwahati, Silchar, and Agartala.

Highways and roads are being constructed under Special Accelerated Road Development Programme for North-East (SARDP-NE), India-Myanmar-Thailand Trilateral Highway, Kaladan Multi-Modal Transit Transport Project (KMTTP). Under rail connectivity, Agartala-Akhaura Rail Link (India-Bangladesh) enhances connectivity between North-East and Chittagong Port. Expansion of broad gauge railway lines across the region is another initiative in this regard. UDAN (Ude Desh Ka Aam Nagrik) scheme enhances regional air connectivity in the Northeast. Airports are modernized at Guwahati, Imphal, Agartala, and others. In the section of water connectivity, development of National Waterway-2 (Brahmaputra River) and integration with Bangladesh's waterways under the India-Bangladesh Protocol Route are initiated. Thus, North-East India can act as a trade corridor to ASEAN diversifying India's trade routes.

4. Sector Specific Initiatives

Under the Act East Policy (AEP), sector-specific growth is being fostered through targeted trade missions and promotional schemes, especially to enhance economic linkages with Southeast Asia and East Asia. Commerce Ministry & State Governments organize sector-focused delegations to ASEAN countries. Targeted Trade Missions are strategic outreach efforts led by Indian ministries, states, or business delegations to specific countries with high trade potential. Under AEP, the sectors targeted are agro-products (e.g., tea, spices from Northeast India), Handlooms and handicrafts (e.g., Muga and Eri silk), Pharmaceuticals and healthcare, IT & digital services as South-East Asian countries present large markets

for Indian textiles, generic medicines, IT services, and agri-products, and Tourism and hospitality. Investment promotion meets for sectors like textiles and food processing in Bangkok, Hanoi, and Jakarta, Market Access Initiatives (MAI) & Market Development Assistance (MDA) schemes to provide financial support for trade fairs, exhibitions, and buyer-seller meets in ASEAN markets, North East Handloom, Handicrafts and Organic Products Promotion Schemes (under DoNER Ministry) to promote unique products of Northeast India in ASEAN markets. Startup India and Invest India platforms to Connect Indian startups and SMEs with Southeast Asian investors through sector-specific promotion (e.g., fintech, agritech), Tourism Promotion Campaigns like “Destination Northeast” in ASEAN countries to boost eco-tourism and cultural tourism are the examples of sector specific initiatives of Government.

5. Act East Policy works on strengthening the Institutional and Diplomatic support:

India's Act East Policy is strengthened by institutional and diplomatic support through various mechanisms, including engagement with ASEAN, regional forums like the East Asia Summit and ARF, and bilateral partnerships. This support is crucial for maintaining India's relevance in the Indo-Pacific region and promoting economic, strategic, and cultural ties with Southeast Asia. The Association of Southeast Asian Nations (ASEAN) is the central institution for India's Act East Policy. India has deepened its engagement with ASEAN through annual summits, the ASEAN Regional Forum (ARF), and the East Asia Summit (EAS). The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) is another key regional forum where India actively participates to enhance cooperation in various sectors. India also engages with the Asia Cooperation Dialogue (ACD), Mekong-Ganga Cooperation (MGC) an initiative by six countries – India and five ASEAN countries, namely, Cambodia, Lao PDR, Myanmar, Thailand and Vietnam, and the Indian Ocean Rim Association (IORA) to foster regional partnerships. Such high-level dialogues and joint business forums enhance mutual trust and open trade channels.

6. Tourism, education, and cultural exchanges under the Act East Policy:

India and South East Asian Countries have cultural and ethnic connections (especially with North- East India). Thus, deepening of cultural and people-to-people ties through organising International events & festivals like the ASEAN-India Car Rally, North East India Festival in Bangkok, and IMPHAL ASEAN Car Rally, facilitating tourism initiatives such as the promotion of Buddhist Tourism Circuits linking Bodh Gaya, Sarnath, and NER Buddhist sites with Southeast Asia, offering E-visa facilities for ASEAN tourists improve soft diplomacy and grow trade among the countries.

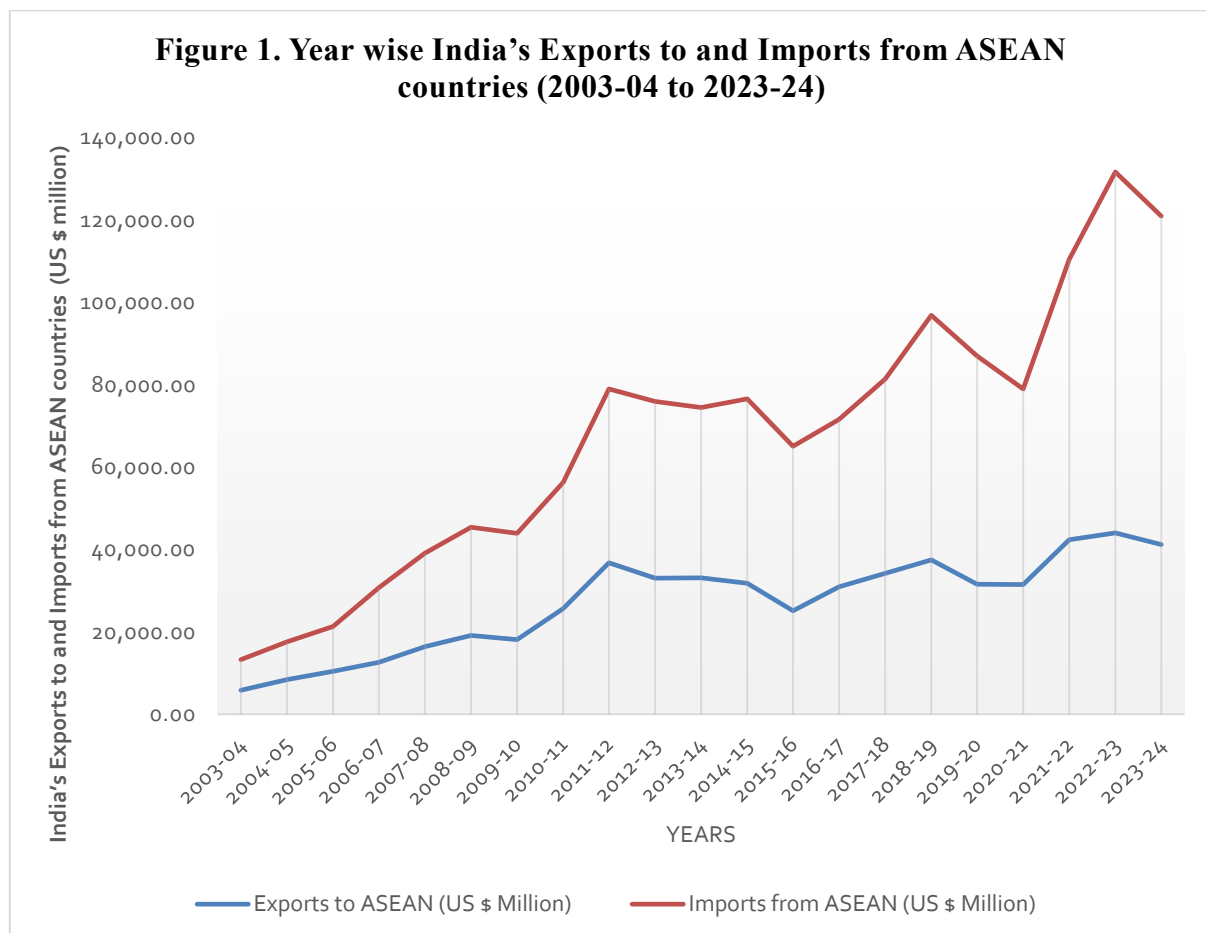
7. Trend of India's exports and imports with South East Asia:

Table 1: Year wise India's Exports to and Imports from ASEAN countries (2003-04 to 2023-24)

Year	Exports to ASEAN (US \$ Million)	Imports from ASEAN (US \$ Million)
2003-04	5,821.71	7,433.11
2004-05	8,425.89	9,114.66
2005-06	10,411.30	10,883.67
2006-07	12,607.43	18,108.48
2007-08	16,413.52	22,674.81
2008-09	19,140.63	26,202.96
2009-10	18,113.71	25,797.96

2010-11	25,627.89	30,607.96
2011-12	36,744.35	42,158.84
2012-13	33,008.21	42,866.36
2013-14	33,133.55	41,278.09
2014-15	31,812.58	44,714.77
2015-16	25,133.37	39,909.60
2016-17	30,961.62	40,617.31
2017-18	34,203.70	47,133.69
2018-19	37,473.72	59,321.32
2019-20	31,546.58	55,369.87
2020-21	31,485.58	47,420.63
2021-22	42,327.58	68,081.43
2022-23	44,000.42	87,577.42
2023-24	41,207.67	79,664.31

Source: Export-Import Data bank, Department of Commerce, Government of India



Source: Export-Import Data bank, Department of Commerce, Government of India

Looking at the twenty years statistics of India's exports to and imports from ASEAN Countries, it is found that export is more less stagnant throughout the years except the nominal increase over time. However, import is rising steep throughout the years. Since most of the projects taken under Act East policy are not

functional yet, the effect of Act East Policy on India-ASEAN trade is difficult to trace. Even the slogan of 'Act East' is also seemed ineffective in case of exports growth. Ghosh (2023) critically evaluates India's Look East Policy (LEP) and its successor, the Act East Policy (AEP), focusing on their impact on the economic development of Northeast India over the past three decades. It finds that Northeast India's share in India's international trade remains marginal (1–2%), primarily limited to raw materials. The region has failed to attract substantial foreign direct investment (FDI) despite national increases in ASEAN-India trade and FDI flows. The study concludes that LEP or AEP have not delivered the promised economic transformation for NEI. Without enabling conditions, NEI risks remaining a transit corridor rather than a trade hub. (Garg, 2022) finds that exports to ASEAN are highly elastic to ASEAN's import demand and to India's relative export prices. (Khalid & Ismail, 2022) states that India's exports are heavily concentrated in resource-based and medium-technology goods (e.g., petroleum, engineering). On the other hand, ASEAN's exports to India are more diversified, spanning high-, medium-, and resource-tech products (e.g., electronics, coal, vegetable oils). India's export structure lacks diversity compared to ASEAN. India's exports are dominated by resource-based manufactures (34%), with only 6% being high-tech in 2019. ASEAN's exports to India include 24% high-tech and 28% medium-tech goods, indicating greater sophistication.

8. Conclusion

It is revealed that, the trade situations of India with South East Asia is not beneficial yet in spite of the India's geographical proximity and cultural connection with South East Asia through North- East India. The Act East Policy has the potential to substantially increase India's trade with South-East Asia by creating faster, more cost-effective routes, encouraging regional integration, and leveraging India's comparative advantages in key sectors. Over time, it can position India as a major regional trade hub linking South Asia and South-East Asia.

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