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Indian Economic Diplomacy: A Case Study of the Act East Policy

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Abstract

Economic diplomacy is a form of diplomacy that utilises a country's economic tools to advance its national interests, covering all the international economic activities of a country. India's "Act East Policy" was launched in 2014 by Prime Minister Narendra Modi, at the 2014 ASEAN-India Summit held in Myanmar, representing a significant shift in the country's foreign policy framework, placing economic diplomacy at the core of its engagement with East and Southeast Asia. This paper examines Indian economic diplomacy through a case study of the Act East Policy, analysing its objectives, and outcomes in strengthening India's economic, strategic, and institutional ties with the ASEAN region and the broader Indo-Pacific. By evaluating the various dynamics and mechanisms of economic cooperation and integration within the Act East policy, with particular focus on "ASEAN PLUS SIX" Regional Framework, the study aims to assess how these partnerships have improved trade, investment and commercial ties within the region. It further assesses the challenges confronting the policy, including infrastructural constraints, trade imbalances, geopolitical competition, and implementation gaps. By adopting a qualitative and analytical approach, the paper evaluates the effectiveness of the Act East Policy as a tool of economic diplomacy. The overall objective of the paper is to evaluate the various achievements, and challenges faced by the Act East policy, while also giving recommendations for ensuring its success in establishing India as a prominent economic player in the region. Moreover, this research paper would help policymakers, administrators, academicians, researchers and students in understanding the dynamics of Indian economic diplomacy and its implications for India's Act East Policy.

***Keywords**: Indian Economic Diplomacy, Act East Policy, ASEAN, ASEAN Plus Six Regional Framework, Indo-Pacific, Regional Economic Integration, Foreign Policy.*

Introduction

Economic diplomacy is the foundation on which India's rise as a global economic superpower will be built in the coming years. Basically, it is a foreign policy tool and can be defined as the aspect of diplomacy that focuses on international economic relations. It refers to "the process through which countries tackle the outside world, to maximize their national gain in all the fields of activity including trade, investment and other forms of economically beneficial exchanges, where they enjoy comparative advantage; it has bilateral, regional and multilateral dimensions, each of which is important" (Rana, 2007).It is therefore an art of serving economic, political, and strategic interests of the country by the use of economic instruments in conduct of International relations. As countries compete and collaborate in a globalized economy, economic considerations now shape foreign policy decisions, strategic alliances, and geopolitical alignments more than ever before. It hasemerged as a central pillar of international relations in today's era, often taking precedence over traditional military or political concerns. In an age where power is measured not just in military capability but also in economic resilience, trade volume, and financial networks, itbecomes a key instrument in achieving national development goals and strategic

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autonomy. This paper aims to examine Indian Economic diplomacy and its role in shaping Act East Policy, which is examined as a Case Study in the present study.

India's "Act East Policy" was launched in 2014 by Prime Minister Narendra Modi, at the 2014 ASEAN-India Summit held in Myanmar (PIB, 2014). It is the successor to Look East Policy promulgated in the year 1992, by then Prime Minister P.V. Narasimha Rao. While the Look East Policy focused on only South East Asia, the Act East Policy have a much broader geographical scope covering East Asia and broader Indo- Pacific region as well (Modi, 2014).Through initiatives such as infrastructure development, manufacturing, trade, and smart city projects, the policy aims to build stronger economic ties with this region contributing to India's rise as a regional power and countering China's influence in the region. Moreover, it focuses on four key pillars like Culture, Commerce, Connectivity and Capacity building (the 4 C's) and thisis in sync with India's broader vision of Security and Growth for All in the Region (SAGAR), which aims to promote stability, security and economic growth for the entire Indian Ocean region.

The ASEAN (Association of Southeast Asian Nations) grouping is central to the Act East policy and one of the key aspects of the policy is enhancing economic cooperation and collaboration within the "ASEAN PLUS SIX" (ASEAN + 6) regional grouping or framework. India itself is a part this regional grouping and it includes eleven ASEAN countries and six major East Asian dialogue partners like China, Japan, South Korea, New Zealand, Australia and India. The main aim of this grouping is promoting regional economic integration, trade, investment, connectivity, and infrastructure development within the partner countries.

The main focus of the policy is on the development of North-Eastern Region of India through enhancing trade, Commerce, connectivity and investment between this region and countries of Southeast Asia and East Asia. India has been actively involved in infrastructure projects like the Kaladan Multimodal Transit Transport Project and Trilateral Highway Project connecting the North East region of India with Myanmar and Thailand. Moreover, India-Japan Act East Forum, was established in 2017 with an aim to identify specific projects for economic modernization of North-Eastern Region.

The present study analyses Indian economic diplomacy through a case study of the Act East Policy, examining its evolution from the Look East Policy to a more action-oriented Act East Policy. It focuses on the economic dimensions of the policy, including trade, investment, and regional connectivity, with particular emphasis on the ASEAN Plus Six framework as a platform for economic integration. The study evaluates the key achievements and challenges of the Act East Policy and explores its future trajectory by offering policy-relevant recommendations and concluding insights to strengthen India's regional economic engagement.

Shift from Look-East to Act-East Policy

The Look East Policy laid the initial foundation for India's engagement with East and Southeast Asia; however, it was largely characterized by limited depth and cautious interaction. The transition from the "Look East" to the "Act East" Policy marked a significant shift towards a more proactive, dynamic, and comprehensive approach to regional engagement. This shift reflected India's growing confidence as an emerging regional power and its determination to take concrete steps to deepen economic, strategic, and diplomatic relations with East and Southeast Asia.

Several factors drove this transition, most notably the rapid economic rise of East Asia-particularly China,and its expanding influence in the Indo-Pacific region. These developments prompted India to recognise the need for more active economic engagement and a greater role in shaping the regional security architecture. By strengthening partnerships with key regional actors such as Japan, South Korea, and ASEAN member states, India sought to balance China's growing assertiveness, especially in strategically sensitive areas such as the South China Sea and the Indian Ocean.

The Act East Policy is also closely aligned with India's evolving Indo-Pacific strategy. As the Indo-Pacific emerged as a central arena for global trade, economic activity, and security, India aimed to enhance its diplomatic presence and expand economic and strategic partnerships across this region. This policy shift further corresponds with India's broader aspiration to play a more prominent role in the global order, with an emphasis on regional stability, security cooperation, and inclusive development.

Within this broader framework, the economic diplomacy objectives of the Act East Policy focus on strengthening India's engagement with its eastern neighbourhood. These objectives include enhancing interaction between India's north-eastern states and neighbouring countries through improved physical connectivity, infrastructure development, and trade facilitation; deepening economic cooperation by expanding trade and investment linkages with ASEAN and East Asian economies; improving regional connectivity through the development of transport and logistics corridors; expanding market access through bilateral and multilateral trade agreements; and promoting cultural and human capital engagement by encouraging people-to-people exchanges and leveraging the Indian diaspora to strengthen economic relations.

The Economic Dimension of the Act East Policy

Trade, investment, and connectivity constitute the core economic pillars of India's Act East Policy. Since the 1990s, India's trade engagement with East and Southeast Asia - particularly ASEAN - has expanded steadily, and the Act East Policy seeks to deepen this integration by strengthening economic ties, improving trade infrastructure, and increasing investment flows. Regional trade agreements such as the ASEAN-India Free Trade Area (AIFTA) have played a key role in enhancing market access, reducing trade barriers, and promoting investment, contributing to growth in Indian exports in sectors such as pharmaceuticals, textiles, and information technology services. Similarly, the Japan-India Comprehensive Economic Partnership Agreement (CEPA) has reinforced India's economic partnership with Japan, extending cooperation beyond trade to infrastructure development, technology transfer, and capacity building. Despite these gains, persistent trade deficits with some ASEAN countries indicate the need for greater competitiveness and deeper integration.

Connectivity and infrastructure development further support the economic objectives of the Act East Policy. Flagship projects such as the India-Myanmar-Thailand Trilateral Highway and the Kaladan Multi-Modal Transit Transport Project aim to enhance physical connectivity, reduce logistics costs, and improve access to Southeast Asian markets. These initiatives are particularly significant for integrating India's north-eastern region with regional value chains. At the same time, growing investment from East Asian countries-especially Japan, South Korea, and Singapore-in India's infrastructure, manufacturing, and technology sectors reflects increasing economic interdependence. Overall, the Act East Policy seeks to translate economic diplomacy into tangible outcomes by linking trade expansion with connectivity and investment-led growth.

"ASEAN PLUS SIX" Regional Framework: Economic Cooperation and Integration

The ASEAN Plus Six (ASEAN+6) framework - comprising ASEAN member states and Australia, China, India, Japan, New Zealand, and South Korea-forms a critical institutional pillar of India's Act East Policy by providing a structured platform for regional economic cooperation and integration. Anchored in ASEAN-led mechanisms, including the ASEAN Secretariat, ASEAN+6 dialogues, and a network of free trade agreements (FTAs), the framework facilitates India's engagement with East and Southeast Asia through trade liberalisation, investment cooperation, and supply-chain connectivity. Institutional dialogue platforms further strengthen economic cooperation. Forums such as the East Asia Summit, ASEAN Economic Ministers' meetings with Plus Six partners, and regional working groups on connectivity, trade facilitation, and supply chains provide regular opportunities for policy coordination. Agreements such as the ASEAN-India Free Trade Area (AIFTA), alongside ASEAN's FTAs with other Plus Six partners, have expanded market access and created opportunities for India to integrate into regional production networks, particularly in services, technology, pharmaceuticals, and emerging sectors like renewable energy. Although India's withdrawal from the Regional Comprehensive Economic Partnership (RCEP) reflects concerns over trade imbalances and domestic competitiveness, the broader ASEAN+6 architecture continues to shape India's economic diplomacy by reinforcing multilateral linkages and regional economic norms. Under the Act East Policy, ASEAN has emerged as one of India's key trading partners, with growing bilateral trade and investment flows underscoring the policy's economic dimension. At the same time, persistent challenges such as non-tariff barriers, uneven economic development, and asymmetrical trade patterns highlight the need for India to strengthen existing FTAs, improve trade facilitation, and align domestic reforms with regional standards. Overall, the ASEAN+6 framework enhances the strategic and economic foundations of the Act East Policy by embedding India within Asia's evolving regional economic order while advancing deeper economic integration and cooperation.

Achievements and Challenges

The Act East Policy's economic diplomacy has yielded several positive outcomes:

- **Enhanced Trade Partnerships** – ASEAN has emerged as one of India's significant economic partners, facilitating expanded trade and investment flows. Bilateral trade between India and ASEAN has grown in volume, though with persistent imbalances. Financial cooperation has also expanded through the ASEAN-India Fund, ASEAN-India Green Fund, and ASEAN-India Science and Technology Fund, which support collaborative projects in research, innovation, and entrepreneurship.
- **Connectivity and Infrastructure Development** – Connectivity projects have advanced India's physical integration with Southeast Asian economies. The India-Myanmar-Thailand Trilateral Highway and its planned extensions to Laos and Cambodia are major infrastructure undertakings. Maritime connectivity has improved through new shipping services linking Indian ports to ASEAN counterparts. Air connectivity has grown significantly, with an increasing number of direct flights between India and ASEAN cities, enhancing both tourism and business travel.
- **Education and Human Resource Development**- India has significantly expanded educational and capacity-building partnerships under the Act East Policy. I.I.T campuses in Malaysia and Thailand represent a major leap in academic engagement. These initiatives, alongside vocational training centres and AYUSH programs, support ASEAN countries in meeting skill shortages and public health goals. India offers numerous scholarships to ASEAN students in fields ranging from engineering to governance. Collaborations between universities, think tanks, and civil service training institutions have helped foster regional understanding and innovation
- **Stronger Regional Presence** – India's active diplomatic engagements under Act East Policy have elevated its profile as a reliable economic partner in the Indo-Pacific region.

However, Despite these achievements, the policy faces key challenges:

- **Connectivity and Infrastructure Bottlenecks**

Projects like India-Myanmar-Thailand Trilateral Highway, have been impeded by a combination of infrastructural and political factors. Moreover border and terrain challenges in India's Northeast, combined with political instability in transit countries like Myanmar, impede seamless connectivity.

- **Trade Imbalances**

India's trade deficits with ASEAN and reluctance to join broader regional frameworks such as the Regional Comprehensive Economic Partnership (RCEP) limit access to deeper economic integration. Moreover, tariff and non-tariff barriers, bureaucratic delays, and lack of harmonization in standards have discouraged greater trade and investment flows. ASEAN's deeper integration with China through RCEP and other mechanisms has further marginalized India's role in regional economic integration.

- **Geopolitical Dynamics**

China's dominant economic presence in Southeast and East Asia constitutes one of the most significant geopolitical challenges confronting India's Act East Policy. Over the past two decades, China has emerged as the principal trade partner, investor, and infrastructure financier for many ASEAN and East Asian countries. Allthis complicates India's efforts to expand its own economic diplomacy.Act East Policy must navigate these dynamics to ensure competitive and complementary engagements.

- **Uneven Engagement and Institutional Constraints in Partner Countries**

While India has increased its diplomatic and economic outreach, reciprocity from some ASEAN countries remains slow. In certain cases, there is a lack of institutional readiness or strategic clarity among partners to engage with India on equal terms. Moreover, unresolved bilateral issues with eastern neighbours, especially Myanmar and Bangladesh, complicate broader regional initiatives.

Future of India's Act East Policy : Key Recommendations

To enhance the effectiveness of its economic diplomacy under Act East Policy, India must shift from cautious engagement to a more focused, proactive and result -oriented approach. Strong political commitment and better coordination among ministries, state governments, and non-state actors are essential to ensure timely implementation of various connectivity and infrastructure projects . Clear country-specific strategies for ASEAN member countries and it's five partner countries - Japan, South

Korea, Australia, New Zealand, and China, can make India's engagement more practical and mutually beneficial.

One of the key challenges that will shape the future of India's Act East Policy is its ability to balance its relations with China. While India seeks to counter China's rising influence in the region, it must also recognize the economic and strategic importance of engaging with China. Navigating this complex relationship will be crucial in ensuring the continued success of the Act East Policy.

Economic cooperation should be strengthened byexpanding trade liberalisation efforts, upgrading existing trade agreements, and encouraging Indian investment in key sectors such as digital technology, clean energy, healthcare, and food security. Addressing trade imbalances and reducing non-tariff barriers will be crucial for deeper economic integration.

Improving connectivity remains a priority. Faster completion of infrastructure projects and better border facilities in India's Northeast can enhance access to Southeast Asian markets. At the same time, digital cooperation-especially in fintech and digital public services and exploring new sectors such as green technology offers new opportunities for trade, tourism, and people-to-people exchange.

Cultural ties, education, and tourism should be expanded to build long-term relationships. Student exchanges, skill development programs, youth engagement, and diaspora involvement can strengthen social and cultural connections between ASEAN plus Six Grouping.

Finally, India must continue to support ASEAN centrality and a rules-based regional order. By working closely with ASEAN-led platforms and cooperating on shared challenges such as climate change, health security, and cybersecurity, the Act East Policy can evolve into a balanced and people-focused framework for regional cooperation. The policy's success depends on its ability to address the dynamic challenges of the Indo-Pacific region. As the global economic and geopolitical landscape continues to evolve, the Act East Policy must remain flexible to accommodate emerging realities.

Conclusion

This study has analysed Indian economic diplomacy through the Act East Policy, highlighting its shift from the Look East Policy to a more proactive and action-oriented Act-East Policy. It has examined the economic dimensions of the policy, including trade, investment, and connectivity, and underscored the importance of the ASEAN Plus Six framework in facilitating regional economic integration. While the Act East Policy has contributed to expanding India's economic engagement with East and Southeast Asia, challenges such as trade imbalances, connectivity constraints, and uneven partner engagement persist. Addressing these challenges through improved institutional coordination, country-specific strategies, and deeper economic cooperation will be essential for strengthening the policy's effectiveness. India's relations with East and Southeast Asia are expected to deepen further as both regions confront shared challenges related to regional security, economic growth, and environmental sustainability. In this context, the Act East Policy continues to serve as a central pillar of India's economic diplomacy and Indo-Pacific vision. With sustained political commitment, institutional coordination, and effective implementation, the policy holds significant potential to contribute to regional economic integration, strategic stability, and mutually beneficial growth across the broader Indo-Pacific region.

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