The Emerging Architecture of Indo-Pacific: Whither India?

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The emerging regional architecture of the Indo-Pacific got a boost in 2019 from the leaders of 18-member countries at the 14th East Asia Summit (EAS) in Bangkok. The Leaders’ statement reiterated support for a peaceful, stable, resilient, dynamic, and inclusive ASEAN Community, and emphasised ASEAN centrality in the evolving regional architecture.

The Indo-Pacific is an oceanic construct, and the Indian Ocean is an important regional link. It will likely be the pathway for commerce, security and connectivity, including improved linkages with other economic regions such as Africa and Europe on one side and the Pacific islands on the other. Countries and sub-regions that share common institutional strength will shape the future of this region.

**KEY POINTS**

- India has sent strong policy signals that it recognises the importance of the Indo-Pacific construct, its role within it, and the centrality of ASEAN in the region.

- India’s decision to leave RCEP sends a mixed signal regarding its economic commitment to the region.

- It is unclear what India will gain by remaining outside the emerging regional economic architecture, which runs contrary to its broader regional objectives.

- The emergence of new challenges for the Indo-Pacific – including, but not limited to, COVID-19 – increases the importance of India’s active participation in regional mechanisms.

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Since 2016, India has advocated an economic construct of the Indo-Pacific in which ASEAN has a central place and role. Speaking at the Shangri La Dialogue in 2018, Prime Minister Narendra Modi committed the strengths of India-ASEAN relations for a stable, secure and prosperous Indo-Pacific. Two of ASEAN’s region-building initiatives — the EAS and the Regional Comprehensive Economic Partnership (RCEP) trade agreement — were recognised as crucial to the Indo-Pacific Region. At the ASEAN-India Summit in Bangkok in 2019, Modi reiterated the mutual coordination of the Indo-Pacific Outlook between India and ASEAN. He stressed again that “ASEAN is and always will be the heart of our Act East Policy.”

India’s role in Indo-Pacific architecture received a shot in the arm in November 2016, when Modi and Japanese Prime Minister Shinzo Abe met for the annual Prime Ministerial Summit. The two leaders agreed to collaborate — working jointly with international community — for realising a free, open and prosperous Indo-Pacific region through promoting economic and social development, capacity building, connectivity and infrastructure development for the comprehensive development of the region.

The Asia Africa Growth Corridor (AAGC), the first outcome of this collaboration, was launched by Modi in the Africa Development Bank Annual Meeting in Gandhi Nagar in May 2017. Building upon India’s historical trade and human linkages with Africa, AAGC is one of the early outcomes of this joint vision of a prosperous and stable Indo-Pacific. The economic construct of AAGC is aligned with the vision of Indo-Pacific. India-ASEAN relations play a central part in this construct.

The trade and investment relations of the EAS countries are the foundation of the economic construct of Indo-Pacific. It is difficult to imagine the economic construct of Indo-Pacific without greater trade and investment between India and ASEAN, with onward extension to Northeast Asia, Oceania and the Pacific. Similar economic integration is expected with Africa in the west. Economic and technical cooperation, security dialogues and cooperation, exchange of information and expertise further complement the economic linkages.

The institutional framework for India-ASEAN relations already exist in the ASEAN-India Comprehensive Economic Cooperation Agreement (AICECA) signed in 2003, the ASEAN-India Trade in Goods Agreement (AITIGA) signed in 2009 and the ASEAN-India Trade in Services Agreement (AITISA) signed in 2014. After impressive growth initially, a trade and investment slowdown in past six years has put the institutional frameworks, and the economic relations, under stress.

The Regional Comprehensive Economic Partnership (RCEP), an ASEAN-led trade agreement between ASEAN and its six FTA partners, was expected to provide an institutional foundation for Indo-Pacific trading arrangements. However, after participating in several rounds of negotiations, India withdrew from the finalisation of the RCEP in November 2019. India has significant outstanding issues that it would like to see resolved. Return to RCEP will depend on satisfactory resolution of these issues. No significant progress has been made in this direction till May 2020. The current policy discourse in India favours de-coupling from the regional value chains (RVCs) that are closely integrated with China. This is not an encouraging sign.

India may remain free for the time being from RCEP commitments on trade, investment, market access, regulations and standards. But in doing so has put up barriers to increased commerce
and freer movement of goods and services with a major economic partnership arrangement in its neighbourhood. Some of the concerns of India regarding trade imbalance with China, which has close linkages with the production networks in East Asia, are understandable from a short-term economic standpoint. But regional architectures require a longer-term perspective. Pushing against RCEP may be India’s current trade policy, but it may run contrary to India’s other important regional policy objectives: securing a stable, inclusive and prosperous Indo-Pacific.

The importance of economic cooperation for the Indo-Pacific architecture

In many ways, the economic architecture of Indo-Pacific is more expansive and inclusive than that of the Asia-Pacific. The architecture of Asia-Pacific is led by the economic dynamism of East Asia. The Japanese-led conception of economic integration characterised by trade, investment and location of operations, business leadership, diplomatic and official processes was followed by Korea, Taiwan, Singapore, and Hong Kong in the renowned ‘flying geese’ formation. Thailand, Indonesia, and other Southeast Asian countries followed.

China’s opening to international integration after 1978 ushered in a bold new phase of regional growth. However, improved physical and institutional connectivity among Asia, the Pacific, Africa and Europe has unlocked the economic potential of many other countries in these continents. Landlocked countries of Africa and Asia and small island states now have a reasonable opportunity for economic integration with other growth centers. Moreover, the economic dynamism of East Asia and ASEAN faces multidimensional engagement with regional partners on issues of security, governance, transparency, rules of engagement, development priorities, multilateralism, and territorial sovereignty and integrity in varying degrees.

The Indo-Pacific architecture prepares this region to deliberate on these changes and reset their roles. India is an important Indian Ocean state and is at the geographical centre of Indo-Pacific. It also has the institutional strength to manage the changes in the region. With strong regional and bilateral partnerships in East Asia and the Pacific, and historical social and economic relations with Africa and West Asia, India is expected to play a central role in the new regional architecture straddling the Pacific and Africa.

What is India’s plan for the Indo-Pacific economic architecture?

An avowed commitment to Indo-Pacific has not prevented India from taking leave of absence from important components of the architecture. Its departure from RCEP is a case in point. A review of the 2009 AITIGA has also been announced and although progress is slow, this converges with India’s overall disaffection with the economic integration processes with ASEAN and East Asia. Prime Minister Modi’s speech at the EAS in Bangkok in November 2019 clarified India’s role in the economic architecture of Indo-Pacific. Prime Minister Modi explained the Indo-Pacific as ”a space in which freedom of navigation, overflight, sustainable development, protection of the ecology and the marine environment, and an open, free, fair and mutually-beneficial trade and investment system are guaranteed to all.”

From this long list of potential priorities, India has proposed an Indo-Pacific Oceans’ Initiative, a cooperative effort to translate principles for the Indo-Pacific into measures to create a safe, secure and stable maritime domain. This is a multidimensional and collaborative work in which one or two countries could lead the sectoral work on safeguarding the oceans from plastic litter, sharing resources, reducing disaster risk, enhancing science, technology and academic cooperation, and promoting trade and maritime transport.

Prime Minister Modi also proposed for Conservation of Migratory Wildlife species to share best practices in the conservation of mega-fauna and migratory marine wildlife, develop ideas for controlling the illegal trade in wildlife parts and products; discuss trans-boundary protected areas on land and sea to save apex predators and other species; and to develop a green economy platform, especially in mountain areas. There is also a proposal to work together on unreported and unlicensed fishing, as these impact livelihood security and food security in littoral States and islands.
The components of the Indo-Pacific Ocean’s Initiative are many. All are geared around maritime domain and the efforts for sustainable growth in Indo-Pacific. Important as these initiatives are, they cannot substitute firm policies on trade and economic cooperation in the region. Any such engagement appears future imperfect for the time being.

Next steps for India’s Indo-Pacific engagement

Hitherto, India’s “2+2” [Defence and Foreign Ministers] dialogues with the US, Australia and Japan have garnered much of the policy attention. India’s maritime-focused diplomacy with ASEAN countries too require more attention as maritime cooperation programmes with Indonesia, Singapore, Vietnam and Thailand have found new impetus since 2015. The COVID-19 pandemic has greatly disturbed the economic dynamism of the region. There will likely be political and security tensions that follow from this. Institutional readiness to address these concerns requires India’s engagement in the regional architecture in full measure. COVID-19 has brought home some realisation that cooperation with partners in the region only can ensure safe and sustainable economic recovery and growth.  

A similar impetus for the AAGC will likely complete the links on the western flank of Indo-Pacific. Building new inroads into regional value chains and production networks to benefit from relocation of investments and manufacturing is urgently needed. Discarding reluctance and doubt and embracing opportunities and challenges alike is the way forward for India’s policy, and for the Indo-Pacific.

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Endnotes

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