Review

Indo-Pacific Strategy and India’s Opportunities and Challenges for Regional Economic Cooperation and Integration: An Exploratory Review

Falendra Kumar Sudan

Department of Economics, University of Jammu, Jammu, Jammu and Kashmir-180006, India
Email: fk_sud@rediffmail.com

Received: 17 December 2021; Revised: 27 April 2022; Accepted: 23 May 2022

Abstract: The paper intends to analyze the implications of the Indo-Pacific (IP) and the Indo-Pacific Strategy (IPS) from the perspectives of major world powers and India’s relevance in the Indo-Pacific region (IPR) vis-à-vis India’s Look East Policy (LEP) to Act East Policy (AEP) along with India’s approach to the IP, exploring the challenges and opportunities for India in the larger geopolitical context of the IP and reaction of the Indian government to advances in the region. For India, the multi-dimensional regional cooperation in the IP would promote economic relations and improve regional capacity to tackle the complex regional challenges. Therefore, robust maritime connectivity is essential for a more common and mutually-reinforcing market-driven economic structure in the IP. Robust maritime services can reduce transportation costs and boost cross-border trade and infrastructure investment in the countries of the region. In this context, India’s Security and Growth for All in the Region (SAGAR) could be a robust step to strengthen maritime connectivity. There is a need to address the multifaceted maritime-security risks and disputes for shared prosperity in the countries of the IPR using collective approaches to focus on technical cooperation, capacity building, and sharing of knowledge and expertise. Regional economic and trade integration can facilitate global trade and build necessary infrastructure, for which role in the bigger IP economies is essential. Therefore, the economies of the Association of Southeast Asian Nations (ASEAN) region would be a major driving force for speeding up cooperation within the IP.

Keywords: Indo-Pacific strategy, challenges, opportunities, regional economic cooperation, regional integration, India

JEL Codes: F5, F14, F15, F17, I19

1. Introduction

In the late 2000s, China and most East Asian economies have experienced substantial growth performance. This led to a significant transformation of the economic geography of the East and the Southeast Asian economies and the emergence of the Asia-Pacific region (APR). According to the United States (the US), the APR is highly dynamic in terms of demography and economics. By early 2010s, the APR embraced the economies of Australasia, South Asia, Middle East Asia, and East Africa and was termed the ‘Indo-Pacific (IP)’ in recent discourses. According to Hemmings (2018), the term ‘Indo-Pacific (IP)’ has been widely used in international security discourses in the US, Australia, Japan,
France, India, including economies of the Southeast Asian region.

From an economic perspective, the term ‘IP’ is linked to sustainable energy security and trade flows between West Asia and East Asia, and the climate change, piracy and cyber crimes in the region. From the maritime security perspective, it is linked to maritime disputes between China and its neighbours, and power competition between the global economic superpower (the US) and the Asian economic powerhouse (China). The power dynamics of the ‘IP’ also cover the engagement of Japan, Russia and the US with China. The region is facing growing economic rivalry between the US and China due to which the ‘IP’ is dubbed as an option to the Chinese Belt and Road Initiative (BRI) (Lippert & Perthes, 2020). Therefore, both the geo-political and geo-economic characteristics are deeply linked to the IP. Some Southeast Asian nations viewed neglect of economic prosperity of the region. South Korea and Canada have avoided using the ‘IP’ in their discourse, while only France has presented an Indo-Pacific Strategy (IPS) (Government of France, 2019). Therefore, the term IP implicitly involves inclusion and exclusion mechanisms (Teschke, 2003) and is discussed from the perspective of various countries (Berkofsky & Miracola, 2019; Stirling, 2019).

Against this background, the paper intends to analyze the connotations of IP and IPS from the perspectives of major global economic powers and India’s relevance in the region specifically in view of India’s changing perspectives from the Look East Policy (LEP) to Act East Policy (AEP) along with its approach to IP, and exploring the challenges and opportunities for India. This exploratory review has used the desk approach to achieve the objectives of the paper.

2. Review of literature

A region’s uniqueness is prominent for regional economic governance (Putnam, 2007). Region building is based on shared traditions, norms, and history, which depend on regional power (van Houtum, 2003). Regional power refers to a nation’s capacity to silhouette external policy compared to other nations (Garvin, 2016) for the growth of the region (Fawn, 2009). Region refers to the nation’s structure of pecuniary institutions framed by numerous agencies at varied echelons of regionalism (Wunderlich, 2007). Regionalism implies institutional arrangement, procedures, and structure to achieve larger unity in an explicit and comprehensive region for better socio-economic, political, cultural, strategic, and other types of relations (Dent, 2016). Regionalism gives more prominence to liberalized markets and inter-regional economic cooperation. Old regionalism emphasized more on import substitution (Baer, 1972), while new regionalism gives greater attention to export promotion using a regional structure. Regional structure refers to a logical system of institutions and associations to achieve regional cooperation and integration. Regional cooperation and integration are defined as the process of achieving a free market for production factors, which can be measured through numerous indicators such as trade, investment, financial, and labor markets (Capannelli et al., 2009).

Cultural aspects are significant for public policy and economic integration (Hills, 2002). Economic integration aims to eliminate biases between countries through free trade, customs union, common market, economic union, and total economic integration, and abolishes disparities and prejudices among regional countries (Balassa, 1961). Economic integration lowers impediments to free trade and human mobility, improves efficiency and generates economic growth in the short-term, while free trade bolsters economic competitiveness in the long run (Bhagwati & Panagariya, 1996; Krugman, 1979; Broda & Weinstein, 2006).

There exists a strong linkage between economic progress and regional integration (Taghizadeh-Hesary et al., 2020). Regional integration refers to a procedure that steadily eliminates unfairness between nations to achieve improved prosperity (Balassa, 1961) through stronger regional value chains, economic cooperation and trade openness (Sapir, 2011). Trade openness supports greater regional production via a smoother flow of knowledge and information (Balassa, 1978; Edwards, 1993; Taghizadeh-Hesary et al., 2019). Greater trade facilitation lowers the transaction costs and improves trade efficiency (Portugal-Perez & Wilson, 2012; Ismail & Mahyideen, 2015), encourages stronger regulations and better trade, and magnetizes foreign direct investment (FDI) and generates more employment opportunities.

Different integration models are the European Union (EU), the US-Mexico-Canada Agreement (USMCA), the Association of Southeast Asian Nations (ASEAN), the Asia-Pacific Economic Cooperation, etc. Cultural disparities are stronger among trading blocs such as the ASEAN, and the EU, which suggest greater regionalization for economic prosperity (Morrison & Roth, 1992). The EU integration is institutional, while ASEAN integration is market-driven (ADB, 2010). Supranational institutions facilitated stronger regional economic integration through shared sovereignty and historical resolution in the EU (Baldwin, 2011) compared to bilateral and inter-country regional integration in
ASEAN member countries (Murray, 2010) due to less curiosity in shared sovereignty (Fong, 2005; Plummer, 2010; Baldwin, 2012).

In Asia, regional economic integration is structured by the political goals of governments to safeguard national characteristics (Ravenhill, 2009; Plummer, 2010). Therefore, Asian integration is hindered by the economic and political deficit of regional leadership (Baldwin, 2007), while the EU integration has been motivated by its leaders (Baldwin, 2007). Consensus, cohesion and lenience led to stronger integration in the EU through better economic reforms (Das, 2009). Despite broader consensus toward regional economic integration in Asia, substantial economic disparities led to fragile monetary and financial integration (Feng & Genna, 2003). The US also buttressed the EU integration in the initial phases (Beeson, 2005; Murray, 2010; Murray & Orcalli, 2012). However, greater socio-economic and political heterogeneity impedes regional integration in Asian economies (Sakakibara & Yamakawa, 2003; Fong, 2005; Zepter, 2008; Murray, 2010; Plummer, 2010).

Before 2000, regional trading agreements surged in the EU, while such mechanisms were almost missing in Asia and even if signed, trading agreements have a partial effect. However, bilateral trade agreements surged considerably after 2000 in ASEAN member countries compared to multilateral agreements. South Asia remained the least integrated, despite close geographical propinquity and cultural unity. The comparative economic advantage should determine the strength of regional integration (Panagariya, 2003; Das, 2007), rather than trade complementarities (Sobhan, 2006). The review makes it evident that regional powers should engage in munificent strategies for stronger regional integration and economic cooperation, which can foster harmony and shared prosperity through robust trade and investment relations and effectively utilise the untapped economic opportunities. In the recent past, India has transpired as a major player in regionalization in the Indo-Pacific region (IPR) due to its allegiance to generous human rights, peaceful conflict resolution, and market liberalism. However, regional integration and intraregional trade remained low in South Asia due to suffocating relations between India and Pakistan. Therefore, this paper attempts to explore the IPS and India’s opportunities and challenges for regional economic cooperation and integration.

3. Methodology

This study is exploratory in nature, which offered sound knowledge on the phenomenon under investigation and goaded for deeper future research endeavors in chosen research theme. Exploratory research is applied in most preliminary studies (Babbie, 2007) to ascertain the presence of a particular occurrence (Strydom, 2013) for broader policy implications (Casula, 2020). Exploratory research can be inductive and qualitative (Stebbins, 2001). Exploratory qualitative research is deficient in practical thoroughness (Thomas & Magilvy, 2011). Deductive qualitative methodology improves the qualitative soundness of exploratory research (Gilgun, 2005; Hyde, 2000). Therefore, the deductive qualitative analysis is highly flexible (Gilgun, 2015), which can yield novel and practical hypotheses (Gilgun, 2009). Explanatory research addresses why a particular phenomenon occurs (Babbie, 2007) and what are the causes of its occurrence (Adler & Clark, 2008). In a similar way, descriptive research answers what question but without its causes (Strydom, 2013; Shields & Tajalli, 2006) and is centered between examination and clarification (Grinnell, 2001). Descriptive research fosters the growth of knowledge and information (Worster, 2013). Exploratory research has been useful to find out the probable causes of the chosen phenomenon and can be corroborated by supplementary broader research in the future and provided an opportunity for conducting larger research projects to develop rational strategies and draw wider policy implications. This exploratory research generated preliminary textual insights and qualitative analysis.

In this paper, desk research has been accomplished for the collection of secondary data and information from extant literature and published and unpublished national and international resources. It is a highly cost-effective research technique than primary research. However, sound knowledge of research is a prerequisite for using desk research. It is highly useful in qualitative research wherein fundamental knowledge could be undoubtedly obtained through the exploratory research method. Desk research can be conducted internally within a firm or outside the firm. Astonishing data and information can be accessible from grey literature and databases of national and international organizations. Grey literature can be most beneficial in research to hold policies and strategies. In this paper, secondary data and information have been explored and mined from extant literature and reports and publications of relevant think tanks and reputed national and international organizations including governments. Secondary data pertained to relevant,
accessible data sets, published and unpublished reports linked to the objectives of the present paper. This desk study identified vital information, which has not been tackled in past research. It has saved time and money required to collect primary data and information. The utmost care has been taken to delineate and ascertain the high quality of the extant literature and resources.

4. Indo-Pacific and Indo-Pacific Strategy

In 2007, the Japanese Prime Minister Shinzo Abe delivered his address to the Indian Congress on the “Confluence of the Two Seas”, wherein Abe used the term Free and Open Indo-Pacific (FOIP) for the first time. Abe described the vision of deeper economic and political interactions in the Pacific and the Indian Ocean through a stronger collaboration of the regional economies (MoFAJ, 2007). Japan also proposed establishing the Quadrilateral Security Dialogue (the Quad) in collaboration with Australia, India and the US to contain the belligerent attitudes of China in the Asian region (Soeya, 2020). This was proposed to be a part of the FOIP Strategy in 2016 (Rossiter, 2018) in alliance with the US (Koga, 2020). The basic principles of FOIP include open trade and navigation autonomy, securing economic prosperity, and the maintenance of peace and security. It also treated the waters as public goods in the IPR. Since 2018, the FOIP Strategy has been renamed the FOIP Vision. With the prospects of coexistence of China’s Belt and Road Initiative (BRI) and the vision of the FOIP, the use of the FOIP was avoided as a containment strategy for China. Since 2007, the IP has been widely substituted for the APR. The US, Australia, the ASEAN member countries, and France have embraced the IP as an alternative to China’s expansionist policies. However, the Japanese view of the IP is wider and includes the Indian and Pacific oceans.

Recently, the US has refined its strategic outlook to Asia. The US proposed the term IP to protect free trade through the cooperation of Australia, India and Japan, and focus on its commercial interests through the policy of the ‘America First’, the ‘Indo-Pacific Strategy’ and the ‘Pivot to Asia’. The US termed the IP as America’s pivot to Asia with a goal to restrain China’s power in the region and use the IPS to counteract the BRI (Chen & Wei, 2015). Compared to Japan, the US considers the IP as more tactical, while India requires a correct visualization of the IP. India attempts to balance between the global economic power (the United States) and the Asian economic giant (China) for deeper collaboration on economic and security issues. Like Japan, the US presented a vision of a FOIP (The White House, 2017). The US linked the Indian and Pacific Oceans to constitute the IP (Scott, 2018) and integrated it into economic policy for tackling China (Kolmaš & Kolmašová, 2019).

In 2012, Australia used the term ‘IP’ to cover the Western Pacific and the Indian Ocean (Australian Government, 2012; Medcalf, 2012) for greater investment, economic, and strategic ties with other partners in the region. The IP framework focused on the Sino-American conflict and regional power alteration, and the rules-based international order (Taylor, 2020). Australia also supports the ASEAN Outlook on the Indo-Pacific (AOIP).

5. Indo-Pacific and India’s Look East Policy to Act East Policy

The growth of multilateralism, economic reforms, and regional stability influenced India’s openness to the East (Blank et al., 2015). India’s cooperation with the ASEAN-linked forums is influenced by China factor. India aims to support diplomatic pledges to conflicts in the region (Singh, 2018). Therefore, the LEP of India (Haokip, 2011) targeted to impede China’s threat devoid of dispute (Ollapally, 2018) and to rejuvenate and reconstruct the economic ties with Southeast Asia (Hong, 2007). The development of LEP and its transition to AEP, including the status of India-ASEAN partnership is shown in Figure 1. India used the ARF to forge bilateral ties and strategic cooperation for maintaining shared prosperity in the Southeast Asia region (ASEAN, 2019). Economic growth in the Asia-Pacific and the Indian Ocean regions provides cooperation opportunities to reduce poverty and inequalities, including evading mistrust and fostering peace and shared prosperity (ASEAN, 2021). Likewise, the East Asia Summit (EAS) has been used for broader economic engagement with the East Asian region. The EAS can foster dialogue and execute the Indo-Pacific cooperation. Strong economic cooperation, growth, and shared prosperity have been visualized in the IPR. Stronger maritime cooperation is required for dispute settlement, fostering maritime security, and tackling cross-border crimes. Robust cooperation in connectivity is needed to foster greater economic and trade integration and the movement of
India experienced vibrant and far-reaching cultural and mercantile linkages with its eastern neighbors from the 1st century to the 12th century, which can be termed the first phase of LEP. This phase of LEP saw an increase in intellectual and philosophical relations with India, followed by the emergence of the first Hindu Empire in the Indo-China region, the proliferation of Buddhism in Southeast Asia, integration of Pali and Sanskrit to languages of Southeast Asia, growth of cultural synthesis and development of the center of learning in India focusing on the philosophical, cultural and religious treatise of Southeast Asia and East Asia, growth of commerce and cultural intrusion from India to Southeast Asia, development of spice trade from West Asia to Indonesia and proliferation of Islam in Southeast Asia, a celebration of cultural and commercial relations with India’s eastern neighbors as annual Bali festival in Orissa, India (Chandra, 1969). India experienced interruptions in cultural and commercial relations with its eastern neighbors after the arrival of Islam in the 12th century followed by colonial rule. During colonial rule, World War II strategically affected India’s
relations with East Asian region and colonial rulers recognized India’s tactical significance in Asia to continue their presence in Southeast Asia (Braun, 1983). This period can be termed as the second phase of LEP, wherein strategic and mercantile interests were given more prominence over cultural relations. The colonial influence continued delicately, which warned East Asian countries of overstated India’s potential exploitative goals without any proof to hold such plans.

India’s relations with its eastern neighbors gained prominence once again with the end of colonial rule and the dawn of independence in India, which initiated the third phase of LEP. India focused on Asian resurgence and Asia policy as a part of its stronger relations with Southeast Asia (Nehru, 1949; 1953). India’s Prime Minister Nehru’s dream of stronger relations with its eastern neighbors was based on geographical closeness, past ties, cultural and commercial significance and shared tactical reasons to bolster Asian unity (Panikkar, 1945; Levi, 1952). In the late 1960s and the early 1970s, development and security issues emerged significant in the Indian Ocean, for which India endorsed condensing of the arms race by the super powers in the region. The desired outcomes were not attained due to suspicion of super powers towards Asian unity to their hegemony and persisting India’s conflicts with China and Pakistan. Despite all this, India’s approach towards its eastern neighbors was not wholly shaken. India always worked to maintain peace and progress in the region, for instance the Korean peace agreement in 1953 (Gonsalves, 2007). India’s Prime Minister Indira Gandhi played a significant role in instituting the ASEAN in 1966-1967 to foster regional cooperation, but could not find a place due to Vietnam War (Sridharan, 1996).

India’s Prime Minister Narasimha Rao initiated the current phase of LEP due to economic and strategic imperatives (Devare, 2006; Mun, 2009). In the late 1980s, India’s Prime Minister Rajiv Gandhi also revitalized India’s political, cultural, economic and strategic relations with Southeast Asia (GoI, Various years). In 1991, India’s Prime Minister Narasimha Rao in his second term further bolstered India’s eastward ties, despite the harsh balance of payments situation and disintegration of the Soviet Union. India looks to the ASEAN with utmost dynamism to liberalize its economy and bolster the LEP in the new world order. Therefore, the current phase of LEP has been dominated by both economic and strategic reasons. In brief, the first phase of LEP was based on trade and investment relations with Southeast Asian countries, while the current phase is based on an enlarged East, including Southeast Asia, East Asia and Australia with a prominence of the ASEAN focusing not only on cultural and commercial interest but greater emphasis on robust economic and strategic cooperation with stronger motivation and dynamism.

India endeavored to establish bilateral relations with its eastern neighbors in numerous ways to maintain economic cooperation and strategic alliances for shared interests. India embraced discriminatory tactics toward new and old ASEAN member countries due to economic and strategic priorities (Muni, 2007a; 2009). India’s policy towards East Asian countries such as China, Japan and South Korea has been influenced by stronger economic cooperation. For instance, both India and Japan urged for the United Nations (UN) reforms and their permanent membership in the Security Council during the Prime Minister Dr. Manmohan Singh’s tenure. The Two plus Two Dialogue was also concluded between India and Japan in 2010 (Sharma, 2010).

Besides bilateral relations, India’s institutional integration with the ASEAN member countries has also been bolstered. In 1992, India entered the ASEAN as a Sectoral Dialogue Partner focusing on trade, investment and tourism sectors. Subsequently, in 1995, India was confirmed as the ASEAN’s Dialogue Partner focusing on additional sectors mentioned in Figure 1. This paved the way for India to become a member of the ARF followed by the ASEAN’s Summit partner in 2002. In 2003, India also maneuvered the ASEAN-India Framework Agreement on Comprehensive Economic Cooperation (AIFACEC) for shared prosperity through the ASEAN-India Vision 2020. In 2004, India also christened to establish the Asian Economic Community, and in 2005, India became a member of the EAS (Muni, 2007b), while in 2006, India also entered Asia-Europe Meeting. India’s intention to join the ASEAN summit partners viz. China, Japan and South Korea (the ASEAN + 3) as ASEAN + 4 summit was not materialized, which led India to enter Free Trade Agreement with the ASEAN in 2009 and paved the way for the ASEAN-India Regional Trade and Investment Area. In 2010, India became a member of the ASEAN Defence Ministers Meeting and later got an Observer status in the Shanghai Cooperation Organisation. Therefore, the first phase of the LEP led India to re-maneuver its ties with eastern neighbors, which brought significant economic and strategic advantages (Pandya & Malone, 2010; Muni, 2005).

In the initial period of the second stage of LEP, robust strategic partnership and defence cooperation were strengthened. India’s trepidation toward international terrorism has been realized by its eastern neighbors. In 2003, the India-ASEAN Joint Declaration for Combating Terrorism was signed. Overall, significant advancement has been
made in multifaceted arenas with India’s eastern neighbors under the LEP. However, there exists a greater potential for economic integration and cooperation besides significant strategic alliances in the years ahead. Besides, India has also to confront the challenges of China’s growth, strategic relations with China and the US and domestic strategic capacity due to China’s stronger economic relations with the ASEAN members and increasing influence in Indian sub-continent and South China Sea. In brief, there exist significant opportunities to bolster cultural, economic and strategic ties with eastern neighbors.

India embraced the term ‘IP’ by switching from the LEP in 1991 to the AEP since 2014 by prioritizing strategic and security issues over economic issues. India articulated a vision of inclusive IP for shared prosperity without the dominance of any country. India’s vision of the IP is very wide, which reflects its AEP for broader cooperation with the ASEAN economies (CSCAP, 2020). In June 2018, the Prime Minister of India Narendra Modi focused on the security and economic growth of the ASEAN region and emphasized engagement with the regional ASEAN-centered organizations and transformed relationships with other APR economies and Africa (Wagner, 2019).

India’s switch from the LEP to the AEP (Bajpaee, 2017) led to stronger relations between India and the ASEAN (Rajagopalan, 2018) through robust institutional mechanisms, sectoral dialogue mechanisms and the ASEAN-led institutional frameworks (see Figure 2). The transition from the LEP to the AEP also caused improvement in connectivity, trade prospect and market (Viswanath, 2018) through deeper collaboration with the regional economies (Bhatia, 2018). Therefore, the AEP linked the ‘IP’ and the ASEAN for greater maritime security (Kuo, 2018).

![Institutional Mechanisms for India-ASEAN Economic Cooperation](Source: Author’s creation)

India’s relationship with China remained complex focusing on trade growth and border issues. India supports an inclusive IP approach to tackle China and ensures stronger security ties with big powers and free trade agreements with ASEAN nations. In 2019, India left the forum of Regional Comprehensive Economic Partnership (RCEP) due to the expected swelling of the trade deficit with China, adverse impact on automobiles and auto-parts sectors, steel,
engineering and chemicals sectors, and domestic economic concerns (Narayanan et al., 2019). India also expected adverse effects on the industry due to the elimination of tariff and non-tariff barriers, substantial trust deficit and geo-strategic ties with China (Ghosh et al., 2018), and adverse impact of dumping from China on the manufacturing sector.

Despite improvement in gross domestic product (GDP), trade and investment, India’s economic well-being are unlikely to improve with the RCEP (Rahman & Ara, 2015; Gilbert et al., 2016). There has been declining in India’s trade balance due to the ASEAN-India Free Trade Area (AIFTA). Therefore, India should enhance the productivity of its manufacturing sector (Narayanan et al., 2019) and product value chain to tap the benefits of regional trade agreements (Narayanan et al., 2019). Besides trade liberalization, India also needs complementary public policies focusing on agriculture, manufacturing and services, and complementary trade policies, institutions and laws to maneuver foreign investment and trade. India has strong bilateral trade agreements with a majority of members of the RCEP. Therefore, shared trade and investment benefits between India and China can influence India’s participation in the RCEP.

Under the IP framework, India pursued infrastructure partnerships with Japan, Russia and Iran to counterbalance China’s BRI and to thwart China’s domination in the region. Therefore, various IP concepts focused on challenges associated with the rise of China and managing these challenges more robustly. In brief, India views the IP as an advancement to the concept of the Asia-Pacific for greater economic, cultural, and strategic relations with the ASEAN countries.

6. India’s approach to the Indo-Pacific

India is one of the high growth performer economies of the world with greater responsibilities and roles in the geopolitics and security in the IPR. China’s maritime frontier is situated far away from the rest of the Asia and the Africa markets, for which China initiated ‘One Belt One Road’ (OBOR) initiative. However, without India’s participation, China may be unlikely to realize the full potential of the OBOR initiative. Recently, India stressed on the significance of the shared economic opportunities and the maritime security challenges to the regional economies. Therefore, India’s Security and Growth for All in the Region (SAGAR) emphasized on stronger maritime security in the region.

In 1997, the Indian Ocean Rim Association (IORA) was established by 21 member nations. It broadly focused on economic growth and maritime security. In 2008, the Indian Ocean Naval Symposium (IONS) was established by 35 Indian Ocean littoral states for deeper cooperation in maritime security. India and the US entered into closer initiatives for robust cooperation in strategic aspects. However, India lacks the institutional structures for the IP and requires robust bilateral and multilateral institutions to deal with economic and security aspects. Currently, India is focusing on the multilateral approach to socio-economic and political aspects for development in its approach to the IP rather than an institutional approach to the infrastructure and capacity development in the IP. Based on old historical and cultural ties, India is attempting to revive its Neighbourhood First Policy (NFP).

The vision document of the Asia Africa Growth Corridor (AAGC), 2017 targets to develop and strengthen Afro-Asia’s infrastructure and connectivity. In the recent past, Asia remained economically resilient, while Africa showed strong economic and social performance despite young demography. Both Asia and Africa have allegiance for speedier and inclusive growth to confront conventional economic and social barriers. The development aspirations of both regions can be addressed via the AAGC. The AAGC focuses on growth and cooperation, infrastructure strengthening and institutional development, knowledge and skill development and people-to-people linkages. In this context, India has a significant role in sustainable development and international cooperation. However, India faces institutional scarcities in the region. These institutional scarcities include a lack of novel manufacturing paths, inadequate regional value chains (RVCs), insufficient capabilities for urban development, restricted human mobility, and a shortage of regulatory mechanisms to foster digital and infrastructure connectivity. Besides, India also lacks robust institutions to tap necessary finance to meet investment needs in the region due to non-compatible international standards. Therefore, the AAGC can foster an effective and sustainable platform to bolster institutional mechanisms for better manufacturing, RVCs, urban development and enhancing digital connectivity and infrastructure in the region. Therefore, innovative institutions should be created to bolster AAGC for greater regional cooperation.

Institutional strengthening of the Quad is needed to contain China’s security threat. The Quad should evolve stronger institutions through inclusive agenda to foster regional wellbeing and economic performance, multilateralism, and defence cooperation. New institutions should be innovative and can boost the mutual synergy of partner nations to
maneuver opportunities and challenges in the IPR. The Quad should bolster a joint response to contain the aggressive rise of China through a liberal trade regime, compatible legislations, and stronger regional institutions.

7. India’s challenges in the Indo-Pacific

India is experiencing rapid growth. However, India’s rise is occurring in the shadow of China’s more dramatic economic growth. China’s rapid growth and its aggressive behaviour in the South China Sea pose a challenge for India’s growth and an unbalanced Asia. The US facilitated to advance free and open IP. At the same time, China tries to reduce the U.S. authority by nurturing its own logic that China’s supremacy is unavoidable in the IP. China’s major focus is on India besides other nations in the region, including the ASEAN members. China also identifies India as an opponent and searches to force its aspiration by connecting to regional economies while restraining India’s tactical alliance with the Quad and its ties with other regional economies (Morales, 2020). China supplies digital and physical infrastructure to the regional nations to develop its own ambition. China also invests immensely in transport development to obtain energy and other resources from South Asia and Central Asia (Green, 2018). China extends economic supremacy in the IP with the display of armed capability in Southeast Asia, the South China Sea and the East China Sea (Grossman et al., 2018). Therefore, China displays its military power in the IP in clear insolence to international principles (Page et al., 2015).

Both the US and India have a common interest in restricting China’s dominance in the IP, but for different reasons. China’s dominance in Asia would be a direct security threat to India, but China’s potential domination in the region is an unprecedented challenge to the US global dominance. The interests of the US and India in balancing China are likely to surge due to China’s strength in the region. Therefore, India’s relations with the US can help India in balancing China. India considers it as the most viable mechanism to restrict China’s dominance in Asia. India should be interested in dominating Asia, but its location away from the IP maritime hub makes this highly unlikely, due to which India should be interested in ensuring that no other regional power dominates the region. A distant great power, the US, is much more preferable to a local power due to less threat due to greater distance. Small countries seek help of the outside great powers to balance the dominant regional powers. Therefore, India’s smaller neighbours have looked to China or the US to balance India, while the US offers an opportunity to India to manage these challenges successfully.

Existing institutions like the EAS, the ARF, and the ASEAN Defence Ministers Meeting Plus also reduced the requirement of developing new institutional arrangements to ensure maritime security in the IPR. ASEAN countries remained the mainstay in Asian security architecture. Some ASEAN countries faced disputed maritime boundary issues with China along with economic dependence under the BRI. Laos, Cambodia, and Myanmar have strong bilateral relations with China compared to the maritime economies of the IPR. The US needs to move beyond China’s containment, while India needs to address the threat perceptions collectively along with Australia and Japan by taking a significant role in it.

8. India’s opportunities in the Indo-Pacific

There exist substantial economic opportunities in the IP approach. Seizing these opportunities is imperative for India through infrastructure development, investment facilitation, energy security, digital economy and robust financial systems. Infrastructure need in the IPR is massive. Quality infrastructure development and investment should bring positive economic and social outcomes. Regional aid agencies and development banks should provide adequate resources to promote a sustainable development vision. High levels of corruption and non-tariff barriers to trade need to be addressed on priority. Capacity building, sharing technical knowledge, and promoting public-private partnerships can offer robust infrastructure development and investment opportunities in the IPR.

There is a need to tap the Bilateral Investment Treaties (BITs) to attract substantial foreign direct investment and promote sustainable development in the IPR. The BITs have immense potential to remove the existing constraints for smoother access to the market by facilitating substantial investment opportunities. Investment in the IPR should be enhanced by developing a stronger framework for investment policy via regional cooperation.

The IPR lacks cross-border collaboration for the development of businesses, which needs to be developed strongly.
by steering the IP Business Forum. The robust strategies for skill development should be developed to cater to the needs of demand of highly skilled workers in the export sector, which can upgrade technology and boost the workers’ productivity. India should facilitate in establishing stronger IP Regional Investment Framework, IP Business Forum, IP Integrated Framework for Skill Development, IP Economic Development Fund, and IP Development Bank in the IPR.

Regulatory transparency and good governance should streamline and digitize business registration. Regional organizations should be involved to raise investment standards and set the best practices. Sub-regional public-private partnerships should facilitate the information sharing and exchanging of technical expertise. The share of renewable in electricity generation needs to be managed to ensure energy reliability and security to meet the growing needs of the population and urbanization in the IPR. Domestic energy systems need to be strengthened to ensure inclusive and shared prosperity in the IPR. Energy efficiency should be emphasized in developing emerging renewable technology. There is an urgent need to strengthen the principles and the best practices for regulating the digital economy in the IPR. Better internet and broadband access should bridge the digital divide in the IPR. Regional and local businesses should promote policies to facilitate robust domestic financial systems and trade to improve the resilience and strength of regional economies. India should promote sustainable debt and build financial infrastructure to boost trade through the institutions in Asia.

9. India’s responses to developments in Indo-Pacific

India’s 70% trade is maritime trade. Therefore, an efficient and improved maritime connectivity is essential to boost India’s regional and global trade. Maritime cooperation between India and Southeast Asian countries is part of the India-ASEAN strategic partnership under the AEP. India-ASEAN economic engagements and funds are shown in Figure 3. India-ASEAN economic relations have been based on institutional mechanisms, which include the ASEAN India Framework Agreement on Comprehensive Economic Cooperation (AIFACEC), the ASEAN Economic Ministers-India Meeting (AEM + India), and the ASEAN-India Business Council (AIBC). The AIFACEC was concluded in 2003, which led to the formation of the AIFTA followed by the ASEAN-India Trade in Goods Agreement (AITIGA) enforced in 2010 and the ASEAN-India Agreement for Trade in Services (AITISA) endorsed in 2018.
finalized in 2014. The AEM + India are vital forums attended by the Commerce Ministers, which reviewed the AITIGA. The AIBC was formed in 2003 to uphold the CEC between India and the ASEAN members. The above institutional arrangements facilitate India’s economic integration with the ASEAN members.

Four types of funds have been established between the ASEAN and India, which includes the ASEAN-India Science & Technology Fund (AIS&TF), the ASEAN-India Green Fund (AIGF), the ASEAN-India Project Development Fund (AIPDF), and the ASEAN-India Fund (AIF). The AIS&TF was established in 2007 to the tune of US$1 million, which surged to US$5 Million in 2015. The AIGF was also instituted in 2007 to the tune of US$5 million to support climate adaptation and mitigation. The AIPDF was established in 2014 for the promotion of industrial activities in selected ASEAN member countries. The AIF was instituted in 2016 with the allocation of US$50 million to operate the ASEAN-India Plan of Action (2016-2020).

![Figure 4. Performance Indicators of India-ASEAN Economic Engagements](source: Author's creation)

The performance indicators of India-ASEAN economic engagements are shown in Figure 4. The performance of India-ASEAN economic engagements covers India-ASEAN trade and economic cooperation including the ASEAN-India trade in goods agreement 2015, the AIFTA, FDI inflows and outflows; new and renewable energy, which includes renewable energy development, facilitating renewable energy finance, R&D cooperation and institutional development for renewable energy; small and medium enterprises, which includes creation of small and medium-sized enterprises (SMEs) project development fund (PDF), the ASEAN-India innovation platform, development of low cost technologies, technology transfer, and collaborative R&D; environment and forest, which covers capacity building on traditional knowledge, and collaboration in green fund projects; and tourism including strengthening tourism cooperation,
and tourism partnership; cooperation in agriculture development, which includes the ASEAN-India cooperation in agriculture, food security, information technology, R&D, allied industries, human resource development, investment and capacity building, increased resilience of natural systems, and climate change and its impacts; and space development, which includes tracking and data reception station, data processing facility, tracking telemetry and command centre, and training in space S&T.

Figure 5 shows the GDP growth rate in India and ASEAN member economies from 2007 to 2021, while Figure 6 reveals India’s overall trade with ASEAN members from 1996 to 2021, and Figure 7 reflects India’s recent trade with ASEAN member economies.

In recent decades, the ASEAN region has emerged as a major economic bloc due to a rapid surge in manufacturing and trade activities and will likely become the 4th biggest economic power by 2050. The ASEAN region consists of varied economies. Indonesia generates nearly 40% of regional production, while per capita GDP is remarkable in Singapore and Myanmar maneuvers to foster its institutions. The regional economies remained resilient to the impact of
global financial crisis due to robust fiscal standing and reasonable public debt. With rising income, poverty has declined substantially in the ASEAN member countries. The ASEAN region has strong consumer and diversified export markets. For instance, Singapore and Malaysia specialize in exports of electronics, Thailand in auto-components, and Vietnam in textiles and apparel. Indonesia’s major exports include palm oil, coal, cocoa and tin, while the Philippines major exports consist of industrial and agro-products, and Myanmar holds oil and gas reserves including costly minerals. The ASEAN member countries have immensely benefited from liberalization and globalization through operationalizing the ASEAN Free Trade Area (AFTA).

Figure 6. India’s Overall Trade with ASEAN in US$ billion (1996-2021)
Source: Author’ creation based on data from https://tradestat.commerce.gov.in/

Both India and the ASEAN member countries are likely to accelerate the growth process due to robust economic reforms, solid trade, and strong domestic consumption. GDP growth in the ASEAN member economies remained positive over the period. Singapore and Brunei Darussalam have remained the frontrunner in GDP growth performance, followed by Malaysia, Thailand, Indonesia, the Philippines, Viet Nam, Lao PDR, Cambodia, and Myanmar. In recent years, Lao PDR, Myanmar, Viet Nam, and Cambodia have shown remarkable growth in GDP per capita. The ASEAN region attracted substantial FDI flows in recent years. However, trade and investments have fluctuated. India and the ASEAN ties in culture and trade surged substantially in the recent past, which can be attributed to the LEP and confirmation of dialogue partner status to India. India’s membership to the ARF paved the way for stronger economic ties with the ASEAN member countries.

Over the period, India’s merchandize trade has surged significantly with the ASEAN member countries. The share
of India’s merchandize exports remained highest in Singapore, followed by Vietnam, Malaysia, Indonesia, Thailand, and Philippines, while the share of India’s merchandize imports stood highest in Indonesia, followed by Singapore, Malaysia, Thailand, and Vietnam. The share of India’s total merchandize trade stood highest in Singapore followed by Indonesia, Malaysia, Vietnam, Thailand, and the Philippines.

![Figure 7. India’s Trade with ASEAN member countries in US$ billion (2020-2021)](https://tradestat.commerce.gov.in/)

Source: Author’ creation based on data from https://tradestat.commerce.gov.in/

Robust trade relations between India and ASEAN member countries demonstrate stronger economic ties specifically after entering into the AIFTA. The merchandize trade is likely to double between India and the ASEAN region by 2025. Over the period, the LEP has advanced to the AEP. India needs to bolster the RVCs in manufacturing through robust cooperation with the ASEAN region. There is a need to develop robust collaboration in engineering R&D and entrepreneurship development through knowledge transfer and capacity building. The services trade between India and the ASEAN member countries has also surged significantly in recent years with the conclusion of the ASEAN-India Trade in Services and Investment Agreement. There is a need to tap IT-BPO services markets in the region through stronger collaboration in IT services sector. The ASEAN-India Trade in Services and Investment Agreement fosters labour mobility and investment, reduces trade deficit, eases the mobility of professionals, and it also considered as a mechanism to the RCEP agreement. The ASEAN-India cooperation is also needed in tourism development and human mobility.

India endorsed its NFP and developed substantial linkages with its neighboring nations. Maritime cooperation is needed for the stronger development of the blue economy and maritime security in the region. India’s SAGAR is a very timely step in this direction. Therefore, maritime connectivity should be vital for the Indo-Pacific strategy to enhance trade through reducing transportation costs, improving trade competitiveness and generating new development opportunities in the IPR. Besides other initiatives, this calls for sustainable investment collaboration in the technological and human capital to develop the maritime economies of the IPR.
Maritime cooperation facilitates sustainable management of maritime resources and improves the livelihood of the coastal communities in the IPR. India should play an active role in maritime cooperation for settling maritime disputes and ensuring maritime security, terrorism, and maritime crimes. Maritime cooperation can alleviate marine pollution, marine environment and biodiversity. Technical cooperation in maritime research and development is also needed to be strengthened. Maritime competitiveness and inclusiveness are essential for substantial investment in maritime infrastructure and public-private partnerships to ensure shared and sustainable prosperity in the IPR.

India should leverage the SDGs by promoting digital economy, facilitating trade, supporting the development of SMEs, mitigating climate change, reducing disaster risk, developing stronger economic integration, ensuring financial stability, evolving cooperation for the Industry 4.0 and strengthening larger participation in regional and global value chains. There is a need to evolve robust strategies to promote connectivity, cooperation, and trade and investment for shared prosperity in the IPR. Digital infrastructure and connectivity should be strengthened for better border management, robust cross-border trade, better resource management, and reducing pollution in the IPR.

Regional economic integration is imperative among the land-linked countries through public-private collaboration to address the infrastructure deficit. For instance, the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) should be strengthened for better transport linkages, robust governance and enabling regulatory frameworks. There is a need to integrate Japan’s IPS and India’s AEP for better outcomes. The US could also support private sector investment in the BIMSTEC region and the IPR.

India should explore the options for multimodal connectivity to boost trade volumes in the region. Cross-border cooperation in multiple sectors such as finance, energy, digital infrastructure and maritime connectivity is imperative in the IPR. India should also promote cross-border cooperation in energy security and electricity trade in Bangladesh-Bhutan-India-Nepal as a part of the NFP through transparent and inclusive policies and regulations, and private participation in cross-border electricity trade. Trade and investment barriers should be removed by improving the digital infrastructure and connectivity in the region. Robust maritime infrastructure should be developed to facilitate stronger trade in the IPR. Therefore, necessary financing and regulations for building effective maritime infrastructure development for trade facilitation should be explored in the IPR.

10. Conclusion

India should promote deeper multi-dimensional regional cooperation for stronger economic and political relations, better capacity and capability to tackle the complex strategic challenges in the IPR. Therefore, robust maritime connectivity is essential for a more common and mutually-reinforcing market-driven economic structure and maritime security. The robust performance of the maritime services can reduce transportation costs and accelerate regional trade and investment. India’s SAGAR could be a robust step to strengthen maritime connectivity. There is a need to address the multifaceted maritime-security threats and challenges for shared prosperity in the IP countries using collective approaches to focus on technical cooperation, capacity building, and sharing of knowledge and expertise. The big economic powers in the IPR should support stronger regional economic and trade integration. In this context, the role of the ASEAN would be a major driving force for speeding up cooperation within the IPR.

Conflict of interest

The author declares that there is no personal or organizational conflict of interest with this work.

References


Jakarta.


MoFAJ. (2007). Speech by his excellency Mr. Shinzo Abe, prime minister of Japan at the parliament of the republic of India ‘confluence of the two seas’. New Delhi. Japan: Ministry of Foreign Affairs of Japan (MOFAJ).


Murray, P. (2010). Comparative regional integration in the EU and East Asia: Moving beyond integration snobbery.


