

India and New Institutions In Asia- Pacific

Responding to China and the United States

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Introduction

Over the past decades, the nature, composition, structure and function of Asia-Pacific institutions have changed. For instance, the Association of Southeast Asian Nations (ASEAN) was founded in 1967 to enhance security and political cooperation within Southeast Asia. Today ASEAN gathers ten nations and its agenda

now covers security, trade, investments and culture. That is why these mechanisms are termed “New Institutions”. Some of them are backed by China, some others by the United States¹. In this context, what is India’s role and response to these institutional initiatives in Asia-Pacific?

1- The United States alliances with Asia-Pacific countries and their support to regional institutions are key to their presence in the region, meant to satisfy both economic and security interests.



India, Indo-Pacific and Asia-Pacific

According to Dr. Jagannath P. Panda, a debate is emerging over how to define Asia conceptually. More than a matter of semantic differences, the way policymakers define regions have strategic international implications. There are two primary concepts of the region: Asia-Pacific and Indo-Pacific. Both include Southeast Asia, East Asia, Central Asia and the Indian Ocean. However, Asia-Pacific is more focused on multilateral institutions and on the “Look East to Act East” strategy of Prime Minister Narendra Modi. By contrast, Indo-Pacific places the Indian Ocean and maritime affairs at the center. In this regard, some argue that the time has come for Asia-Pacific to be renamed Indo-Pacific, although New Delhi does not have an Asia-Pacific policy yet because it still tries to understand what distinguishes Asia-Pacific from Indo-Pacific.

Having made this distinction, one must ask: why is the region significant? Asia-Pacific borders the Indian Ocean², a locus of strategic international sea lines of communication, and the South China Sea, both of which have significant maritime resources. More importantly, the world’s center of gravity is shifting towards the Asia-Pacific region, where there are New Institutions that will determine the nature of the international relations. In this region, Jagannath P. Panda believes that India is one of the key powers as it is well connected to Pacific countries, ASEAN members and big powers - China and the United States.



India's strategy in Asia-Pacific

Over the last decades, Asia-Pacific has seen three main developments placing China and the US at the center: from 2001 to 2007 the region was marked by the rise of China in terms of economic development, political status, and military modernization. Under the Obama administration, the United States reoriented significant elements of its foreign policy towards the region, the so-called American “Pivot” to Asia. From 2013 on, Asia-Pacific saw the emergence of the One Belt, One Road (OBOR) Chinese initiative.

Jagannath P. Panda argues that in contrast, India never had this kind of strategy even if East Asian countries (ASEAN +3) were its priority. Since the early 1990s, the “Look East” policy has been a major part of India’s international relations. It has evolved from economic and diplomatic engagement with Southeast Asia

2- The area is home to one third of the world’s population and gathers many nuclear powers (India, Pakistan, China, Russia, Iran, North Korea and the US). Two thirds of petroleum traffic traverses the Indian Ocean and 30% of all trade is handled in Indian Ocean ports.

to broader security and defence relations across Asia-Pacific. Since its election in 2014, Narendra Modi has expressed his intention to transform India’s “Look East” to an “Act East” policy. This “Act East” policy constitutes New Delhi’s main outlook towards Asia-Pacific. Indeed, it emphasizes India’s more proactive role as a stable peacebuilder, political and economic partner first within ASEAN, ASEAN + 3 countries (China, Japan, South Korea) and subsequently within the whole Asia Pacific region (Australia, New-Zealand, etc.), through New Institutions.



New Institutions, Old evolving mechanisms and Institutional Order in Asia-Pacific

As far as the New Institutions are concerned, New Delhi’s response to each initiative is guided by a complex set of factors that will determine its position in the Asia-Pacific region and towards Washington and Beijing. Jagannath P. Panda distinguishes three different mechanisms in the Asia-Pacific region, namely the New Institutions, the Old Institutions Emerging in New Forms and the Institutional Order.

First, the “New Ideas, Institutions, Mechanisms” considered as alternative forums :

Alternative forums are meant to offer new opportunities for Asia-Pacific countries, not to replace existing forums. As China rises and exhibits revisionist tendencies, the fact that the New Institutions are mostly led by Beijing is key to defining India’s Asia-Pacific policy.

Perceived indicators of this trend are China’s propelling the establishment of the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB) under BRICS³, stimulating the idea of a Free Trade Area of the Asia-Pacific (FTAAP), and leading the ASEAN-led Regional Comprehensive Economic Partnership (RCEP). The FTAAP is a Chinese-backed new regional trade agreement to be concluded by 2025.

The One Belt One Road (OBOR) or the Silk Road Economic Belt and the Maritime Silk Road, a development strategy focusing on connectivity and cooperation among countries in Eurasia, was unveiled by China in September 2013. The negotiations for the RCEP, a free trade agreement between ASEAN member states, started in November 2012. The Trans-Pacific Partnership (TPP), a trade agreement among 12 Pacific Rim countries signed towards the end of 2015 is the only one led by the United States.

Second, the “Old Institutions Emerging in New Forms” considered as attractive forums :

Institutions that developed a concept of integration and community-building such as ASEAN (1967) are already seen as attractive forums. This is also the case for the ASEAN Regional Forum (ARF), an Asia-

3- Brazil, Russia, India, China and South Africa.

Pacific multilateral forum inaugurated in 1994 for official consultations on peace and security issues. The Asian Development Bank (ADB) was established in 1966, followed by the creation in 1989 of the Asia-Pacific Economic Cooperation (APEC), a forum gathering 21 Pacific Rim countries that promotes free trade throughout Asia-Pacific. The East Asia Summit (EAS), an annual forum held by leaders of East and South East Asian countries, was held for the first time in 2005. India was one of its funding members.

Third, the “Institutional Order” and the Asia/Indo-Pacific forums :

The ASEAN Defence Ministers Meeting Plus (ADMM+), a defence cooperative mechanism, was inaugurated in 2010 to discuss maritime security issues in the South China Sea among others. The Indian Ocean Rim Association was established in 1997 to promote regional Search and Rescue (SAR) efforts in the region: it is the only institution based exclusively in the Indian Ocean⁴.



India’s outlook towards the New Institutions in Asia-Pacific

Today, the new fact is that India wants to enhance its role as a key player in the region. How, then, does New Delhi view the role of New Institutions in facing Beijing’s ambition of establishing a regional order? Until today, India’s statements on the China-proposed AIIB, the international financial institution promoting infrastructure development and economic growth in Asia-Pacific, have been cautious.

Several practical reasons induced India to join the AIIB :

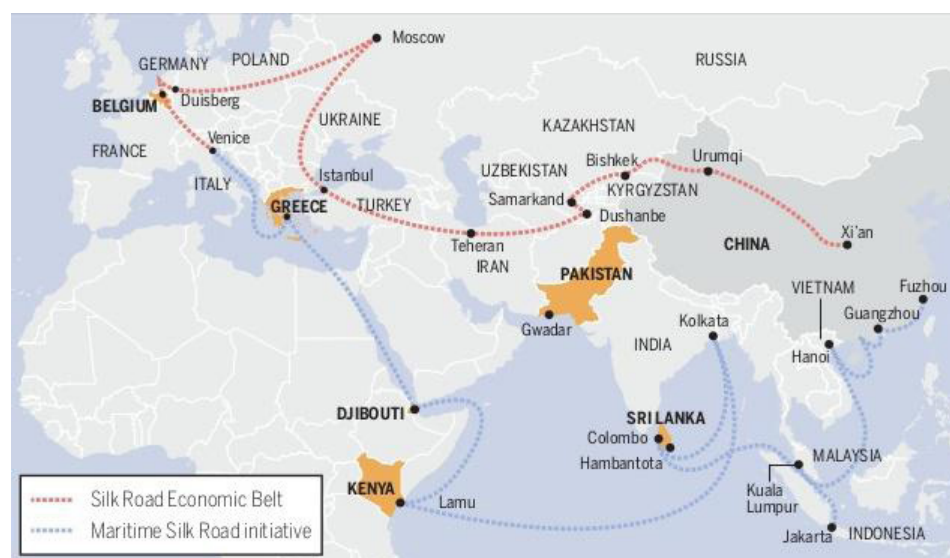
First, India does not want to be left out of the emerging regional economic order and sees the AIIB as an important alternative institution beneficial to developing countries in Asia and beyond. Pursuing economic engagement with Beijing in multilateral mechanisms has always been a stable feature of India’s policy towards China. Indeed, both economies are complementary to each other.

Second, India needs funding loans to carry out its infrastructure developments⁶. Infrastructure projects that could not be funded by the “slow-moving bureaucracy” of the Japanese-backed Asian Development Bank (ADB), the US-backed World Bank, or the Europe-led International Monetary Fund (IMF). China has promised to keep the AIIB simple and efficient rather than weighted down by bureaucratic procedures.

However, associating with China-led institutions will come with a set of challenges. China and India still have points of disagreement on several issues - including an unresolved border dispute and China’s close ties with Pakistan. Therefore, India will have to contend with projects that appear to be contrary to its interests. New Delhi believes that it can better oppose some of the Chinese initiatives by being a fully-fledged member of the Institution. India believes that with the support of the US and Japan, if both these countries join the AIIB in future, it could be able to block some of the Chinese initiatives.

India’s fears towards OBOR :

In 2013, Chinese president Xi Jinping proposed the strategy of building the Silk Road Economic Belt (SREB) in the North and the Maritime Silk Road



One Belt, One Road⁵

4- Sakhuja V, ‘Indian Ocean and the IORA: Search and Rescue Operations’ in *Institute of Peace and Conflict Studies*, 2014. Available at: <http://www.ipcs.org/article/military-and-defence/indian-ocean-and-the-iora-search-and-rescue-operations-4724.html>
 5- ‘One Belt, One Road’, in Asia Pacific Intellectual Capital Centre, 2015.

6- At the 71st UNESCAP Commission Session, Commerce Minister Nirmala Sitharaman said India needs investment of about \$1 trillion in new infrastructure over the next few years. *The Economic Times*, 2015. Available at: http://indiatimes.com/2015-05-28/news/62765618_1_asia-pacific-asia-pacific-new-infrastructure.

in the South, a trans-Eurasian project spanning from the Pacific Ocean to the Baltic Sea.

The OBOR has demographic, geographic and resource targets. The region accommodates 4.4 billion people (63% of the world's population) and 65 countries whose total GDP equals 2.1 trillion US dollars (29% of the world's wealth) : it offers a huge growth potential. Linking Asia to Europe and Africa, OBOR intends to build economic corridors, acquire land through investments, and maritime power through infrastructure construction (ports and harbors). Jagannath P. Panda explains that many countries blindly supported this "One Belt, One Road" (OBOR) policy.

India, on the other hand, is concerned with the China-Pakistan Economic Corridor (CPEC) project. As part of the OBOR strategy, the CPEC is expected to connect Kashi in China's Xinjiang to Pakistan's Gwadar port. It will pass through what India calls Pakistan Occupied Kashmir (PoK) in Gilgit-Baltistan. It is the only network that connects China to the Arabian Sea, shortening its maritime distance with the energy rich Persian Gulf market by over 10,000 kilometers, according to Pr. Sajjad Ashraf. On the other hand, India also wants better connectivity with Afghanistan and Central Asia, and with Myanmar and South East Asia.



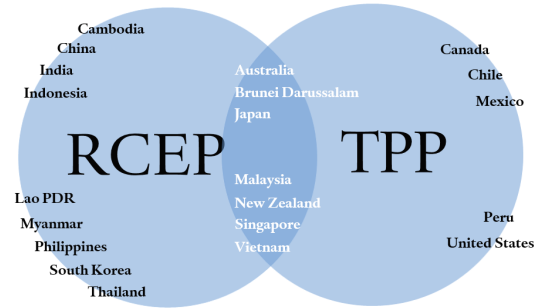
China-Pakistan Economic Corridor⁷

Therefore, India will continue to object to the CPEC but may agree to support OBOR and SREB in the future under conditions – if China provides more details about these projects and only if India's interests are taken into account. Moreover, if China's SREB seems to have enough Asian support, the Maritime Silk Road (MSR) will only be successful with India's support. And China should detail MSR projects to get India's support. However, New Delhi is not in a haste to respond to OBOR as India considers the Silk Road as an old evolving concept⁸.

7- The China – Pakistan Economic Corridor: India's Dual Dilemma, in *China US Focus*, 2015. Available at: <http://www.chinausfocus.com/finance-economy/the-china-pakistan-economic-corridor-indias-dual-dilemma/#.dpuf>

8- The Silk Road is an ancient network of trade routes connecting China to East and West Asia, originally coming from the Han dynasty silk trade (207 BCE – 220 CE).

India's interests in the Chinese-backed RCEP and the US-backed TPP :



Overlap of Countries in Negotiations for RCEP and TPP⁹

New Delhi supports the Regional Comprehensive Economic Partnership (RCEP), a proposed comprehensive trade agreement between 16 nations in the Asia Pacific that focuses mainly on developing countries' interests and aims to follow the ASEAN spirit. India is an important actor in the RCEP negotiations as the country would be more integrated into the regional economy. Through the RCEP, India can develop higher trade standards while ensuring support for its domestic constituencies. The challenge before India is about balancing its negotiations with RCEP partners.

Despite its interests in joining, India is not part of the Trans-Pacific Partnership (TPP), a trade agreement drafted in October 2015 among 12 Pacific Rim countries¹⁰, and sees it as a pro-developed countries agreement. Historically known as the Trans-Pacific Strategic Economic Partnership Agreement (TPSEP-P4), TPP's aim is to liberalize economies in goods, services, investments, labour, and environmental issues. To think about possible TPP membership, India would have to prepare itself for more significant market opening which is critical for India's development as an international economic power. Therefore India wants first to apply for Asia-Pacific Economic Cooperation (APEC) membership in order to form a clear consensus in the country on whether expanded market access will help the Indian economy grow.



India, China and South China Sea

Politically, India is not a party to the South China Sea (SCS) dispute, its stance on SCS is open and clear: it is a sovereignty issue that must be resolved by countries that are party to it. Freedom of navigation and the right of passage in the maritime region must be maintained. India's

9- Ayres A., 'Where's India On The Trans-Pacific Partnership?' in *Forbes*, 2015. Available at: <http://www.forbes.com/sites/alyssaayres/2015/10/06/wheres-india-on-the-trans-pacific-partnership/#73fcbd9c4f77>

10- The United States, Canada, Australia, New-Zealand, Japan, Malaysia, Vietnam, Singapore, Brunei, Mexico, Peru, Chile.

interests in the region are only commercial, aimed at energy exploration. Maritime security, freedom and safety of sea lines of communication (SLOC) must be maintained as per the norms of maritime laws or international law. India plays an important role on the issues through ADMM+.



Conclusion

In brief, the Indian outlook toward the emerging regional institutions is cooperative and driven by an aspiration to engage internationally. According to Jagannath P. Panda, the objectives for the United States and China in Asia-Pacific are, respectively, to maintain dominance and to increase influence. As for India, the challenge is to maintain a balance between both countries, in responding to Chinese initiatives – since the India-US bilateral relations are already strong.

Even though India identifies its strategic interests as being in line with the US pivot to Asia, its outlook is different when it comes to economic undertakings: India identifies its own regional economic interests with those of China¹¹. India would like to engage with China in making an alternative order, so long as it is not an entirely China-centric order. India would rather associate with China to make its voice heard and have inside access on policy making than leaving everything to China's authority as an outsider. Incorporating India as a leader with these initiatives is an integral part of Narendra Modi's foreign policy, moving from being "non-aligned" to "multi-aligned".



Questions and Answers

On the real capacity of India to block OBOR initiatives

Jean-François Huchet, former Director of the Hong-Kong based French Centre for Research on Contemporary China and Professor of Economics at INALCO, asked about the real capacity of India to block some OBOR initiatives, since the AIIB is only one part of OBOR's financing institutions. Jagannath P. Panda, explained that India will not be able to block all Chinese projects which may be a matter of concern for New Delhi, but as an active member India will be able to make its voice heard. Japan, the United States could also become members of the AIIB in the long term and support India. Finally, India's relationship with Russia is very strong and it would be difficult for China to bypass India-Russia shared vision of Central Asia.

11- Panda JP, 'Alignment Minus Alliance India's China Quandary on Alternative Institution Building', in Georgetown Journal of Asian Affairs, Spring/Summer 2015, p.9. Available at: https://asianstudies.georgetown.edu/sites/asianstudies/files/GJAA%202.1%20Panda,%20Jagannath_1.pdf.

On the ability of OBOR to strengthen China-India relationship and India's oil needs

Despite a number of border issues, India-China strong economic relationship is their vital stabilizing factor and it will supplement their regional initiatives. India is expected to overtake Japan to become the world's third largest oil consumer. Participating in OBOR, a network of rail routes, oil and gas pipelines, would improve Indian connectivity to major markets and resource supplies.

On the position of India on the Nine-dashed line

China's nine-dashed line in the South China Sea is unclear and Jagannath P. Panda believes that Chinese interests are far beyond this line. South East Asian countries would appreciate other countries opposition to the concept but India does not want to express its position on a sovereignty issue.