



Two together

GS II: Bilateral, Regional and Global Groupings and Agreements involving India and/or affecting India's interests.

Bottom line: While strengthening its U.S. ties, India must not let this interfere in the dispute with China.



Agreements signed

1. The Basic Exchange and Cooperation Agreement (BECA) for Geo-spatial Cooperation
2. Cooperation in health and COVID-19,
3. Building strategic petroleum reserves in the U.S., renewable energy, space, cyberspace, counter-terrorism and counter-narcotics.

The most important issue

1. The larger import of the visit for the Trump administration was about dealing with China.
2. USA Diplomats made a reference to the “increasing aggression and destabilising activities by China”.
3. The USA raised the need to counter and provide alternatives to China's “bad deals, violations of sovereignty and lawlessness on land and sea”.

Gains for India

The BECA agreement signed is an important addition to India's defence and strategic capabilities.

Caution: Strategic autonomy

1. The government has chosen not to enter into the comments made by Mr Pompeo on India's China challenge, in keeping with New Delhi's stated policy that the LAC tensions are a “bilateral matter”.
2. The conspicuous silence from External Affairs Minister S. Jaishankar in response to Mr Pompeo's comments on China is also a sobering reminder that



while India appreciates the support from the U.S., it retains its strategic autonomy in dealing with threats and troubles with its biggest neighbour.

Mains Focus:

1. Increasing strategic military ties with the USA pose a challenge to strategic autonomy of India, particularly in Indo-pacific.

The challenges of walking the Indo-Pacific talk

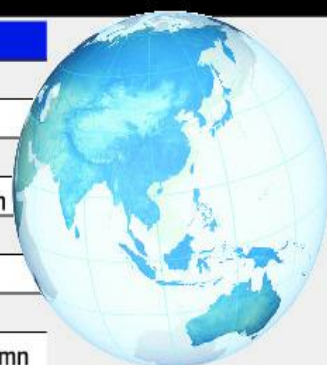
GS II: Bilateral, Regional and Global Groupings and Agreements involving India and/or affecting India's interests.

Bottom line: In countering China, India must note that strategic talk alone cannot trump overriding economic realities.

Trade and the neighbours: 2018-19 (U.S. \$)

Indian and Chinese trade with key Indo-Pacific countries BN: BILLION | MN: MILLION

BILATERAL ANNUAL TRADE		
Main countries	India	China
Australia	30 bn	252 bn
New Zealand	2.64 bn	33.4 bn
United States	87.96 bn	737.1 bn
South Korea	20.7 bn	284.54 bn
ASEAN*	96.80 bn	600 bn
Bangladesh	9.21 bn	18 bn
Japan	17.63 bn	353.7 bn
Sri Lanka	4.19 bn	4,262.52 mn
Maldives	288.99 mn	-



*ASSOCIATION OF SOUTHEAST ASIAN NATIONS

SOURCE: GOVERNMENT TRADE PORTALS AND MEDIA REPORTS

Indo-Pacific and QUAD

1. The Indo-Pacific is a grand politico-economic vision while the Quad is a forum for strategic and military consultations among India, the U.S., Australia and Japan.
2. Their similarity comes from the fact that the Quad members are also major States in the Indo-Pacific region, and both the Quad and the Indo-Pacific are focused on China. More so, they are also in some ways centred around India's geographic location and its policies.
3. At the same time, the Indo-Pacific and the Quad are also quite different from each other. The first is a politico-economic vision and the last is a military-strategic vision — the last does not form the military or strategic nucleus of the first.



4. While the Indo-Pacific provides a complex political and economic picture with a hesitant but growing, articulation of China as a strategic challenge, the Quad is inherently more anti-China in character and intent.
5. It is too early to say whether the Indo-Pacific as an economic construct will be able to pose an alternative to China's Belt and Road Initiative (BRI).

Economy first

The Indo-Pacific to survive, there must be strong economic partnerships and linkages among its members. Merely focusing on strategic talk and possible military cooperation will not work because, at some point, the unavoidable economic logic will kick in.

Assessment of Indo-Pacific strategy: The economic reality

1. New Delhi's recent decision not to join the Regional Comprehensive Economic Partnership (RCEP), the region's flagship free trade arrangement, could potentially complicate the country's future engagements in the region.
2. The RCEP decision, a direct result of domestic political compulsions in India, comes in the backdrop of the already huge gap between India and China on trade with almost every Indo-Pacific country.
3. The table shows the gap that exists between Indian and Chinese trade with the major Indo-Pacific and Quad States. This growing trade gap that India and China have with these countries will be a major determining factor in shaping the region's strategic realities.
4. New Delhi's decision not to sign on to the RCEP also needs to be viewed in the broader context of the Chinese institutional engagement of the region.
5. In the case of India, it does not have FTAs with Australia, New Zealand, the U.S., Bangladesh and the Maldives. It has FTAs with South Korea, the Association of South-East Asian Nations, or ASEAN, Japan and Sri Lanka.
6. In the case of China, it has FTAs with all these countries barring the U.S. It does not have an FTA with Bangladesh, while negotiations are on with Sri Lanka. Trilateral FTA negotiations are also going on between China, Japan and South Korea.



Advantage China

Once again, economic compulsions will go a long way in shaping strategic realities for a variety of reasons including that trade with China is crucial for the economies of these States. Even if they attempt economic decoupling from China, it would be a long process, if pursued with adequate alternatives and political determination. The lesson is straightforward: strategic talk alone cannot trump economic realities.

China's larger military reach

If our economic engagements with the region were insufficient, our strategic and military engagements in the region also fall short. Beijing, for instance, is a major defence supplier to several of the region's states including Bangladesh, Myanmar, Sri Lanka, Indonesia, Malaysia, the Philippines, and Thailand, dwarfing India's minimal sales, defence dialogues and occasional joint military exercises in the region.

Conclusion: The economic role is key

Put differently, India's role in the Indo-Pacific will remain limited if it does not prove to be a major economic partner to these States.

Mains Focus:

1. Goeconomic encirclement of India by China
2. India's geostrategic engagement in Indo-pacific will remain stillborn without full scale economic ties with the regional countries.