



India and the Goeconomic Transformation in the Indo-Pacific

Event Summary

Wednesday, 17 July, 2024

- CSEP hosted its 26th Foreign Policy and Security Studies Tiffin Talk on 'India and the Goeconomic Transformation in the Indo-Pacific' with **Surupa Gupta**, Professor, Political Science and International Affairs, University of Mary Washington.
- The discussion focused on the goeconomic landscape and its dialectical relationship with geopolitical changes, with a particular emphasis on India's strategic and economic roles in the Indo-Pacific region.
- The discussants were **Amita Batra**, Senior Fellow, CSEP and Professor, School of International Studies, Jawaharlal Nehru University and **Amitendu Palit**, Senior Research Fellow and Research Lead (Trade and Economics), Institute of South Asia Studies, National University of Singapore. The talk was moderated by **Constantino Xavier**, Senior Fellow, CSEP.
- This series of closed-door research seminars is curated by Constantino Xavier, Senior Fellow, CSEP and Shivshankar Menon, Distinguished Fellow, CSEP. It focuses on contemporary, evidence-based research with policy relevance to bridge Delhi's scholar-practitioner divide.

The Goeconomic Pivot

The discussion began by exploring the geopolitical shift to the Indo-Pacific, and the accompanied goeconomic transformation. In this evolving landscape, India's role has expanded from being a regional player to a more significant force. This expansion is in response to the increasing influence of China in the region and is aligned with the goeconomic strategy to counter this, including through the "China Plus One" strategy, which encourages diversification of manufacturing and investment away from China to other countries, including India.

India's economic strategy in the region was the central theme of the discussion, particularly in terms of trade and investment flows. Historically, India's approach to trade has been somewhat mixed, characterized by a cautious policy stance. However, there has been a notable shift since the economic reforms of 1991, which marked the beginning of a more open and globally integrated Indian economy. A significant part of this shift involved signing a series of Free Trade Agreements with

countries in South and Southeast Asia. After a pause beginning in 2014, this shift became more pronounced post-2020, with the Indian government renewing its focus on Free Trade Agreements (FTAs), implementing production-linked incentive schemes, and seeking to attract foreign funds for infrastructure development. This re-evaluation is part of a broader strategy to ensure that future trade agreements are more beneficial and aligned with India's economic interests. The discussion pointed out that this cautious approach is not indicative of a shift away from economic engagement but rather a strategic recalibration.

China Plus One

One of the key challenges discussed was India's position relative to China. The panel highlighted that while India aspires to be a significant player in the Indo-Pacific, it currently lacks the economic might to fully compete with China. Relying on its extensive infrastructure investments and deep trade ties with many countries, Beijing's economic influence in the region is considerable. However, India's leveraging of foreign funds,

particularly from partners like the United States and Japan, is seen as a promising development and a rational strategy to boost New Delhi's capacity to fund infrastructure projects in neighbouring countries.

The discussion further delved into the hurdles India faces in becoming an alternative to China. India's domestic challenges, including infrastructure deficits and regulatory hurdles, were noted as barriers to fully capitalising on the opportunities presented by the "China Plus One" strategy. Nonetheless, the discussion pointed to India's positive perception in the global community, especially in terms of its democratic governance and relatively stable growth. This positive perception, coupled with geopolitical factors favouring India, such as growing concerns over China's assertiveness, provides a unique opportunity for India to enhance its role in the region.

Trade Integration in the Indo-Pacific

The discussion then turned to the role of regional frameworks like the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the Regional Comprehensive Economic Partnership (RCEP), and the Indo-Pacific Economic Framework (IPEF). These frameworks are crucial for developing regional frameworks and achieving economic integration. India's participation in these frameworks, particularly the IPEF, was seen as a strategic move to align with regional economic policies and norms. However, there was a consensus that India still has a long way to go in fully integrating with these frameworks, as evidenced by its non-participation in the trade pillar of the IPEF and its decision to abandon agreements like RCEP.

A critical point raised was the need for India to bridge the gap between its aspirations and its current economic realities. Some of India's largest sources of foreign direct investment – the United States, Japan, and Singapore – are part of the Indo-Pacific. Other Indo-Pacific countries, namely China and the US, are India's largest trading partners. Yet, there is a significant potential for India to increase its economic presence within the Indo-Pacific. The discussion noted that India's

trade and investment relationships need to be strengthened, particularly with Association of South East Asian Nations (ASEAN) countries and other key players in the region. India's economic foundation, particularly in terms of infrastructure and regulatory environment, was highlighted as an area that needs improvement to support this increased engagement.

Furthermore, India's adoption of industrial policies, including subsidies and incentives to boost domestic manufacturing, was discussed in the context of global trade rules. The speakers noted that there has been little international scrutiny of India's policies since most major powers are pursuing such policies of their own. This lack of scrutiny allows India some flexibility in pursuing its industrial policy objectives without immediate pressure from international bodies or major trading partners.

India's Strategic Recalibration

The discussion concluded with reflections on India's broader role as a middle power in the Indo-Pacific. There was a consensus that while India has made significant strides, much more needs to be done to fully realise its potential as a leading economic and strategic player in the region. The panel emphasised the importance of a coherent and outward-focused policy approach, leveraging India's positive geopolitical context and the current global economic environment. India's ability to act decisively and strategically in regional and international forums will be crucial in shaping its future role in the Indo-Pacific.

The event highlighted the complex interplay of economic and strategic factors shaping India's engagement in the Indo-Pacific. While challenges remain, particularly in competing with China's economic influence, there are significant opportunities for India to enhance its regional role through strategic policy shifts, deeper economic integration, and leveraging partnerships. The discussions underscored the need for India to build a strong economic foundation to support its strategic ambitions in the region, making it a critical player in the evolving geoeconomic landscape of the Indo-Pacific.

All content reflects the individual views of the participants. The Centre for Social and Economic Progress (CSEP) does not hold an institutional view on any subject.

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