

International Relations Class 19

15th February, 2024 at 9:00 AM

INDO-PACIFIC ECONOMIC FRAMEWORK (09:08 AM)


- US-led initiative called the Indo-Pacific Economic Framework (IPEF).
- Goal: Strengthen **economic partnership** among participant nations
- Aim to enhance **resilience, sustainability, inclusiveness, economic growth, fairness, and competitiveness in the Indo-Pacific Ocean region**
- Initiated in **2021**
- Coincided with the Quad summit, showcasing its alignment with the Quad and its extension as a "plus" grouping.

INDIA & IPEF

- **Question: What is the rationale behind India's decision to opt out of the trade pillar of IPEF? Also, Discuss the implications of this decision.**
- IPEF is a **US-centered Economic Framework** in the Indo-Pacific Region to deepen ties with Asian Countries through various issues including Trade, Climate Change, Taxation, and Supply Chain.
- The framework includes **Four Pillars** and is supposedly perceived as a US Counter to China's rising influence in the region.
- India agreed to **three** out of four pillars and **opted out of the trade pillar** due to the following reasons:
 1. India does not view the **trade pillar component** as adequate and **argues that some provisions could be discriminatory for developing countries.**
 2. The framework imposes **stricter labor and environmental standards** that are different from prevailing norms in India.
 3. India's strong support for **data localization** is viewed by the US as an act of market access barrier. On the other hand, the US and Global North argue about proper data protection norms in India.
 4. Issues regarding the **framework's** view on **Digital Governance** also contradict India's stated positions.
- **This decision of India could have the following implications:**
- It could affect long-term economic benefits.
- The framework might affect the idea of **trade diversion.**
- Not being part of a US-centered framework regarding trade might add to existing challenges between India and the US.
- Guided by the idea of a **Free, Open, and Inclusive Indo-Pacific**, India is part of IPEF.
- However, key economic concerns have prevented India from being part of the trade pillar.
- India being the center, of any economic and **security architecture in the Indo-Pacific**, Even makes the US pursue India to be part of this trade pillar of IPEF.
- **What are the Major Challenges in the Indo-Pacific Region?**
- Aggressive Policies of Certain Countries: China and North Korea
- China's rising assertiveness
- Unwillingness to Act Against China
- Issues with IPEF
- Terrorism

- **Way Forward:** evolving
- The area of the Indo-Pacific region is ~~involved~~ as yet another flashpoint in the world of Geo-politics.
- The involvement of both regional and extra-regional actors has further added to strategic significance in the region.
- India's position within the Indo-Pacific is **unanimously** considered by both regional and extra-regional countries.
- India's involvement in Quad and Quad+ and IPEF not only reflects India's good relations with like-minded countries but also manifests our policy of **multi-alignment and strategic autonomy**. (multi-alignment is also called strategic hedging) (strategic hedging -> strategic balancing -> vishwa mitra -> strategic tight rope situation or diplomatic dilemma)

SAARC (09:50 AM)

- **Refer to Handout**
 - **Position of SAARC members vis-a-vis Afghanistan:**
 - Non-recognition of Taliban as a legitimate government.
 - Countries have also shown their concern since several Taliban leaders are blacklisted as terrorists.
 - The Taliban regime is considered to be non-inclusive.
 - Concern regarding spillover of terrorism under Taliban Regime.
 - Concerns regarding, drug trafficking, illegal weapon trade, and human trafficking via Afghanistan.
 - **How SAARC Came into being?**
 - Politics of Regionalism during the Cold War like NATO, **Warsaw Pact**, etc.
 - Regional Necessity
 - The idea of regional cooperation in South Asia was first raised in November 1980.
 - **8th December 1985: SAARC was established.**
 - **Significance of SAARC:**
 - SAARC comprises **3%** of the world's area, **21% of the world's population**, and **3.8% (US\$2.9 trillion) of the global economy**.
 - Creating **synergies** among member countries and scope for regional integration- Political, Economic, and Social.
 - It offers common solutions to common problems like Terrorism, Climate Change, Cross-Border Smuggling, Lack of Economic Integration, etc.
 - **It** Further, the **Neighbourhood First** policy of India.
 - Game changer for **Act East Policy**. Bangladesh is a member and a doorway to SE Asia plus Bangladesh's proximity to North East Asia. (Since Bangladesh is a member and doorway to N-E Asia that's why we talk about Act East Policy in SAARC)
 - **Geo-Strategic:**
 - SAARC could help India create its unique sphere of influence among south asian countries.
 - SAARC could help develop better accessibility of India in IOR.
 - It could provide a good platform for the **SAGAR Initiative**.
 - SAARC could emerge as a unified platform against aggressive policies and **predatory** economic initiatives in the region.  China's
 - Examples: Debt Trap Policy, Unproductive BRI, etc. and larger Salami Slicing tactics.
 - Keeping in mind the economic dependence on China, especially the swing state, SAARC comes out to be a potent regional organization to counter Chinese Influence.
 - SAARC has the potential to create a regional supply chain bypassing Chinese dominant supply chain.
 - It offers a global leadership role to India.
- > **Enabler of Regional stability.**

ACHIEVEMENTS OF SAARC (10:47 AM)

- Free Trade Area (FTA)
- **SAPTA**: South Asia Preferential Trading Agreement for promoting trade amongst the member countries came into effect in 1995
- **SAFTA**: A Free Trade Agreement confined to goods, but excluding all services like information technology. (came in 2004)
- SAARC Agreement on Trade in Services (**SATIS**) (came in 2012)
- **SAARC University** (opened in 2010)

CHALLENGES WITHIN SAARC

- Low frequency of meetings leading to abrupt functioning of SAARC.
- **Non-cooperation of Pakistan** has stalled many major initiatives of SAARC.
- Example: The SAARC Satellite project was abandoned in 2016 due to Pakistan's resistance and was later termed as **South Asian Satellite**.
- **SAARC MVA** was also later replaced by **BBIN-MVA** due to Pakistan's resistance.
- Both BBIN and South Asia Satellite Projects were later carried out without Pakistan's presence.
- Geopolitical tensions between India and Pakistan. This has led to the postponement of the SAARC summit, since 2014.
- **Issues Regarding SAFTA:**
- SAFTA aimed at reducing customs duties on all traded **goods** to zero by 2016, but it has failed in this regard. *since*
- Pakistan **blatantly flouted** the norms of SAFTA by limiting the list of items to be imported from India. *in South Asia are therefore*
- Countries *have now* planned to enter into bilateral economic partnerships due to the failure of SAFTA.
- **Ex: The proposed CEPA between India and Bangladesh and India and Sri Lanka.**
- There is a low level of implementation within SAARC since many of its proposals are still pending.
- For Example: **SAARC strives to be a body like the EU by 2020**, but this idea is still in the pipeline.
- During COVID a **SAARC Covid Emergency Fund** was established but the SAARC secretariat does not know of its progress so far.
- Asymmetry among the SAARC members especially *w.r.t* ~~concerning~~ India, in terms of development, political economic, and social.
- This has led to a trust deficit among member countries, especially between India and **Small Sovereign States** like Nepal, Maldives, etc. *importance given*
- Recent *important give* to BIMSTEC instead. *of SAARC.*
- Exclusion of **contentious** issues from the SAARC Charter.

- **Way Forward:**
- The impact of COVID-19 showed the potential of SAARC to come up with regional solutions. ^{regional bodies like}
- ^{SAARC} SAARC needs to be revived not only because it is the only regional organization in the much disintegrated south asian region but also because it carries huge **economic and strategic significance**.
- It needs to be revived to create a common platform to **counter Chinese aggression** in the region.
- SAARC history has shown that it can create a network mechanism to come up with common solutions to common problems
- It needs to be revived owing to its glorious 37 years of existence and 18 summits so far.
- As opposed to BIMSTEC, which has recently gained momentum, SAARC ~~remains relevant in~~ ^{still remains relevant as the only regional body in} South Asia and, thus can't be replaced by BIMSTEC.
- However, the journey of revival ^{needs} has to be carried forward in a **natural way** where people-to-people contact needs to be prioritized
- SAARC needs to allow greater **diplomacy and engagement**.
- Being a generous big brother India needs to adopt the **Gujral doctrine**, especially keeping in mind the Small Sovereign State.
- SAARC could also adopt the **ASEAN-X approach** where members unwilling to join ^{any initiative} are asked to join at a future date and the rest of the countries can continue with the project.
- **India and Pakistan should learn lessons from Germany and France** who were once arch-rivals and now are part of the EU.
- Both countries must understand the importance of regional development and the potentiality of SAARC in this regard.
- **In the words of Nelson Mandela, "If you want to have peace with your enemy, you have to work with your enemy and he will become your partner".**

BIMSTEC (11:32 AM)

- *Refer to Handout*
- **Importance of BIMSTEC For India**
- **Manifestation of three important foreign Policies:** Neighbourhood First, Act East, and SAGAR Initiative.
- Strategic advantage due to proximity to the Strait of Malacca
- Materialising Sagarmala Project
- Development of India's North-East
- Platform to Counter China
- Present viable alternative to SAARC
- It showcases Indian leadership in the region.

BIMSTEC: A BIG OPPORTUNITY

- Due to setbacks to SAARC, BIMSTEC has emerged as a **preferred platform** for **regional collaboration** in South Asia.
- It has helped countries such as **Bhutan and Nepal to develop better connectivity with ASEAN** countries and access the waters of IOR and Indo-Pacific.
- It offers greater connectivity to all member countries in terms of **physical economic and digital connectivity**. (In HIT only physical connectivity can be seen)
- Small Nations within BIMSTEC can gain **higher economic dividends** within this sub-regional block keeping into mind **fragmented multilateralism** under the aegis of WTO.
- These regions include countries with a few of the world's largest growing economies: India, Bangladesh, etc.
- **Trade** within BIMSTEC Countries reached **six percent** of the total regional trade within a decade while with SAARC it was just 5 percent since its inception.
- Also, this is an **inter-regional organization** that includes countries with major border issues thus it can act as yet another platform of engagement among countries **marred** by border conflicts.

The topic for the Next Class: BIMSTEC (Continued), South East Asia