

Policy Perspective

India's strategic imperative in the South Pacific

Summary

As the global centre of gravity shifts to the Indo-Pacific, triggered in part by Chinese expansion and the U.S.'s Pacific "rebalancing," an expanding Indian engagement with the South Pacific becomes a geoeconomic and geostrategic imperative.

The South Pacific sits at the "pivot" of the Pacific rebalancing. It is a largely stable region with a relatively small population; it has abundant resources; it is at the crossroads of vibrant and growing maritime trade routes; and it is increasingly strategically located. Under the "one country, one vote" rule of most international fora, the 14 Pacific Island Countries (PICs) play a significant role in deciding international institutional legitimacy, which is increasingly important for India as it seeks a greater role in global affairs.

There is enormous scope for closer economic, political, and strategic ties between India and the South Pacific. Ties between the two are already friendly and age-old, with myriad cultural compatibilities. But if India continues to neglect the region, it will become increasingly difficult for India to maintain, or to regain, a toehold, while other powers like China manoeuvre for, and establish, entrenched positions.

Just one example of India's low-key engagement in the region: it has only two High Commissions in the 14 PICs. One is in Fiji, because of its sizeable Indian diaspora, the other is in Papua New Guinea, because of trade and minerals. India routinely goes unrepresented at regional meetings held in the other 12 PICs. In contrast, China has a major diplomatic mission in almost every PIC.

India and the PICs only need to build the right bridges to come together to make the South

Pacific and thereby the greater Indo-Pacific more economically, politically, and strategically secure. Others have already realised the region's potential and are moving fast. Will India catch the South Pacific wave, or be washed over by it?

Dimensions

1. Changing geopolitics: The South Pacific was, until recently, a western backwater "managed" by Australia and New Zealand (NZ). However, the growing economic and strategic importance of the area, combined with regional dissatisfaction with Australia and NZ, have opened up the PICs to other direct bilateral partnerships that bypass Australia and NZ. New (or renewed) players include China, Russia, and the United Arab Emirates.

2. China's role in the PICs: China's involvement in the PICs is widespread. This includes visits by the navy of the People's Liberation Army; exchanges of high-level delegations; abundant soft loans; copious Chinese scholarships for PIC students; and ethnic Chinese controlling about 80% of the retail sector in countries like the Kingdom of Tonga. However, in many PICs, there is a deep suspicion of the recent surge in Chinese immigration and of the role China is playing in the region.

3. Duelling trade deals: After long years of neglect of the region, in 2011, U.S. President Barack Obama announced a "pivot" to Asia. Part of that plan is moving 60% of the U.S. Navy into the Pacific. Another element of U.S. re-engagement is the Trans-Pacific Partnership Agreement (TPPA), a proposed free trade initiative currently consisting of 11 countries (and excluding China), with a collective GDP of around \$25 trillion. In part to counter this, China is involved in another proposed regional deal, the Regional Comprehensive Economic Partnership (RCEP). The RCEP will cover a population of over 3 billion people, around 27% of global trade, and around \$21 trillion, but it does not include the U.S. India is taking

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a balanced approach, hoping to capitalise on both

tele-medicine, and tele-education.

4. India and Fiji: India's ethnic-Indian Fiji-focused policy for the South Pacific has been limiting – even counter-productive – for India, both in Fiji and in the wider region. It has given the other PICs the impression that India is mostly focused on ethnic Indians in the region, rather than on true nation-to-nation engagement. China, conversely, has engaged broadly in Fiji, and now is more influential in Fijian policy-making than India. Broad partnerships with the PICs will not only give India more leverage when lobbying on behalf of the diaspora, it will also create wider economic and political benefits for India and the region.

5. Trade not aid: The region is naturally rich and getting comparatively richer. However, both Australia and NZ play up the “aid” narrative in the PICs. The two countries use aid for leverage, for example by gaining preferential access to resources in the PICs like fisheries and minerals, while at the same time flooding the PICs with Australian and NZ goods and services, and protecting their own markets from competitive PIC products. The PICs are presented as net aid recipients. However, they contribute far more to the economies of Australia and NZ than they receive in aid. The PICs don't want aid, they want trade: access to competitively priced, reliable products (such as products from India) and market access for their products.

6. Scope for economic engagement: The small-scale economies and societies in the Pacific are compatible with the Indian models of village-scale economies and societies. The scope for Indian businesses in the domestic and industrial markets in the PICs is significant. For example, most of the consumer goods in the PICs are either low-cost and low-quality Chinese goods or high-cost Australian and NZ products. In Tonga, a used 14-year-old Toyota costs US \$7000. A brand new Tata Nano from India costs half that amount. Across the board, there is a wide opening for reasonably priced, rugged, Indian goods and services, including transportation, information technology and communication hardware and software, agricultural equipment, medical equipment, pharmaceuticals,

The way forward

1. Take the ‘long-tail’: The South Pacific is ripe for “long-tail” economic engagement, in which profits are made by selling a small amount of a large number of unique products. It will benefit India and the PICs to create a “long-tail” consortium of Indian goods and services providers. The consortium could have one or more agents in each PIC, representing the products locally, giving microfinance services for the purchase, and providing after-purchase care. The shipping and handling costs would be minimised by the consortium sharing shipping space and the services of the local agent to handle customs and other formalities. Increased political engagement will follow increased economic engagement.

2. Start with Tonga: A good testing site for this model is the Kingdom of Tonga, a stable, well-educated, English-speaking parliamentary monarchy. Tonga was never colonised and, as the last Kingdom in Polynesia, has informal, but deep, sway in the region. The royal family also provides Tonga with unusual access to key decision-makers outside the region, as it has long-standing, and often personal, ties with other royal families, for example in Japan, Thailand, and Britain. Tonga's role as a regional leader is increasingly being recognised. In May 2013, for example, Tonga hosted the inaugural South Pacific Defence Meeting, which included New Zealand, Australia, and Chile. In doing this, Tonga led the region in working towards greater security cooperation. Each in their own spheres, India and Tonga have both successfully been at the forefront in drawing the model for emerging sustainable economies and democracies

3. Dovetail and expand: Once tested in Tonga, the long-tail economic model, dovetailing with long-tail Indian diplomacy (such as appointing more representatives to the region), can be rolled out throughout the South Pacific. Eventually, the model can be expanded to other previously overlooked, but increasingly important, long-tail environments such as the Caribbean and parts of Africa.

This perspective is based on a Gateway House report (October 2013) titled ‘India's strategic imperative in the South Pacific’. The paper and this perspective are written by Tevita Motulalo, Senior Researcher, Maritime Studies, Gateway House: Indian Council on Global Relations. For feedback or comments, please contact info@gatewayhouse.in or 022-22897854.