



The Indo-Pacific's Identity Crisis: Theatre of Military or Economic Action?

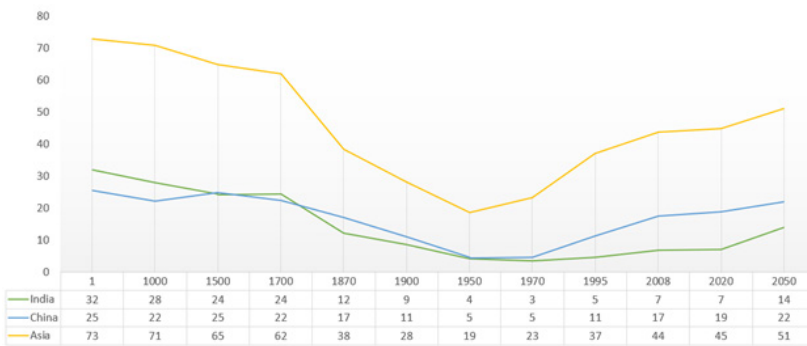
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Introduction

After a hiatus of about 300 years, the world's center of gravity is pivoting back to Asia. India and China, which had a combined 46% share of global gross domestic product (GDP) in 1700, are slowly reclaiming their former positions; today, both countries account for about 27% of world GDP measured by purchasing power parity (PPP), and are expected to constitute 33% of global GDP by 2050 (PwC, 2015).¹ The underlying reasons for Asia's economic decline and subsequent resurgence are well-documented. The region has always been home to a majority of the world's population and economic activity (see Chart 1 below). Two thousand years ago, Asia accounted for roughly three-fourths of the world's population as well as global GDP; but the region saw a massive transfer of resources as a result of European colonization, taking its share of global GDP from 62% in the year 1700 to only 19% by 1950 (Angus Maddison, 2010).

This transfer of power and economic activity from West to East has been led, unequivocally, by one country in the 21st century – China. Already, International Monetary Fund (IMF) data indicates that the Chinese economy accounts for a larger share (18.72%) of world GDP, based on PPP, than the United States (15.86%). India is not too far behind, currently accounting for 7.04% of global GDP. Future estimates paint an even more promising picture. Analyses by numerous different entities, including the Asian Development Bank, PwC, Carnegie Endowment and the Organization for Economic Co-operation and Development (OECD), expect India to overtake the US economy between 2040 and 2050.

Chart 1: India, China & Asia's share of global GDP (in %), from year 1 to 2050



This reordering of global power over a span of 300 years has had profound geoeconomic and geopolitical consequences. The world is far more economically integrated with Asia today. Over the past half-century, China has positioned itself to become the world's largest trader and fast-becoming the dominant investor and lender globally, but especially so in Africa, Latin America and South East Asia. Additionally, global supply chains have been re-wired to Asia, making the region an indispensable partner for manufactured goods.

The evolution of the Indo-Pacific arena and the need for the Quad

The shift of economic wealth and geopolitical power from West to East is not evenly distributed within Asia; it is presently tilted heavily in favour of China.

In economic terms, perhaps nothing else illustrates the world's integration and dependence with China than the following data point: in 2020, roughly three-fourths of the world trades more with China than it does with the US (The Economist, 2020). While the US remains the foremost military power in the world today, China is quickly overtaking the US as the world's dominant economic power.

The massive economic and geopolitical gap between India and China, which has resulted in an imbalance of power within Asia, is key to understanding why the Indo-Pacific is now at center stage.

Although the Indian economy remains significant on the global stage, it is an economic lightweight compared to China. This is owed to a number of reasons, including but not limited to:

1. India's rather late economic liberalization: China under Deng Xiaoping opened its economy in 1978 by re-organizing its agricultural sector, permitting foreign investment and liberalizing economic regulations. India opened up only in 1991 with a slew of similar measures, including the reduction of tariffs and taxes, deregulation of markets and opening up to foreign investors, effecting ending the 'License Raj' period. This 13-year gap is even more significant in light of the third wave of globalization that began in 1980 (Collier, 2002), which gave China a significant advantage over India. As a recent article in Foreign Affairs notes, "by the mid-1970s, China had a safe homeland and access to foreign markets and capital—and the timing was perfect. World trade surged sixfold from 1970 to 2007. China rode the momentum of globalization and became the workshop of the world (Beckley et al, 2021)."

2. The demographic divide: Although it may not seem as straightforward when looking at India's and China's population

today (nearly equal in absolute numbers), there is a significant demographic divide. Post-independent India and China started out with almost the same median age, ranging from 22 years in 1950 to 19 years in 1970. However, China's extreme family-planning policies, including free provisions of contraceptives and the one-child policy, is estimated to have averted between 400 to 520 million births between 1970 and 2015 (Goodkind, 2017). Consequently, India's median age today stands at 28.7 years, while China's is far older at 38.4; India thus still has a large working-age population entering the labour force, while China's working-age population is already ageing.

3. Indian democracy's consensus-based model vs China's one-party state: Since its independence in 1947, India has been an electoral democracy, while China has been a one-party state run by the Chinese Communist Party (CCP). India's diversity, with a multi-ethnic, multi-lingual and multi-religious population, has called for a consensus-based model that often results in slower decision-making and a rather labyrinthine process of lawmaking. China's one-party authoritarian rule since 1949 meant quicker decision-making and little time lost in consensus-building. Consequently, India's economic plans take decades to reach fruition, while the CCP can enact quick economic reforms and mandate new initiatives that Chinese industry has little choice but to follow.

China has complemented its growing economic clout with diplomatic maneuvers that give it even more of an edge. These include the Belt and Road Initiative (BRI), inspired by the ancient Silk Route and intended to better connect Asia with Europe and Africa; the Asian Infrastructure Investment Bank (AIIB), a multilateral development bank that focuses on improving infrastructure connectivity in Asia; an impressive network of 16 free trade agreements (FTAs), including those with regional blocs like the Association of Southeast Asian Nations (ASEAN) and the Regional Comprehensive Economic Partnership (RCEP), not to mention another 15 more FTAs that are being studied or under negotiation; and bilateral investment agreements with more than 100 countries that cover issues like arbitration, expropriation and repatriation of capital.

Additionally, China has also become a military heavyweight, arguably only second to the US globally. The People's Liberation Army has more than 2 million active personnel, and China currently has the world's largest navy and shipbuilding industry. China's posturing in maritime and territorial disputes, especially in the overlapping claims in the East and South China Seas, and also in the land boundary between India and China, have caused even more concern. In addition to possible military confrontation, the disputes in the South China Sea have an economic dimension: they contain 11 billion barrels of oil, 190 trillion cubic feet of natural gas and are also responsible for US\$3.37 trillion of annual trade (CFR, 2021). India and China have also been facing off in aggressive skirmishes at the India-China land border since May 2020, which leaves the Sino-Indian border dispute hanging in the balance.

This massive gap between India and China has an important geopolitical consequence: it has left a power vacuum in Asia and raised the alarm bells of an increasingly assertive China.

The Indo-Pacific has gradually become the latest arena for global politics; the so-called 'New Cold War' between the US and China is likely to be fought more here than in any other part of the world.

The US-China tensions in the Indo-Pacific are slowly rising to a crescendo. As outlined in the US's National Security Strategy published in December 2017, "China seeks to displace the United States in the Indo-Pacific region, expand the reaches of its state-driven economic model, and reorder the region in its favor." The US Department of Defense's National Defense Strategy 2018 echoes a similar sentiment: "As China continues its economic and military ascendance, asserting power through an all-of-nation long-term strategy, it will continue to pursue a military modernization program that seeks Indo-Pacific regional hegemony in the near-term and displacement of the United States to achieve global preeminence in the future."

China too seems equally concerned about its own position in the Indo-Pacific. China's Ministry of Defense outlined in its White Paper in 2019, "as the world economic and strategic center continues to shift towards the Asia-Pacific, the region has become a focus of major country competition, bringing uncertainties to regional security. The US is strengthening its Asia-Pacific military alliances and reinforcing

military deployment and intervention, adding complexity to regional security.” In fact, China’s White Paper categorically avoids the mention of the ‘Indo-Pacific,’ preferring instead to use the term ‘Asia-Pacific.’

The Quad: A partnership, not an alliance

This imbalance of power in Asia has been filled partially by the US along with its partners, more specifically the Quad, comprising the US, India, Japan and Australia.

Teresita C. Schaffer, a former US ambassador, remarked at a recent online event that “India historically has been allergic to alliances. This [the Quad] is not an alliance.” Having served as a diplomat in India, Pakistan, Bangladesh and Sri Lanka (and also conversant in Hindi, Urdu, Bangla and Sinhala), Schaffer is one the West’s foremost experts on South Asia. She adds that the Quad is a “web or network designed to keep four countries that are all democracies with common interests in close communication.”

Although some have dubbed the Quad as an Asian version of the North Atlantic Treaty Organization (NATO), such claims remain exaggerated. The Indo-Pacific is a vastly different theatre compared to Europe and the North Atlantic. The Quad’s members, particularly India, also emphatically maintain that the grouping is not a military alliance. Notably, while the US designated Australia and Japan as Major non-NATO allies (MNNA) back in 1987, India is not a MNNA, and seems content being designated solely as a “Major Defence Partner.” Unlike NATO, there is no commitment to the collective security of the Quad’s members.

As the Quad constantly evolves, we may take some cues from the joint statement emanating from the first physical meeting of the member countries on 24 September 2021, notably the assertion to remain “undaunted by coercion” in the Indo Pacific, where “regional security has become ever-more complex.” Although the statement does not explicitly mention China even once, there is plenty of subtext that points to China. The joint statement specifically outlines collaboration on high-technology, cyber security, 5G, regional infrastructure, climate

change, and meeting the challenges of a maritime rules-based order in the East and South China Seas – all issues that China is intrinsically linked to.

Yet, the Quad stops resoundingly short of labeling itself as a grouping intended to contain China. This is not surprising and is unlikely to change in the short term.

The reasoning behind the Quad’s tight-lipped response to being anti-China is straightforward: China is an indispensable economic partner for all the Quad nations. In 2020, China remained the largest trading partner of all four Quad nations (International Trade Center, 2021), and it is also amongst the top investors in these countries. It would be unwise for any of the Quad members to antagonize its most important trading partner, especially one that is an essential part of global value chains.

While it was initially christened as the “Quadrilateral Security Dialogue,” the Quad’s priorities today deal more with economic issues, which may seem even more of a priority in peacetime.

The Quad remains a work-in-progress, and may metamorphose from a security dialogue or a web of partners with common interests to a strategic grouping for economic security in the Indo-Pacific, or perhaps even become the “focal point of anti-China cooperation among the most powerful democracies in the Indo-Pacific (Beckley et al, 2021).” The latter, however, has become a more common narrative used by the mass media, and one that China has taken a sharp and bitter exception to. China’s Foreign Ministry has maintained that the Quad “should abandon the Cold War mentality and ideological bias,” adding that the grouping “will gain no support and will end up nowhere (Economic Times, 2021).”

But there is another, more assertive grouping and military alliance (unlike the Quad) that China may take more exception to: AUKUS, or the Australia–United Kingdom–United States alliance. The 16 September joint statement by the three countries was underscored by the surprise announcement to share nuclear technology in a trilateral effort to develop nuclear-powered submarines for Australia, leveraging the expertise of the US and the UK. Here too, the Indo-Pacific stood

out as the principal theatre of operation, as the leaders resolved to “deepen diplomatic, security, and defense cooperation in the Indo-Pacific region.”

As academics Michael Beckley and Hal Brands note in their recent article, AUKUS “unites the core of the Anglosphere against Beijing,” adding that “counter-China cooperation remains a work in progress, because many countries still rely on trade with Beijing. But these interlocking partnerships could eventually form a noose around Beijing’s neck.”

New Delhi’s view: ‘Indo’ outweighs the ‘Pacific’

India is the only reason the Quad remains a partnership, falling short of becoming a formal, military alliance; the other members of the Quad, US, Japan and Australia, are already military allies.

This is not unusual. India has always been wary of formal military alliances, and for most of its independent history strictly followed a policy of non-alignment – after all, India was one of the founders of the Non-Aligned Movement at the 1955 Bandung Conference.

Today, while India’s non-alignment policy remains mostly intact, it is adapting to the changing realities of a multi-polar world. There remain three chief reasons why India would not be open to a military alliance with the Quad, or any other such grouping in the Indo-Pacific:

- India is unlikely to make any serious military commitments, especially along the lines of the US’s other formal NATO and MNNA, which may call for collective security agreements or military commitments in times of armed conflicts. Such commitments run counter to India’s priorities that are rooted in developmental issues and economic growth, both of which may be impacted negatively in times of armed conflict.
- Another sticking point is Pakistan, a MNNA and a major recipient of US military aid, which has been in constant conflict with India. Any serious altercation between India and Pakistan – two nuclear armed states that have already fought four wars and re-

gularly engage in skirmishes at the India-Pakistan border – would place the US between a rock and a hard place. The Quad is also unlikely to take sides in a possible India-Pakistan conflict, given that it also remains outside of the boundaries of the Indo-Pacific.

- Yet another stumbling block is Russia, which has historically been India’s most important military partner. Even in the five-year period of 2016-2020, Russia remained the largest arms supplier to India, accounting for 49% of total Indian arms imports; in the same time period, the US was only India’s fourth-largest arms supplier, behind Russia, France and Israel (SIPRI, 2020). Russia has always been a thorn in the flesh for the US, and also recently suspended diplomatic ties with NATO, the US’s most significant military alliance. New Delhi would want to ensure that its dealings with the Quad do not negatively impact its military relationship with Russia.

At the end of the day, India’s most pressing security priorities do not lie in the Indo-Pacific. They lie instead on India’s land border with China and Pakistan, and also in the maritime theatre in the Arabian Sea. India’s land borders to the north are of little to no interest to the other Quad members – however, another country in South Asia, Afghanistan, remains of mutual interest, specifically for India and the US.

India’s priorities in the Indo-Pacific are rather different from the other Quad members. The ‘Indo’ in Indo-Pacific refers to the Indian Ocean, which has always been amongst India’s top security and economic priorities. This includes the Arabian Sea and the Bay of Bengal, which are India’s most important sea lines of communication, critical for maritime trade and of paramount importance for the Indian Navy. The other members of the Quad, however, remain more concerned about the Central and Eastern Indo-Pacific, which include the South China Sea and the Pacific Ocean, where China has become more audacious.

As Shivshankar Menon, India’s former foreign secretary and national security adviser, exclaims, “the Indo-Pacific is not the answer to India’s continental security issues, of which there are many, and which are not shared by any of the other members of the Quad (the United States, Australia, and Japan). A free and open Indo-Pacific is a noble goal, but it will not be achieved so long as the different geographies, security

issues, and solutions in the Indian Ocean, the seas near China and the western Pacific are not recognised.”

Although the Quad is not the answer to India's national security issues, it nonetheless remains significant and provides India a joint platform with the US, Australia and Japan to shape (or re-shape) the Indo-Pacific to suit their own interests, all while keeping intact a security dialogue without the drawbacks, or the advantages, of a formal military alliance.

The Quad is also vastly different from AUKUS, a fact that benefits all parties involved. Australia, the UK and US can take full advantage of AUKUS by deepening their military alliance – which would simply not be possible within the Quad, given India's reticence. At the same time, the Quad member countries can continue to engage in naval exercises that are independent of the Quad, without impacting the grouping's functioning.

Despite some reservations, the Quad is of great consequence to India. It can provide a long-term strategy to deter China in the region, especially given that Chinese strategy has been more about economic (rather than security) encirclement. Through the Quad, India can have more impact in shaping the global order and restraining China. At the same time, the Quad keeps the door open for India for close defense cooperation without resorting to a security alliance.

Besides, India's chief national priorities remain developmental and economic in nature, and as Menon notes, the “task of India's foreign policy is to protect and secure India's integrity, citizens, values and assets, and to enable the development and transformation of India into a modern nation in which every Indian can achieve his or her full potential (Shivshankar Menon, 2020).” Menon argues that India has a long way to go, and that the development of a strong, prosperous and modern India precedes that of becoming a great power. In this view, it would certainly benefit the Quad to have a broad, economic agenda. This was at display at the September 24 summit, where technology, supply chains, infrastructure, and free trade remained amongst the top priorities that were discussed.

In the medium to long term, India would benefit most from the Quad if it manages to prioritize economic collaboration over security

issues. Technology transfers, further integration of supply chains, joint infrastructure projects to improve regional connectivity, and potential trade agreements between Quad members (particularly between India-Australia and India-US) would go a long way in securing India's economic and strategic interests.

Already, New Delhi has taken some steps in this direction: a new, Indo-Pacific division was established within India's Ministry of External Affairs (MEA) in April 2019, which deals with "matters relating to the Indo-Pacific, India-ASEAN relations, East Asia Summit, Indian Ocean Rim Association (IORA), Asia-Europe Meeting (ASEM), Mekong-Ganga Cooperation (MGC) and Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS)." The focus of the MEA's Indo-Pacific division remains primarily economic, and it brings to light India's more pressing economic priorities that don't necessarily concern the Quad, including its dip in manufacturing, especially in the automobile sector, even as logistics within the country and the immediate neighbourhood remains one of the main bottlenecks.

Challenges for the Quad and the Indo-Pacific construct

As the Quad, within the larger context of the Indo-Pacific, attempts to re-order the region to promote a "free, open, rules-based order, rooted in international law and undaunted by coercion, to bolster security and prosperity in the Indo-Pacific and beyond," there remain certain hurdles, all of which have to do with the one country that the grouping claims it is not directly targeting: China. There are also certain structural, or conceptual, issues that constrain the Quad, given its diverse membership and competing interests. Three main bottlenecks currently exist:

1. Lack of joint economic initiatives and consensus: Although the Quad aims to follow through with economic initiatives that exclude China (even if they do not explicitly 'counter' China), it would be unable to do so without a certain level of consensus. India has significant roadblocks with the US that deal with intellectual property, import tariffs, and a host of disagreements in agricultural products, ranging from non-tariff barriers in the

dairy sector (whereby milk products have to be derived from cows “fed a vegetarian diet for its entire life”) to retaliatory tariffs on US walnuts, apples and cashews. Would the Quad members be able to set aside their bilateral differences in order to come up with serious, joint economic initiatives that can truly counter China's ambitious projects such as the BRI, or even developmental initiatives like the AIIB? At least in the short term, this seems unlikely.

2. Indispensable bilateral ties with China: The Quad's members may have more mutual interests than differences within the grouping, but it could be argued that each of them has an equally significant (or perhaps even more significant) bilateral relationship with China than they do with any other country in the group. The stakes are thus uncomfortably high, which is why India's Prime Minister and Foreign Minister have stated that the Quad is not an anti-China grouping, and that issues with China must be resolved bilaterally. Although the naval exercises between the Quad nations precede the summits, the joint statement stays clear of even mentioning any military or naval collaboration – so as to not provoke China. As discussed previously, China remains the largest trading partner for every single Quad member country, and it would be unwise to hamper such deep economic linkages, especially at times of global economic uncertainty with the Covid pandemic.

3. The challenge of institutionalization: It may still be early days for the Quad, but its relevance in the long term will be determined by the grouping's ability to create institutional mechanisms that can help achieve its objectives. Given the geographic distances that separate the four countries, spanning the length and breadth of the earth's geography, it would require considerable effort from all the member countries to institutionalize the most important aspects of the Quad, particularly in terms of economic collaboration. Annual meetings at the level of heads of government are a good start, but these will need to be supplemented by a fully-functional secretariat, regular communication and meetings of companies, educational institutions, think tanks, security agencies, and also increased people-to-people contact – all of which will need to go beyond the existing bilateral ex-

changes between Quad members. The Quad Fellowship, a pilot program that will provide graduate fellowships to 100 students in science, technology, engineering, and mathematics (STEM) is a welcome move, and should be supplemented by more initiatives that promote institutional collaboration.

In addition to the above-mentioned issues, the Quad members continue to grapple with certain questions that are unlikely to find answers anytime soon: most importantly, the Quad is *not* a military alliance, which means that any real military confrontations with China will be dealt with bilaterally, and not as a group. India's present clashes with China at the Sino-Indian border are a case in point, as is Japan's sovereign dispute with China at the Diaoyu/Senkaku Islands in the East China Sea.

The future of the Quad and India's place in it

Despite its challenges, the Quad can become an important force to re-order the geopolitics and geoeconomics of the Indo-Pacific. But to do so, it must undergo one vital transformation:

- Since the Quad is not a military alliance – given India's reluctance and the group's differing priorities in the Indian and Pacific Oceans – this leaves the grouping with one main objective: to counter China's *economic* clout in the Asia-Pacific region. But how is a *security* dialogue supposed to counter China's *economic* influence, be it the BRI initiative, or re-ordering of regional value chains? Would the Quad be able to address these economic issues, and help its member countries (and the larger Indo-Pacific region) decouple, even minimally, from China? All this can only happen if the Quad realigns its objectives to focus on economic, rather than security, issues in the Indo-Pacific. Only then can the group come up with its own mega initiatives that can counter, or at least run parallel, to China's BRI and AIIB. Even this would be a challenging task, and would take at least a decade of economic collaboration. In order to counter China economically, it may also benefit the Quad to expand its membership to include others like Vietnam, South Korea or even France.

Even if the Quad is to refocus its attention on economic issues, this would have little impact unless India changes its decades-old mindset on trade agreements and economic openness. Menon succinctly summarizes India's predicament with regards to its disadvantages in the global trade arena, stating that "India's well-being is affected much more by global factors than is reflected in India's thinking." In light of India's deficiencies with regards to global competitiveness, especially vis-à-vis China, regional trade agreements become even more vital in improving its external profile and becoming more competitive.

The next step would be for India to join mega-trade deals such as the Trans-Pacific Partnership (TPP), Asia-Pacific Economic Cooperation (APEC) or the Regional Comprehensive Economic Partnership (RCEP), all of which it remains reluctant to engage with. As a paper published by the Peterson Institute for International Economics notes, "India could experience huge export gains of more than \$500 billion per year (a 60 percent increase, more than any other country) from joining an expanded TPP (Bergsten, 2015)." It would be a miscalculation on New Delhi's part to be completely absent in both the TPP and RCEP, as it would put Indian exporters at a massive disadvantage against the Chinese and even South East Asian exporters such as Vietnam. For example, Vietnam's total exports surpassed India's in 2020, albeit by a small margin. Companies like Apple and Samsung, as well as suppliers like Foxconn and Wistron, are shoring up their investments in Vietnam, while India lags behind.

India's recent willingness to push forward with a trade agreement with Australia is a welcome sign. Yet, India's absence from all the mega-trade deals, including the TPP, APEC and RCEP, may make all the difference in the long-run. India should sit on the negotiation table and try to strike a deal favorable to its national interests, rather than simply exit the room. As the saying goes, "if you're not on the table, you're on the menu." Besides, India's absence from these groupings most benefit one country – China.

In conclusion: How will China respond?

The public response to the surprise announcement of AUKUS in September 2021 was one of incredulity: how can the US sideline its fellow Quad members India and Japan and share nuclear-powered submarine technology with Australia alone? The move also had immediate consequences for France, a NATO ally, whose US\$37 billion deal with Australia for diesel-powered submarines fell through as a result of AUKUS.

While it may seem like AUKUS and the Quad may have competing interests, the formation of AUKUS may actually be the best thing to happen to the US and their allies in the Indo-Pacific.

This gives the Quad an opportunity to bring economy to the center of its Indo-Pacific strategy, while AUKUS remains a strong, military alliance. Yet, we must remember that AUKUS is still at least a decade or two away from delivering on its military objective of delivering nuclear-powered submarines to Australia.

The bifurcation of the Quad as the economic counterweight to China in the Indo-Pacific, and AUKUS as the military counterweight, would be most beneficial to India. For India to become a future global power, it must first attend to matters at home. India still lags behind in most developmental indicators, with a large percentage of the population still living in poverty. While India may aspire to play in the big leagues with the Quad, the government in New Delhi remains preoccupied with domestic factors, not to mention the sheer socio-economic impact of Covid, which has brought India's GDP per capita down to US\$ 2,100 in 2021, the same as Mauritania in Africa. New Delhi's focus for the next few years is likely to be on economic growth rather than military partnerships, including addressing bottlenecks in domestic logistics and connectivity, economic regulations, job creation and poverty alleviation; how well the Indian economy performs domestically will determine how much influence India can have globally.

The story of the Quad, the US, India and their partners in the Indo-Pacific would be incomplete without looking at the other side, namely, the Chinese point of view.

Much of the future of the Indo-Pacific is likely to be determined even more so by the Chinese response to the Quad, AUKUS and any other maneuvers that seem intent on countering a rising China. Will China continue its wolf-warrior diplomacy, which was on full display during the Covid pandemic as Chinese officials discarded their usual low-profile and opted instead to confront and denounce any criticism of China? Will China try to counter the Quad by expanding its own initiatives like the BRI?

'Unrestricted Warfare: Two Air Force Senior Colonels on Scenarios for War and the Operational Art in an Era of Globalization,' the 1999 book by two Chinese colonels, Qiao Liang and Wang Xiangsui, may provide some answers. The book suggests that China should avoid a direct military confrontation with the US and instead take on the country on multiple fronts, including political warfare, economic warfare and 'lawfare' (using legal measures). More than two decades have passed since Qiao and Wang's book, and it seems like China has heeded their advice to a large extent.

Besides the dominance in global trade and regional supply chains, China has also cornered the global market in other equally important areas such as tourism (whereby China has become the world's largest spender on global tourism) and luxury goods – according to the consultancy firm Bain, China is set to become the world's largest luxury market by 2025. Chinese supply chains remain so vital to manufacturers that a survey conducted by the German Chamber of Commerce in China found "96 percent of the surveyed companies stating that they had no plans to leave China, while 72 percent planned further investment in such sectors as facilities, machinery, and research and development in 2021. (Global Times, 2021.)" As if to further cement its place in regional trade, China announced in September 2021 that it intends to re-join the TPP. This economic dominion in the Asia-Pacific has proven to be China's biggest advantage, one that the Quad will be unable to wrest away from Beijing anytime soon.

As a recent RAND Corporation report titled 'U.S. Versus Chinese Powers of Persuasion' succinctly notes, "across the Indo-Pacific region, China has more economic influence and the United States has more diplomatic and military sway, but partners generally value economic development over security concerns." It would thus be incumbent upon

the Quad to re-calibrate its focus to economic, rather than security, issues in the Indo-Pacific if it intends to re-order the region in its favour.

NOTES

1. Calculations of historical GDP tend to be complicated and come with certain caveats. Historical data for India refers to the erstwhile territory of the Indian sub-continent, including India, Pakistan, Bangladesh and Sri Lanka, while historical data for China includes present-day China, Taiwan and Hong Kong. The current 2020 data and 2050 projections include only the Republic of India and the People's Republic of China. Additionally, historical and 2020 GDP are measured in purchasing power parity terms, while projections for 2050 are in nominal USD. The source for historical data is the Angus Maddison project, for 2020 data is the International Monetary Fund, and the Asian Development Bank for 2050 projections.

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ABSTRACT

The resurgence of Asia in the 21st century, particularly China’s ascendance and India’s growth story, has made the Indo-Pacific the principal theatre of geopolitical and geoeconomic action. The sizeable gap between India and China has also created a power vacuum in Asia, which has been filled partially by the US along with its partners, most notably by the Quad, which includes the US, India, Japan and Australia. The Quad remains a partnership – rather than a formal, military alliance – but it must tread carefully so as to not antagonize China, which remains the largest trading partner for every single Quad member country. While the Quad is of strategic importance to India, the country’s top priorities lie outside of the Indo-Pacific: on the Indo-Pakistan and Sino-Indian land borders, the maritime channels in the Arabian Sea, and most importantly, domestic economic growth and developmental issues related to job creation, poverty and human development. Nevertheless, the Quad provides India a platform to maintain a strategic dialogue and craft a long-term strategy to deter China’s advances in the Indo-Pacific. The Quad faces some significant challenges, most notably, the lack of joint economic initiatives and consensus that can counter China’s Belt and Road and other programs, each Quad member country’s indispensable economic ties with China, and the long-term challenge of institutional mechanisms that can help the grouping re-order the rules of the Indo-Pacific.

It remains imperative for the Quad to realign its objectives to focus on economic – rather than security or military – issues in the Indo-Pacific, if it is to counter China’s growing economic clout in the region. Another grouping, the AUKUS (the Australia-UK-US alliance), which is

anchored in military collaboration, may provide an answer for the US and its allies in the Indo-Pacific: it gives the Quad an opportunity to re-calibrate its *raison d'être* from a security dialogue to an economic and strategic body that can more effectively match China's influence in the region. This would in fact be most beneficial to India, which could take advantage of the Quad's economic initiatives to boost domestic economic growth; after all, how well the Indian economy performs domestically will determine how much influence India can have globally. Yet, as much as the US and its partners attempt to re-order the power structures of the Indo-Pacific, the future of the region may still be determined more by China's response to the Quad and AUKUS.

RESUMEN

El resurgimiento de Asia en el siglo XXI, particularmente a partir del ascenso de China y el crecimiento de la India, ha convertido al Indo-Pacífico en el principal escenario de acción geopolítica y geoeconómica. La considerable brecha entre India y China también ha creado un vacío de poder en Asia, que ha sido llenado parcialmente por EE. UU. en conjunto con sus socios estratégicos, sobre todo a partir del Quad, que incluye a EE. UU., India, Japón y Australia. El Quad sigue siendo más una asociación, que una alianza militar formal, pero debe actuar con cuidado para no antagonizar con China, que sigue siendo el mayor socio comercial de todos los países miembros del Quad. Si bien el Quad es de importancia estratégica para la India, las principales prioridades del país se encuentran fuera del Indo-Pacífico: en las fronteras terrestres India-Pakistán y China-India, los canales marítimos en el Mar Árabe y, lo más importante, el crecimiento económico interno y cuestiones de desarrollo relacionadas con la creación de empleo, la pobreza y el desarrollo humano. Sin embargo, el Quad proporciona a India una plataforma para mantener un diálogo estratégico y diseñar una estrategia a largo plazo para disuadir los avances de China en el Indo-Pacífico. El Quad enfrenta algunos desafíos importantes, en particular, la falta de iniciativas económicas conjuntas y consenso que puedan contrarrestar estrategia de la Franja y la Ruta de China y otros programas, los vínculos económicos indispensables de cada país miembro del Quad con China, y el desafío a largo plazo de los mecanismos institucionales que pueden ayudar a dicha alianza a reordenar las reglas del Indo-Pacífico.

Sigue siendo imperativo que el Quad realinee sus objetivos para centrarse en los problemas económicos, en lugar de los de seguridad o militares, en el Indo-Pacífico, si quiere contrarrestar la creciente influencia económica de China en la región. Otro grupo, el AUKUS (la alianza establecida entre Australia-Reino Unido-EE. UU.), que se basa en la colaboración militar, puede proporcionar una respuesta para EE. UU. y sus aliados en el Indo-Pacífico: le da al Quad la oportunidad de recalibrar su razón de ser de un diálogo de seguridad a un organismo económico y estratégico que pueda igualar de manera más efectiva la influencia de China en la región. De hecho, esto sería muy beneficioso para la India, que podría aprovechar las iniciativas económicas del Quad para impulsar el crecimiento económico nacional; después de todo, qué tan bien se desempeñe la economía india a nivel nacional determinará cuánta influencia puede tener India a nivel mundial. Sin embargo, por mucho que EE.UU. y sus socios intenten reordenar las estructuras de poder del Indo-Pacífico, el futuro de la región aún puede estar más determinado por la respuesta de China al Quad y AUKUS.

RESUMO

O ressurgimento da Ásia no século XXI, particularmente com a ascensão da China e o crescimento da Índia, fez do Indo-Pacífico a principal arena para a ação geopolítica e geoeconômica. A notável brecha entre a Índia e a China também criou um vácuo de poder na Ásia, que foi parcialmente preenchido pelos Estados Unidos, conjuntamente com seus parceiros estratégicos, especialmente a partir do Quad, que inclui os Estados Unidos, a Índia, o Japão e a Austrália. O Quad é mais uma parceria do que uma aliança militar formal, mas deve agir com cuidado para não antagonizar com a China, que continua sendo o maior parceiro comercial de todos os países membros do Quad. Embora o Quad seja de importância estratégica para a Índia, as principais prioridades do país estão fora do Indo-Pacífico: nas fronteiras terrestres da Índia-Paquistão e China-Índia, nos canais marítimos no Mar Árabe e, mais importante, no crescimento econômico interno e nas questões de desenvolvimento relacionadas com a pobreza e desenvolvimento humano e com a criação de empregos. No entanto, o Quad fornece à Índia uma plataforma para manter um diálogo estratégico e para elaborar uma estratégia de longo prazo para deter os avanços da

China no Indo-Pacífico. O Quad enfrenta alguns desafios significativos, tais como, a falta de iniciativas econômicas conjuntas e de consenso que possam contrabalançar com a estratégia do Cinturão e Rota da China dentre outros programas; os laços econômicos indispensáveis de cada país membro do Quad com a China e o desafio a longo prazo de que mecanismos institucionais possam fazer com que essa aliança reorganize as regras do Indo-Pacífico.

Continua a ser imperativo para o Quad realinhar seus objetivos para focar nos problemas econômicos, em lugar das questões de segurança ou militares, no Indo-Pacífico, se quiser conter a crescente influência econômica da China na região. Outro grupo, o AUKUS (a aliança formada entre Austrália-Reino Unido-EUA), que se baseia na colaboração militar, pode fornecer uma resposta aos Estados Unidos e seus aliados no Indo-Pacífico: proporciona ao Quad a oportunidade de reavaliar a razão de ser de um diálogo de segurança a um órgão econômico e estratégico que possa igualar de forma mais eficaz a influência da China na região. Na verdade, isso seria muito benéfico para a Índia, que poderia aproveitar as iniciativas econômicas do Quad para impulsionar seu crescimento econômico nacional; afinal, o desempenho da economia indiana no mercado interno determinará quanta influência a Índia pode chegar a ter globalmente. No entanto, por mais que os Estados Unidos e seus parceiros tentem reordenar as estruturas de poder do Indo-Pacífico, o futuro da região pode depender mais das respostas da China ao Quad e ao AUKUS.