



Governance in the Indo-Pacific Region

Opportunities for US-India Cooperation

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The Indo-Pacific region encompasses a vast and diverse area that stretches from the shores of the Indian Ocean to the West Coast of the United States. It is home to almost half of the world's population and is a key focus of global politics and economics. However, this region also faces a range of governance challenges that have implications for regional stability and global security. Both the United States and India are committed to a strong, stable, and prosperous Indo-Pacific region. Yet despite this shared vision, the US and India have historically engaged the region without mutual coordination. The purpose of this short paper is to explore what prevents deeper US-India regional cooperation, identify what can be gained from a more coordinated engagement, and suggest a structure of engagement in which India leads with US support.

A HISTORY OF DIVERGENT INTERESTS

The United States and India have historically not shared common interests in the Indo-Pacific region. During the Cold War, US strategy in the region was squarely focused on containing the spread of Communism. To this end, the US led efforts to create the Southeast Asia Treaty Organization (SEATO, formed in 1954), which brought together regional allies including Pakistan, the Philippines, and Thailand, as well as other Western powers like the United Kingdom and Australia. India was not included. SEATO ultimately dissolved following the Vietnam War. And although it was not a founding member, the US was also a driving force in promoting the Association of Southeast Asian Nations (ASEAN, formed in 1967), which is today the preeminent regional governing body in the region. Again, India was not involved.

India's regional interests during the Cold War were fundamentally different from those of the United States. As the leading country in the nonaligned movement, India sought to work with both the West and the Communist powers. Instead of focusing on containment, India sought to ensure its own security in the region. Apart from a handful of halting efforts at multilateral regional leadership following its independence in 1947, India has largely favored bilateral engagement in the region.¹ This is due in part to India's problematic proximity to Pakistan. Consider India's participation in perhaps its most prominent regional governance structure, the South Asian Association for Regional Cooperation (SAARC). SAARC ostensibly brings eight countries together to promote peace and prosperity but has repeatedly struggled to address terrorism between member states. The last scheduled SAARC summit was supposed to have taken place in Pakistan in 2016, but several countries boycotted it following an attack by a Pakistani terrorist organization on an Indian army outpost in Jammu and Kashmir.

Today, the US and India share similar outlooks for the region. Both countries are concerned about China's growing power and influence. China has long sought to extend its reach across Central Asia and the Indo-Pacific, but has become particularly aggressive in recent years. China has initiated a number of border clashes with India and has pushed for pro-China governments in several countries that have historically been in India's sphere of influence, including Nepal, the Maldives, and Sri Lanka. Also, both the US and India are committed to reducing the specter of terrorism. India worked closely with the US in fighting the Taliban and on rebuilding Afghanistan. India rightly took a skeptical view of US efforts to negotiate with the Taliban and suffered considerably from the withdrawal of US troops from Afghanistan.

Both the US and India ultimately want a free and open Indo-Pacific region. Such a vision needs to be approached in a coordinated manner. The US does not have the regional relationships or local resources that India enjoys in Central Asia and the Indo-Pacific. This disparity has only grown following the US withdrawal from Afghanistan and the US commitments made following the Russian invasion of Ukraine. At the same time, India does not have the technology and resources that the US and its allies can bring to the table. Simply put, the US and India stand to gain from a shared approach to governance in the Indo-Pacific region.

A PATH FORWARD

The relationship between the US and India is bigger than the Indo-Pacific. Bilateral trade between the two countries in 2021 stood at \$154 billion. The US is home to India's largest diaspora community, and US citizens routinely visit and live in India. There are also sensitive areas in the relationship, as the US has historically resisted providing advanced weapons to India while India has dragged its feet on condemning the Russian invasion of Ukraine. Both countries have also expressed concerns over one another's domestic

politics, including the rise of nationalism in both countries and the resultant threats to civil liberties.

These broader dynamics of the relationship undoubtedly color US and Indian cooperation in Central Asia and the Indo-Pacific, but should not limit what can be achieved. Instead, there are two specific sore points that could constrain US-India regional cooperation. First, the US needs to adjust its position on Pakistan. Pakistan poses an existential threat to India. The US has historically sought to balance India and Pakistan against one another. History has shown the error in this balancing approach: Pakistan has supported the Taliban and continues to harbor terrorist organizations while also championing Chinese and Russian interests. The Pakistani military—which de facto runs the country—has demonstrated time and again that it prefers a constant state of regional instability. As long as the US supports Pakistan, India will be suspicious of US regional engagement.

Second, the US will achieve more in the region by supporting India as a regional leader. In recent years, US leaders have suggested that the two countries should work as equal partners on a range of regional issues. The US should also approach India as an equal partner on some nonregional problems, such as energy and climate change, but India has demonstrated its ability to lead in the region in recent years.

Consider India's response to Sri Lanka's default on its sovereign debt in April 2022. This default triggered a humanitarian crisis, leading to unnecessary suffering as well as political turmoil.² In its role as the regional leader, India quickly sought to stabilize the situation by extending multibillion dollar credit facilities in addition to sending emergency humanitarian assistance to Sri Lanka. By September, the International Monetary Fund (IMF) reached a staff-level agreement to provide a \$2.9 billion package to support Sri Lanka's economic recovery, pending the country's ability to secure debt restructuring with its creditors.³ The expectation was that Sri Lanka would quickly reach an agreement with its major bilateral creditors: the Paris Club (led by Japan), China, and India.⁴ As of December 2022, China has unfortunately not yet agreed to a debt restructuring, delaying Sri Lanka's recovery.

Apart from Sri Lanka, several countries in the Indo-Pacific region and Central Asia face looming economic crises. Many others simply want to chart a course for economic development that does not run through Beijing. The US and India should work together to provide viable alternative paths to prosperity for countries in the region. This can be achieved in the short term by coordinating aid and stabilization efforts in countries like Sri Lanka and by offering alternative economic approaches that check China's economic influence in countries like Bangladesh, Myanmar, and Nepal. But unlike previous eras, the US does not need to lead these efforts. Not only has India demonstrated its leadership, but following the US's failure to ratify the Trans-Pacific Partnership and its current bipartisan disposition against trade and investment deals, the smart approach to regional economic engagement may be one led by India with US support.⁵ For

its part, India seems more willing than ever before to engage in trade negotiations (most notably with the UAE, the UK, and Australia), but it is not presently pursuing any regional agreements.

The US should also strengthen Indian capabilities so that India can play a leading regional role on security matters. If India becomes a reliable regional security leader in Central and South Asia, the benefits to the US would be manifest. The US could reduce its resource spend in these regions, allowing it to focus on other hotspots. To position India as a regional security leader, the US should consider developing intelligence-sharing protocols and joint training and exchanges, and it should perhaps even consider providing military aid. To this end, as India transitions from legacy Russian military equipment, it should adopt weapons systems that are sourced from the US and its allies.

RESETTING THE RELATIONSHIP

After decades of conflicting agendas, the US and India need to recognize a common vision for the future of the Indo-Pacific. Both countries would gain by working together to create a regional governance structure centered around India. But it is worth recognizing that due to these historical differences, US-India relations in the Indo-Pacific have been marked by suspicion and distrust. To this day, legacy voices in both countries' foreign policy establishments warn their leaders about the other country's "true" intentions. These critiques need to be countered by like-minded organizations in both the US and India, working together to bring a spirit of cooperation to these relations. Through such activities, a strong, stable, and prosperous future for the Indo-Pacific region is attainable.

NOTES

1. India's founders were initially keen to position the country as a regional power in Asian affairs. In April 1947, the leaders of soon-to-be-independent India convened the Asian Relations Conference in Delhi, bringing together representatives from across Asia. In its early years, India also participated in the Colombo Plan for Cooperative Economic and Social Development in Asia and the Pacific (started in the 1950s), as well as several other regional conferences and dialogues. India ultimately shifted its foreign policy positioning from seeking regional leadership toward the nonaligned movement during the Cold War.
2. On the causes of Sri Lanka's debt crisis, please see Dinsha Mistree and Sumit Ganguly, "How Sri Lanka's Debt Crisis Has Been Decades in the Making," *South China Morning Post*, April 6, 2022, <https://www.scmp.com/comment/opinion/article/3173030/how-sri-lankas-economic-crisis-has-been-decades-making>.
3. "IMF Staff Reaches Staff-Level Agreement on an Extended Fund Facility Arrangement with Sri Lanka," International Monetary Fund, September 1, 2022, press release, <https://www.imf.org/en/News/Articles/2022/09/01/pr22295-imf-reaches-staff-level-agreement-on-an-extended-fund-facility-arrangement-with-sri-lanka>.
4. Umesh Moramudali and Thilina Panduwawala, "Demystifying China's Role in Sri Lanka's Debt Restructuring," *The Diplomat*, December 20, 2022, <https://thediplomat.com/2022/12/demystifying-chinas-role-in-sri-lankas-debt-restructuring>.

5. The US recently launched the Indo-Pacific Economic Framework (IPEF), which brings several countries together to work through various economic matters from corruption and taxation to clean energy and decarbonization. One of the pillars of the IPEF is a focus on fair and resilient trade, but the Biden administration has made it clear that negotiations over this pillar would not involve market access. If the US is not interested in leading a regional trade bloc, it should at least support any efforts by India to do so.



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