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Indo-Pacific Oceans Initiative (IPOI): Trade, Connectivity and Maritime Transport *Suggested Action Plans*

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Indo-Pacific Oceans Initiative (IPOI): Trade, Connectivity and Maritime Transport *Suggested Action Plans*[#]

Prabir De^{*}

Abstract

Indo-Pacific is a multipolar region with geographical coverage in the Indian and the Pacific oceans. Indo-Pacific participating countries strongly believe in a region that is free, open and inclusive, and one that is founded upon a cooperative and collaborative rules-based order. India occupies a prominent position in the Indian Ocean in terms of geographical, cultural and civilisational linkages. To strengthen the Indo-Pacific partnership, India has introduced the Indo-Pacific Oceans Initiative (IPOI) in 2019. Indo-Pacific participating countries recognise that maritime connectivity is a prime catalyst for international trade competitiveness and economic growth. Tariff is no longer the prime barrier to international trade. Non-tariff issues such as missing links in inter-country transportation and variation in domestic regulations have a direct impact on trade in the Indo-Pacific. An inefficient port or shipping line can affect the price of traded products in the same way as high tariff does. Domestic regulations in the transportation sector also strongly affect the trade in goods and services. Indo-Pacific countries face many “common” challenges in the maritime transport sector. This article presents an overview of the seventh pillar of Indo-Pacific Oceans’ Initiative (IPOI), discusses the immediate challenges and outlines an action plan to scale up the IPOI activities in the short to medium run.

Keywords: Indo-Pacific, India, Trade, Connectivity, IPOI, Maritime transport

JEL codes: F02, F5

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1. Introduction

The Indo-Pacific is a multipolar region with geographical coverage in the Indian and the Pacific oceans. India occupies a prominent position in the Indian Ocean in terms of geographical, cultural and civilisational linkages. Indo-Pacific participating countries strongly believe in a region that is free, open and inclusive, and one that is founded upon a cooperative and collaborative rules-based order. At the UNSC High-Level Open Debate on 9 August 2021, Indian Prime Minister Narendra Modi underlined the five principles as a global roadmap of maritime security cooperation.¹ Maritime trade and maritime security go hand in hand. Both are essential components of the Indo-Pacific initiative. At the same time, better efficiency in maritime transport may boost competitiveness and stimulate economic growth in emerging markets in Indo-Pacific.

To strengthen the Indo-Pacific partnership, India has introduced the country's Indo-Pacific vision by announcing the Indo-Pacific Oceans' Initiative (IPOI) in November 2019.² Several other nations and regional blocs such as the European Union (EU) and Association of South East Asian Nations (ASEAN) have gradually introduced their respective Indo-Pacific visions and/or work plans with latest being the African nation Kenya. ASEAN and India also issued a joint statement on AOPI in October 2021 (ASEAN, 2021). Facilitation of maritime trade and transportation is found to be one of the key pillars in all Indo-Pacific visions.

Indo-Pacific participating countries recognise that maritime connectivity is a prime catalyst for international trade competitiveness and economic growth. For example, the strength of maritime trade acts as a stimulus to the growth of the countries. Better efficiency in maritime transport may boost competitiveness and stimulate economic growth in Indo-Pacific.³ To strengthen the maritime connectivity in the Indian Ocean, Prime Minister Narendra Modi has envisioned the concept of SAGAR – “Security and Growth for All in the Region”.⁴ SAGAR in a way signifies India's engagement in the Indian Ocean to ensure peace, stability and prosperity. Therefore, enhanced understanding of the strategic importance of maritime transport for trade and development is important. However, contrary to popular belief, maritime transport occupies a relatively small part of conventional regional integration analysis.

Tariff is no longer the prime barrier to international trade. Non-tariff issues such as missing links in inter-country transportation and variation in domestic regulations have a direct impact on trade in the Indo-Pacific. An inefficient port or shipping line can affect the price of traded products in the same way as high tariff does (De, 2009; Munim and Schramm, 2018).

On the other hand, domestic regulations in the transportation sector also strongly affect the trade in goods and services. For example, port regulations and stevedoring vary across countries in the Indo-Pacific. While the rise of maritime trade triggers the growth of

the countries and vice-versa, variations in trade flows and resource endowments between countries increase maritime costs. Legal and regulatory issues also adversely impact on maritime connectivity in Indo-Pacific.⁵ Indo-Pacific countries face many “common” challenges in the maritime transport sector. In the context of the above, this chapter attempts to identify a set of recommendations for enhanced maritime transport cooperation in the Indo-Pacific.

There is a growing consensus in understanding the geographical scope and economic and strategic approaches towards Indo-Pacific. The perspective of Indo-Pacific is to ensure safe and secure maritime space through an inclusive and multilateral approach among participating countries while ascertaining the ASEAN centrality and to support the rules-based international order and regional stability. India’s vision for the Indo-Pacific includes securing end-to-end supply chains in the region, no disproportionate dependence on a single country, and ensuring prosperity for all stakeholder nations. Being the centre of gravity of economic growth, Indo-Pacific could drive the world towards sustainable and resilient recovery from the current crisis.

This article presents an overview of the seventh pillar of Indo-Pacific Oceans’ Initiative (IPOI), namely, Trade, Connectivity and Maritime Transport, discusses the immediate challenges and outlines an action plan to scale up the IPOI activities in the short to medium run.

2. Trade profile

The Indo-Pacific contributes more than half of the world’s GDP and population and has huge natural resources and potential for new economic opportunities. Nearly 65 per cent of world trade is from Indo-Pacific participating countries, thus indicating strong interdependence in trade and can potentially strength of economic integration in the region. For instance, Indo-Pacific countries’ global exports and imports were about US\$ 11.76 trillion (47.43 per cent) and US\$ 11.98 trillion (49.27 per cent), respectively, in 2019 (see Appendix 1). Due to the number of bilateral and multilateral free trade agreements (FTAs) among Indo-Pacific countries (about 50 per cent of FTAs signed by Indo-Pacific countries among WTO members), tariffs have come down for most of the products traded, which then has facilitated the rise in trade. The intra-regional merchandise trade in Indo-Pacific stands at 70 per cent (about US\$ 7 trillion) in 2019. The most traded merchandise products within the Indo-Pacific region include machinery and transport equipment, automobiles, garments, digital and office equipment, mineral fuels, lubricants, chemical and related products. Services are an increasingly important part of the Indo-Pacific region, wherein trade in services plays an important role in integrating Indo-Pacific in the areas of Industry 4.0, tourism, education, transportation, financial services, among others.

Table 1: India's Exports to and Imports from Indo-Pacific

Year	Exports to Indo-Pacific	Imports from Indo-Pacific	Share of India's Export to Indo-Pacific in World	Share of India's Import from Indo-Pacific in World
	(US\$ Billion)		(%)	
2000	23.61	18.14	55.6	36.1
2010	134.55	191.12	60.4	54.5
2019	198.48	271.59	61.1	56.6

Source: Calculated by author based on DOTS, IMF Database

The trade liberalisation that started in the early 1990s ushered in three decades of steady reduction in tariffs and regulations. In 2019, India's merchandise export and import with the Indo-Pacific region were about US\$ 198 billion and US\$ 272 billion, respectively (Table 1). In the same year, about 61 per cent of India's global export and 57 per cent of India global import were conducted with the Indo-Pacific region, thereby showing India's high dependence on the region for international trade purposes. Light manufacturing, textiles and clothing sector are the primary competitive sectors of India.

Services sector has emerged as one of the growth drivers of the Indian economy. Within Indo-Pacific, India is known for its IT prowess and a leading exporter in technology-enabled modern services. India is one of major commercial services providers in the world, having comparative advantages in export of computer and information services and other business services (that include a wide range of information-intensive services). India's export in services such as travel, communication services, and personal, cultural, and related services have been rising, showing further scope of trade exchange in the Indo-Pacific region. However, with newer developments such as scientific invention like Covid-19 vaccines, logistics services become pivotal in meeting the growing demand and supply response.

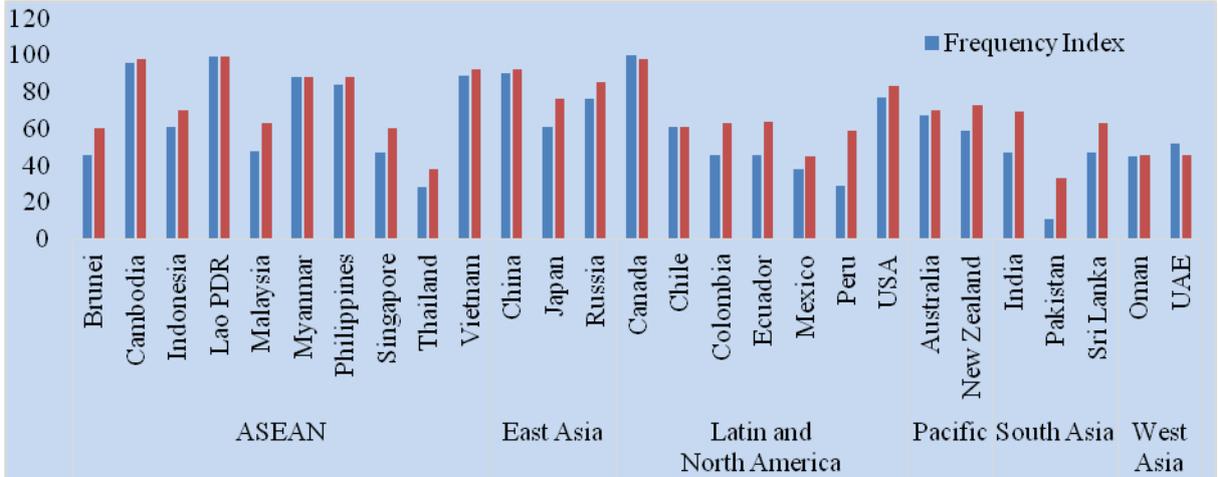
Today, global value chains in Indo-Pacific require greater resilience and efficiencies in the flow of goods between and within countries. Here comes the scope of collaboration with Japan in securing faster and best logistics services, which may trigger new types of growth strategies for the entire region. India has substantial intra-Sectoral level trade in P&Cs with Indo-Pacific in electrical equipment, industrial machines, automobiles, power generating machines and telecommunications. India also has high potential in some of the sectors which are interdependent with the services sector such as ICT, R&D, pharmaceuticals, etc. Besides, there are huge business opportunities for SMEs and Start-ups in the post-Covid-19, particularly, in digital connectivity, e-commerce, cross-border delivery services, logistics business, etc. Indo-Pacific countries have strong interdependence in trade and it is the key strength of economic growth in the region.

It is imperative that the Indo-Pacific countries invest more in post-Covid-19 recovery phase, particularly in health and other physical infrastructures. To enhance the trade and value chains, the Indo-Pacific countries could aim for a regional investment framework. A regional investment framework would facilitate regional coordination as also exploit economies of scale. It will motivate countries for harmonising the investment regime and streamlining and simplifying the procedures for investment applications and approvals (Kumarasamy and De, 2019).

2.1 Trade barriers and trade facilitation

Non-tariff measures (NTMs) are one of the key trade barriers in Indo-Pacific - both technical and non-technical measures (such as SPS, TBT, anti-dumping duties, quotas, restriction of movement of professionals and others). This is highly apparent during the current Covid-19 period, when many countries have notified several NTMs related to the Covid-19 protocols to maintain health, hygienic and quality standards. Figure 1 suggests high incidence of NTMs in Indo-Pacific.

Figure 1: High Incidence of NTMs in the Indo-Pacific in 2020



Note: Incidence of NTM is computed based on the Frequency Index (FI), which describes percentage share of number of products exported that are affected by NTMs imposed by importing countries. In other words, FI accounts only for the presence or absence of an NTM and summarises the percentage of products to which one or more NTMs are applied.

Source: Author’s own calculation

There is an urgent need for harmonisation or consolidation of trade agreements and facilitation of rules-based favourable and sustainable business and trade environments in order to ease out regulatory bottlenecks and promote regional and global value chain linkages in the Indo-Pacific. Therefore, given the trade interdependencies of the Indo-Pacific countries,

strengthening the 7th pillar of the IPOI can entail the needed stimulus to support sustainable growth and prosperity. Here, collaboration for mutual recognition of standards; developing testing facilities for health and food safety; raising people's awareness; and further promoting mutual communication and connectivity with global institutions will bring needed resilience on standards and quality control as well as ease the burden of NTMs.

Major trade facilitation issues today are simplifications of trade procedures, interoperability and synchronisation of digital interfaces, etc. To facilitate digital trade, India has initiated several digital trade facilitation initiatives which have effectively improved the trade facilitation process. At the same time, countries have adopted the paperless / contact-less trade in coping with the ongoing pandemic. Many of the Indo-Pacific countries have introduced Single Window (customs) systems.

To facilitate trade in Indo-Pacific, reinforcing the Trade Facilitation Agreement (TFA) of the WTO is the best hope. The TFA aims to improve transparency, increase possibilities to participate in global value chains, and reduce the scope of corruption. It also sets out measures for effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues. As on date, nearly 36 Indo-Pacific countries have ratified the WTO TFA. Globally, the signing of the Customs Convention on the International Transport of Goods under Cover of TIR Carnets (TIR Convention, 1975) is a positive step towards the elimination of some NTBs and simplifying procedures. India is one of the Indo-Pacific countries, which has ratified TIR.

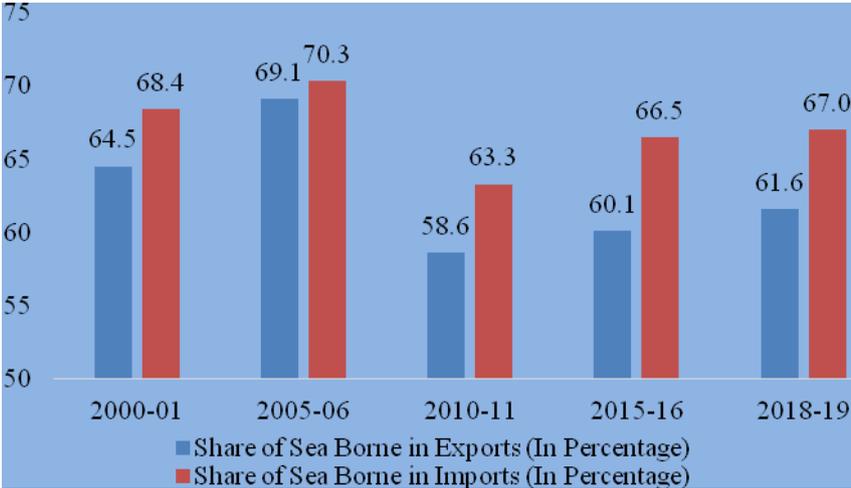
The Covid-19 outbreak has forced the producers of goods and services to move towards digitalisation of business operations. In particular, digitalising the supply chain would help achieve business resilience against supply chain disruptions amidst Covid-19 outbreak (De, 2021). Besides, the IT-enabled services will make the trade procedures simple, and help firms to avoid delay in export time and reduce trade costs associated with cumbersome administrative procedures. Digital technology in the trade facilitation measures would strengthen the supply chains.

To mitigate the supply shocks and rebound strongly in post-Covid 19, Japan has initiated the Supply Chain Resilience Initiative (SCRI), a trilateral approach to trade, partnering with India and Australia. The SCRI is set to reshape the geographical contour of the cross-border production networks in the region and would help in diversifying the supply risks across nations instead of being dependent on one or few countries (De, 2021). This would create a new wave of industrialisation, where MNCs look for sustainable value chains across the region. Indo-Pacific region can leverage the emerging scenario and support each other to build new and resilient supply chains.

3. Maritime connectivity

Share of sea-borne trade in country's total trade is high and growing. Sea-borne exports and imports contribute about 62 per cent and 67 per cent of India's total exports and India's total import, respectively (Figure 2). Access to port and quality of port infrastructure are some important factors contributing to developing country's rise in international trade and to improve a region's connectivity.⁶ Studies show the scope for potential strength of economic integration across the Indo-Pacific region, and indicate that the Indo-Pacific could become a powerful bloc if the South and Southeast Asia could be linked through stronger connectivity, particularly developing maritime linkages and improved trade facilitation and other networks that would reduce trade costs, which are a necessary step in order to realise the trade potential of the Indo-Pacific.⁷

Figure 2: Share of Sea-Borne Trade in Total Foreign Trade in India (%)



Source: Author's own calculation based on *Basic Ports Statistics*, various issues

While world's best performing ports are in Asia, Asia also leads in construction of new ports and terminals. Identifying these challenges in advance and corresponding mitigating strategies would be the correct step forward in adding further momentum to the Indo-Pacific integration. A way of classifying the challenges of maritime transportation from the supply side is to divide them into five groups: (a) ports, shipping and logistics; (b) regulatory barriers, (c) supply chain; (d) human resource; and (e) investment. Given these challenges, a set of maritime transportation proposals below may strengthen the Indo-Pacific partnership.

3.1 Value of direct maritime connectivity

Volume of maritime trade is a crucial building block for greater economic integration in the Indo-Pacific. About 80 percent of global trade by volume and more than 70 per cent by value are managed by sea-bound trade across the world, thereby demonstrating the importance of the maritime sector to international trade. Asia has become the driver of world maritime trade till the recent COVID-19 outbreak. Sea-bound trade in Asian countries will hold a share of about 50 per cent (i.e. 11.33 billion tonnes) in 2019, followed by Europe, North America and Latin American countries.⁸ Therefore, the importance of direct maritime linkages is crucial for Indo-Pacific maritime connectivity. For example, China having the highest number of trading partners with zero transshipment (including its top 15 trading partners), compared to Singapore and Hong Kong, is ranked as the number one maritime connected country in the world.⁹ Direct maritime connectivity reduces the costs of transportation and time. Some high impact cooperation areas could be explored are short-sea shipping, cruise shipping, inland waterways, to mention a few.

Table 2: Indo-Pacific Shipping Indicators

Country	Country LSCI	Number of services	Number of Country calls	Number of operators	Ship capacity (TEU)	Deployed annual capacity (TEU)	Number of direct calls
Australia	37.23	49	46	28	10,622	70,12,238	37
France	77.43	78	73	33	23,964	2,02,57,192	80
India	57.21	96	89	44	14,000	1,76,39,963	55
Indonesia	34.93	111	106	36	6,910	96,30,971	17
Japan	87.49	203	206	59	23,656	2,04,77,147	47
United States	103.83	198	179	61	23,656	4,20,64,326	104

Data refers to the year 2020

Source: Author’s own based on MDS Transmodal, the UK

3.2 Reducing disparity in maritime infrastructure

Containerised trade infrastructure including ports and shipping networks is important for participation in regional and global value chains. Indo-Pacific participating countries had a share of 70.5 per cent (572.3 million TEUs in 2019) in global container throughput.¹⁰ East Asia and Southeast Asian countries had covered about 50 percent of container traffic in 2019.¹¹ China alone contributes over one fourth of the world’s total container traffic. Next

comes the USA and Singapore. More developed regional economies – such as Singapore, the UAE, Malaysia, Australia and South Africa – have better ports than less developed economies, particularly in Africa. Notwithstanding China’s phenomenal rise in containerised trade, the gap between China and the rest of the other Indo-Pacific participating countries is quite high and also growing.

Table 2 clearly highlights the shipping strengths of select Indo-Pacific countries as of 2020. India’s strength in shipping is commensurate with its long coastline, making it truly a maritime nation. However, both India and Indonesia require scaling up ship capacity and the number of shipping operators. Indonesia, in particular, requires adding more direct calls which would lead to improving the country’s liner shipping connectivity index (LSCI) and corresponding global rank. Therefore, narrowing the maritime infrastructure gap in the Indo-Pacific has high merit and will have lasting and more critical effect on the regional economies.

3.3 Deepening liner shipping network

Since trade is largely carried through the ocean, stronger maritime transport cooperation will lead to strengthening the liner shipping networks, both within and between countries in the Indo-Pacific. Liner shipping connectivity improvement, particularly in developing countries and LDCs should be the priority of Indo-Pacific maritime cooperation. In the Indo-Pacific, there is high scope to improve liner shipping connectivity. Being a maritime zone, an Indo-Pacific-wide regional initiative to develop and improve liner shipping connectivity, involving operators, regulators, and shippers would be extremely beneficial in terms of promoting more liner services, lowering transportation costs, and enhancing connectivity.

At the same time, container ship size has been increasing globally. About 52 per cent of the merchant fleets are under the control of Indo-Pacific countries as of 2020.¹² However, most of the merchant fleets are registered in the small island countries such as Panama, Liberia, Marshall Islands, Hong Kong and Singapore due to the advantage of lower taxes and hassle free registration in these countries. Getting back the business in Indo-Pacific may require setting up a favourable environment for registration of merchant fleets.

3.4 Development of port facilities

Seven out of the largest 10 container ports in the world are in China. Some of the major ASEAN ports such as Singapore Port, Port Klang and Tanjung Pelepas in Malaysia, Laem Chabang, Thailand, Ho Chi Minh City Port, Vietnam are within 35 rank globally. The principal port in South Asia is Colombo (ranked 24th in the world). The largest container ports in India are on the west coast (Jawaharlal Nehru Port and Mundra port). Among the deep-sea ports in Asia, only a few are located in the Indian Ocean Region (IOR) and the majority are

located in China and South Korea. This also calls for new investments in the port sector in the Indo-Pacific in order to accommodate bigger vessels and also in strengthening backend connectivity with the hinterland.¹³ Several Indo-Pacific participating countries are currently building new port facilities, and some are either under construction or in the planning stage. India has taken an ambitious port development project called Sagarmala. Sagarmala project offers important lessons on developing new ports which are environment friendly (Green Port), financing models and multi-modal transportation.

3.5 Implementing digital maritime programme

Indo-Pacific countries exchange large amounts of data, particularly between North America and Asia. The massive data exchanges are carried through submarine cables across the globe. As of early 2019, there are approximately 378 submarine cables in service around the world.¹⁴ Indo-Pacific region should provide special attention to manage the choke points such as the Strait of Malacca between Malaysia, Singapore and Indonesia; the Strait of Luzon between Chinese Taipei and the Philippines; and the South China Sea. Greater cooperation among cable operators, content developers, industry associations, private sector, etc. may help designing a regional programme to protect the digital infrastructure, sharing information among service providers and governments, conduct training and capacity building, etc.

Table 3: Largest Container Ship Operators, 2021

Rank	Operator	Number of Ships	TEU (000's)	Share (%)
1	Maersk	708	4121.78	16.9
2	Mediterranean shipping corporation (MSC)	589	3920.78	16.1
3	CMAA CGM Group	557	3049.74	12.5
4	COSCO Group	498	3007.41	12.3
5	Hapag-Lloyd	256	1789.39	7.3
6	Ocean Network Express	221	1600.53	6.6
7	Evergreen Line	202	1345.53	5.5
8	HMM Company Ltd	75	752.6	3.1
9	Yang Ming Marine Transport Corporation	89	628.46	2.6
10	Zim	95	409.81	1.7
Total			24,571.68	100

Note: based on capacity on offer

Source: Alphaliner. <https://alphaliner.axsmarine.com/PublicTop100/>

Port and shipping services or the maritime transport quality can significantly benefit from digitalization. Digitalization and new developments in Artificial Intelligence, Blockchain, the Internet of things and automation are of increasing relevance to maritime transport. They help optimize existing processes, create new business opportunities and transform supply chains and the geography of trade. Digitalization in maritime transport offers new business opportunities in the Indo-Pacific. Development of information and communication technology will be essential to reach a regional convergence of port community systems. Indo-Pacific countries may convene a global conference on investment opportunities in port sector digitalization.

3.6 Strengthening competition and supply chain networks

The global market is highly concentrated with a few major players, as shown in Table 3. Top five shipping lines together share a staggering 65 percent of container shipping operations in 2021. The skewed distribution of container ship operators is a matter of concern. Although disproportionate trade across the countries has led to rise of concentration of container transportation, it may cause several risks: first, generate inefficiency when there is excess capacity; second, rise in shortage of containers and shipping rates, which pose severe threat to supply chain networks; and third, put a halt to product (or services) differentiation. To encourage competition, Indo-Pacific countries may consider regulatory reforms and set up a forum of competition authorities of Indo-Pacific countries. While higher competition may encourage more enterprises joining the business, particularly from developing parts of the Indo-Pacific such as India, this may also promote the supply chain resilience in the region.

3.7 Climate change adaptation and sustainability

Indo-Pacific participating countries should collaborate to promote green shipping and development of green ports, including through GHG emission reduction and work to help improve understanding of issues at the interface of maritime transport and the climate change challenges. Special emphasis should be placed on climate change adaptation and the need to enhance the climate-resilience of transport systems. To meet this objective, Indo-Pacific participating countries may organize a policy dialogue to generate new ideas in climate change adaptation of maritime transportation in the Indo-Pacific.

3.8. Enhanced trade facilitation for maritime transportation

Indo-Pacific participating countries may undertake Enhanced Trade Facilitation for Maritime Transportation in Indo-Pacific (ETFMT-IP). The ETFMT-IP can aim for, among others, (a) simplification and harmonization of maritime trade procedures; (b) designing and implementing common trading standards; (c) application of digital technology to marine logistics chain; (d) promoting the use of new technologies to facilitate transport and logistics

in the region by sharing experience, developing knowledge products, including transport facilitation tools, and undertaking pilot demonstrations; and (e) training and capacity building programmes in the maritime transportation and logistics.

Performance monitoring of Indo-Pacific ports will add immense value in designing an appropriate regional policy for development of ports and shipping. Besides, the ETFMT-IP will lead to integrated port community systems with their respective integrated customs management systems within and between countries. Indo-pacific participating countries can facilitate ETFMT-IP by promoting national collaborative platforms such as single windows, port community systems or national trade facilitation committees. A network of national trade facilitation authorities of Indo-Pacific participating countries could be a good start.

Box 1: Suggested Action Plan

- Value of direct maritime connectivity
- Reducing disparity in maritime infrastructure
- Deepening liner shipping network
- Development of port facilities
- Implementing digital maritime programme
- Strengthening competition and supply chain networks
- Climate change adaptation and sustainability
- Enhanced trade facilitation for maritime transportation
- Gains from institutional cooperation
- Partnering with Japan in maritime connectivity
- Coordination with regional bodies
- Need of a regional comprehensive maritime transport policy

3.9 Gains from institutional cooperation

There are several ways to strengthen institutional cooperation. First, in order to move ahead with the enhanced programmes on maritime transportation, Indo-Pacific participating countries may establish an intergovernmental group of experts on maritime transportation to support participating countries in planning and operationalization of international transport and maritime corridors in the Indo-Pacific and beyond. Second, Indo-Pacific participating countries may introduce new academic courses on maritime transportation or maritime economics. India may offer a Masters programme on maritime economics / management at the Indian Maritime University (IMU) in partnership with similar organisations in other Indo-Pacific countries. Third, to cope up with the unfolding challenges in the port sector, Indo-

Pacific participating countries may consider organising the first ever Indo-Pacific Ports Conclave in 2022-23.

An Indo-Pacific Forum of Ports may be set up which would then facilitate sharing of information, promote training and capacity building programmes and exchange of best practices in post-COVID-19 period. Similarly, a regional maritime fund for promotion of maritime connectivity in the Indo-Pacific will facilitate implementation of regional projects.

3.10 Partnering with Japan in maritime connectivity

Japan's connectivity initiatives are well known for quality infrastructure investment.¹⁵ India-Japan collaboration can offer support to the enhanced maritime connectivity, which may help to lower logistic costs and increase trade in the Indo-Pacific region. Japan with its capabilities on ship building with over 1000 shipyards domestically, can offer technological support for ship building. Maritime transportation in India may get the desired technological fillip with Japan's participation in IPOI. India and Japan may join hands to build maritime infrastructure in third countries.

3.11 Coordination with regional bodies

For coordinated improvements of maritime connectivity, Indo-Pacific countries can connect with regional programmes having impacts on maritime trade and integration such as the ASEAN (Master Plan of ASEAN Connectivity), BIMSTEC (BIMSTEC Master Plan of Transport Connectivity), the EU (TEN-T), etc.

3.12 Need of a regional comprehensive maritime transport policy

In view of scaling up the maritime activities, Indo-Pacific participating countries could aim for a regional policy framework in maritime transport, which will facilitate simplification of maritime trade procedures and reforms, sourcing and sharing best practices, and regional coordination, leading to promote maritime transportation across the region. It may also provide a mechanism for knowledge-sharing and policy dialogue around good practices. Standardized and harmonized data reporting, dissemination and statistical framework is required for regional cooperation in maritime transportation including short sea shipping and/or coastal shipping. In this context, BIMSTEC offers important lessons for regional maritime cooperation. Negotiation of BIMSTEC maritime cooperation agreement, which earlier used to be known as BIMSTEC coastal shipping agreement, has been concluded and all participating countries have agreed to liberalise the cabotage in the region.

4. Concluding remarks

The Indo-Pacific region contributes more than half of the world's GDP and population and has huge natural resources and potential for new economic opportunities. Nearly 65 percent of world trade is from Indo-Pacific participating countries, thus indicating strong interdependence in trade and has a potential strength of economic integration in the Indo-Pacific. About 68 per cent of India's sea-borne exports to and about 51 percent India's sea-borne imports are from Indo-Pacific countries, respectively, therefore indicating high dependence on the Indo-Pacific region in trade. Access to port and quality of port infrastructure are some important factors contributing to developing countries' rise in international trade and to improve a region's connectivity. While tariff is no longer the prime barrier to international trade, non-tariff issues such as missing links in inter-country transportation and variation in domestic regulations have a direct impact on trade in the Indo-Pacific. An inefficient port or shipping line can affect the price of traded products in the same way a high tariff does. On the other hand, domestic regulations in the transportation sector also strongly affect the trade in goods and services. In essence, a regional comprehensive maritime transport policy in Indo-Pacific can add to the economic dynamism in the Indo-Pacific.

Focus should on cooperation other than liberalisation, and allow the IPOI to be "Project-driven". India must strengthen maritime transport linkages with ASEAN, South Asia and Island nations in India Ocean and Pacific. Engaging private sector in IPOI may generate high dividends. Some of the areas where Indian private sector leads in the region are ship building, port development, AEOs, shipping lines, etc. India and Japan partnership can drive the IPOI 7th Pillar, but it requires "anchor" project(s) to start with.

Endnotes

1. Refer, Indian Prime Minister's speech at PM's remarks at the UNSC High-Level Open Debate on "Enhancing Maritime Security: A Case for International Cooperation", available at https://www.pmindia.gov.in/en/news_updates/pms-remarks-at-the-uns-c-high-level-open-debate-on-enhancing-maritime-security-a-case-for-international-cooperation/?comment=disable&tag_term=pmspeech
2. The IPOI focuses on seven pillars: (i) Maritime Security; (ii) Maritime Ecology; (iii) Maritime Resources; (iv) Capacity Building and Resource Sharing; (v) Disaster Risk Reduction and Management; (vi) Science, Technology and Academic Cooperation; and (viii) Trade, Connectivity and Maritime Transport.
3. Refer, *Indo-Pacific Report 2019* (NMF, 2019).

4. Refer Prime Minister's speech delivered during his Mauritius visit in March 2015, available at https://www.pmindia.gov.in/en/news_updates/text-of-the-pms-remarks-on-the-commissioning-of-coast-ship-barracuda
5. Refer, ADB (2019)
6. Refer, for example, Munim and Schramm (2018)
7. Refer, Rahman *et al.* (2020) investigate the potential economic effect of Indo-Pacific regional economic cooperation and compares with the extended CPTPP. Using the Computable General Equilibrium (CGE) modelling, authors have shown that the quadrilateral alliance between the US, Japan, Australia, and India along with South and Southeast Asia would lead to substantial economic gain.
8. Refer, AIC-RIS (2021)
9. Refer, Saeed and Cullinane (2021)
10. Refer, AIC-RIS (2021)
11. *ibid*
12. *ibid*
13. In a recent paper, Wignaraja *et al.* (2021) have argued that success in the new operating environment requires Commonwealth countries to build resilience by improving the quality of seaport infrastructure, logistics and transport networks, enhancing trade openness and trade facilitation, addressing maritime security threats and increasing the environmental sustainability of shipping operations. These are equally valid for Indo-Pacific countries. Also refer, De (2019, 2020)
14. Refer, for example, *Indo-Pacific Report* (NMF, 2019)
15. Refer, for example, Yanagida (2021)

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Appendix 1: Major Indicators of Indo-Pacific, 2019

Indicators	Indo-Pacific	Share in World (%)
Land area (million sq. km)	74.23	58.29
Population (billion)	5.24	68.28
GDP (current US\$ trillion)	60.19	68.63
Merchandise exports (US\$ trillion)	11.76	47.43
Merchandise imports (US\$ trillion)	11.98	49.27
Total merchandise trade (US\$ trillion)	23.74	48.27
Intra-regional trade (US\$ trillion)	6.81	69.65

Note: ASEAN: Brunei Darussalam, Cambodia, Lao PDR, Myanmar, Malaysia, Indonesia, Singapore, Thailand, Vietnam, Philippines; South Asia: India, Sri Lanka, Pakistan, Bangladesh, Maldives; Latin America: Colombia, Chile, Ecuador, Peru; North America: Canada, Mexico, United States; North-East Asia: China, Japan, South Korea, Russian Federation; Pacific: Australia, New Zealand, Papua New Guinea, Fiji; West Asia: Iran, Islamic Rep., UAE, Yemen, Rep., Oman; Africa: Kenya, Somalia, Tanzania, Madagascar, Mozambique, South Africa, Mauritius, Comoros, Seychelles; European Union: France

Source: Calculated based on the World Development Indicators, the World Bank

About AIC

Considering the work of the ASEAN-India Eminent Persons Group (AIEPG), and its Report with recommendations for forging a closer partnership for peace, progress and shared prosperity, the Heads of the State/Government of ASEAN and India at the ASEAN-India Commemorative Summit 2012, held at New Delhi on 19-20 December 2012, recommended the establishment of ASEAN-India Centre (AIC), which was formally inaugurated by the External Affairs Minister of India on 21 June 2013 at RIS. AIC serves as a resource centre for ASEAN Member States and India to fill the knowledge gaps that currently limit the opportunities for cooperation. AIC is working with the Indo-Pacific Division of the Ministry of External Affairs (MEA), Government of India to undertake and disseminate evidence-based policy research and provide policy recommendations.

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