

Opportunities from India-Pacific Islands Cooperation

By Biman Chand Prasad

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Traditionally, the Pacific Islands' economic and political relationships have been inextricably linked to traditional partners, the United Kingdom, Australia, New Zealand and the United States of America, and to a lesser extent, Japan. More recently, the majority of the Pacific Island Countries (PICs), led by Fiji, have been expanding their ties with China, Indonesia, Malaysia, South Korea and Singapore. The PICs are also increasingly looking beyond the Asian region to establish diplomatic links. Equally noteworthy, non-traditional countries like Russia, and some from the Middle East, like the United Arab Emirates, have established ties with Fiji, which recently opened its diplomatic mission in Abu Dhabi.

The Pacific Island Countries and Territories put together a land area of only 553,959 sq km, but an ocean expanse of more than 33 million sq km. Naturally, they represent a large resource in fisheries. The largest country, Papua New Guinea, is slightly larger than Japan. It is extremely resource rich in minerals and liquefied natural gas. The smallest countries such as Nauru, Tokelau and Tuvalu have a land mass of less than 27 km, but vast maritime zones.

Recent Trends in PICs Engagement with Asia

Amongst the new partners for PICs, China is the most prominent. China's integration in the Pacific has been rapid. It has now replaced New Zealand as a major source of imports for PICs. For some PICs, China is also proving to be a very good export market. Apart from direct trade, China provides concessional infrastructure loans to many in the Pacific Islands. Funding of the Confucius Centre at the University of the South Pacific campus in Fiji is an example of the creation of cultural inroads. Japan, concerned about China's deeper Pacific engagement, is increasing its contribution through aid projects, especially in the area of ICT and human security.

The Pacific Plan, which was conceived by the Pacific Island Leaders Forum, aims to achieve economic integration amongst PICs and some

countries beyond the region. PICs are well represented in international organisations, especially in the area of trade, climate change and other United Nations issues. The Pacific region, for example, has six WTO members (Fiji, Papua New Guinea, Samoa, Solomon Islands, Tonga and Vanuatu). Put together, these six countries represent the largest volume of international trade in the region. These countries will lead the region in the search for new export markets and new sources of imports.

While Australia and New Zealand continue to engage deeply with PICs, the US, over the last decade, has disengaged with the region. It has expanded its diplomatic efforts only recently. This was in evidence at the South Pacific Forum Island Leaders meeting in August in Rarotonga, Cook Islands, where the US Secretary of State Hillary Clinton was present and met regional leaders.

India's Strategic and Economic Interests

The India-Pacific island relationship is expected to become important on the back of Australia and New Zealand's stronger shift towards ASEAN and South Asia. Australia, for example, in a white paper, announced plans to engage comprehensively with India, including promoting the teaching of Hindi. The large Indian Diaspora and Fijian-Indian Diaspora in Australia will provide the added advantage for India to not only engage its trade and investment relationship with Australia, but also to find a much easier conduit to the Pacific Islands.

Unlike China, Korea and other ASEAN countries, India has somewhat ignored its strategic economic and political interests in the Pacific Islands. Given its long established relationship with Fiji due to the presence of large Indian Diaspora in the country, India did not use the opportunity to engage with other Pacific Islands. The 1987 military coup in Fiji soured the relationship with India. In the aftermath of the coup, India took a strong diplomatic position against the discrimination and systematic abuse of the local Indian population by the Fiji military.

The Fijian government retaliated and forced the closure of the Indian mission in 1989. It re-opened after 10 years in 1999. Fiji never established a diplomatic mission in India until 2003. India's strained relations with Fiji since 1987 can be said to be partly responsible for its lack of interest and presence in the wider Pacific region.

India's trade with the PICs is still low, but there is a lot of potential for growth. PICs generally show a higher dependence on trade as their export and import to GDP ratios are higher. They generally have very open economies, reflected in lower tariff rates, mostly in the six WTO members. India's trade share in PICs is very low, and is generally concentrated in

Fiji and Papua New Guinea.

The new global imperatives, the emergence of India as a fast growing economy and its increasing global influence provides both India and the PICs the opportunity to engage more deeply in trade and investment. It is also possible for India to increase its aid to the Pacific in the technical, educational, scientific and physical infrastructure sectors. PICs should note that India's import from PICs is higher than its exports. While the bulk of Indian imports from PICs are small (gold, copper ores, timber, copra, marine products, coffee, vanilla and cocoa), there is always potential of more exports to India. Most of the Indian imports are from PNG. Fiji, unfortunately, has not looked at India as a market for its exports. A study by Australia New Zealand Banking Group (ANZ) shows that Fiji's trade complimentary index ranking is the lowest in the region, but with India, the score was 26.2 on a range of 0 to 100. There is a bigger matching of Fiji's exports with India's imports. Therefore, Fiji has a greater potential to increase its exports to India. In 2010, Australia accounted for 23.1 percent of all Fijian exports; New Zealand accounted 6.5 percent, and India only 0.3 percent. Fiji is in a position to improve connectivity to ASEAN and to India. Air Pacific (Fiji Airways) should explore the possibility of opening up the Fiji-Singapore route as this will open better possibilities for trade with ASEAN and India.

India's Opportunities in Future

While PICs are small in terms of land area and population, they are sovereign nations with a voice in international organisations such as the Commonwealth, United Nations and other International forums. India's global ambitions and role means it cannot ignore any region in any part of the world. Unfortunately, India has ignored the Pacific region and has not had a strategic vision to engage with the region. While it is a dialogue partner of the Pacific Island Leaders Forum, it has not articulated its role in a constructive manner, unlike China, Japan, Korea and even Indonesia. India's engagement remains both limited and aloof.

There are many areas where India can cooperate and engage with the Pacific. There are opportunities for enhancing trade. PICs are constantly looking for better, cheaper consumer goods, and India does have a comparative advantage in supplying them. India should not look at the Pacific as a small market. Instead, it should look at the Pacific, including Australia and New Zealand, and consider a combined population of more than 30 million which it can exploit for its export opportunities. Indian companies manufacturing in Fiji can have bigger export markets in Australia and New Zealand.

India should consider the PIC as a strategic region with huge amounts of

fisheries resources and minerals, in addition to the UN votes that they command. It therefore should provide PICs with duty free access to most of their products, especially those which create value addition from agriculture and natural resources. These would help PICs to create industries based on their agriculture and natural resources for their development. India can assist in meaningful ways and promote goodwill by passing on its expertise in cottage industries to the region, especially in coconut products.

In addition, India should become a donor to the PICs. Currently, its development assistance is insufficient, mainly concentrated around education, training and capacity building programmes. India should expand its aid contribution in the areas of health, education and agriculture. In addition, India has successfully developed environmentally friendly technology for agriculture and energy and could support the Pacific Island countries in this area. India is probably one of the few developing countries which produce a large range of pharmaceutical products and generic drugs, which many PICs need and could import from India. Most of the Pacific island countries, especially bigger ones like Papua New Guinea, Fiji, Solomon Islands and Vanuatu, lack human resource capacity in providing better health facilities.

Fiji is the hub of the Pacific and provides an important link to most of the PICs. If one considers the size of diplomatic missions of major countries such as US, Australia and China in Fiji, India's diplomatic presence and influence pales in comparison. If India is serious about engaging with the Pacific and is serious about helping the Pacific region, then it has to re-think its strategy and vision for the Pacific by enhancing its diplomatic capacity in the region, starting with Fiji.

The Pacific Islands, while small as a region, carry considerable clout. It is actively engaged with the international community, is an important trading partner, has natural and mineral resources and can be a market for imports. PICs have open economies. They are well aware of the benefits of integrating with the world in terms of trade. They also understand the 'Asian Century' benefits and will look for countries that are responsive and willing to support them. So far, for most PICs, India is off the radar. However, the renewed focus of Australia on India as a strategic partner impels India and the PICs to develop and enhance diplomatic, trade and investment ties with each other. India has an opportunity which it should seize, and it should do so by developing a mechanism to engage collectively with PICs and a Pacific Islands-India Summit held in India, would be a good starting point.

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