



How to Engage India in the Indo-Pacific *Converting ARIA and BUILD into Actions*

India's regional cooperation initiatives in the Indo-Pacific region are built on the need for people-to-people connectivity. U.S. investment interest needs to move beyond defence strategising and increase its focus on trade and physical infrastructure development. Given this backdrop, this Policy Note argues that ARIA and BUILD acts of the United States of America contain provisions to facilitate such investments in order to reach the US\$500bn U.S.-India bilateral trade target.

Emerging Investment Needs of India

The trans-regional economic corridors of South and Southeast Asia are imperative to the calculus on U.S.-India economic relations. The reasons are simple.

First is about economic growth. U.S. recognises that India is a critical link in the proposed Indo-Pacific economic corridor. This corridor will connect the Indian and the Pacific Oceans through the South and the Southeast Asian maritime initiatives such as the Sagarmala programme and the ASEAN (Association of Southeast Asian Nations) Maritime Economic Corridor along with various other multi-modal initiatives.

Second is historical evidence. History indicates that Britain's architectural role in the Indo-Pacific region waned dramatically in the 20th century, when Asia rose as an accretion of compact emerging economies. With increasing independence of South and Southeast Asian economies from America's historic role as a regional stabiliser, it would suit the U.S. well to take charge again in the region by moving beyond defence strategising and increasing its focus on trade and physical infrastructure development.

The '[Asia Reassurance Initiative Act of 2018](#)' (ARIA) combined with the '[Better Utilization of Investments Leading to Development Act of 2018](#)' (BUILD) indicate America's latest attempt to re-assert its presence in the Indo-Pacific region. Interestingly, ARIA and BUILD are closely aligned with [India's verbatim](#) of 'advancing a free, open, and inclusive Indo-Pacific region'.

Hence, ARIA and BUILD might ideally contribute to [India's attempts](#) of moving 'towards promoting physical infrastructure for connectivity within and beyond home'.

Enhancing Indo-Pacific connectivity through India would require sustainable investment interventions under strategic themes.

Physical Connectivity

Land connectivity is India's premier agenda for enhancing the Indo-Pacific economic corridor. India shares diverse infrastructures for cross-border trade with its neighbours – Bangladesh, Bhutan, Myanmar and Nepal – such as Border *Haats* (local markets), Integrated Check Posts, Comprehensive Integrated Border Management System, etc.

Such infrastructures for cross-border trade are high on the regional cooperation agenda to enhance people-to-people connectivity, especially for women traders whose trade participation is restricted due to inefficient infrastructures. There exists immense potential for the U.S. government to support such developments in India as evident from the success of the [African Growth and Opportunity Act](#) (AGOA) through the East Africa trade and investment hub.

Another emerging investment area in physical connectivity is inland waterways corridors. India's waterways are being developed to play an inter-linking role between land-locked countries and the littoral Southeast Asian countries.

Development of regional waterway corridors among South and Southeast Asian countries would require strategic security as well as technical assistance. For instance, Baltimore-based Ellicott Dredges has partnered

with the Bangladesh Inland Water Authority (BIWTA) for supply of dredging machinery.

Similarly, the Kaladan river, which is a key component of the Kaladan multi-modal transit transport project in Myanmar requires sustainable dredging infrastructure for the waterway route from Sittwe (Myanmar) to Mizoram (India). India's rivers with their complex geographies can benefit from the American expertise in the development of sustainable infrastructure for facilitating trans-boundary inland waterways.

Energy Security

India is increasingly developing a mix of energy options to power its economic growth. Nepal and Bhutan continue to be India's major providers for cross-border hydropower.

India's signing of the Power Trade Agreement with Nepal in 2014 has further strengthened the framework for imports by Indian entities of surplus power generated from future hydroelectric plants in Nepal. India has constructed three hydroelectric projects in Bhutan (Chukha, Kurichhu and Tala) for domestic consumption, which also export surplus power to India.

The U.S. has created substantial momentum in the energy sector in South Asia. The US\$500mn compact signed between the Millennium Challenge Corporation and Nepal to transform Nepal's power sector into a tertiary investment for regional energy grids is a significant development. In addition, India has also benefited from the SARI/EI (South Asia Regional Initiative/Energy Integration) programme which has developed a common template for technical and commercial aspects of power exchange among the South Asian countries.

An alternate cleaner energy source that India is keen on pursuing is Liquefied Natural Gas. Investments close to ₹20,000 crores (approximately US\$2.86bn) are being envisaged, which includes piped natural gas for homes and industrial hubs, and compressed natural gas for automobiles. India is also keen on expanding its LNG pipeline networks to Myanmar through Bangladesh. The Hydrocarbon Vision 2030 for Northeast India has identified increasing gas pipeline capacity to Sittwe (Myanmar) and Parbatipur (Bangladesh).

The U.S. is expected to account for nearly three-quarters of the world LNG export growth between now and 2023. The U.S.-India Strategic Energy Partnership and the U.S.-India Gas Task Force are two progressive initiatives aimed at targeted investments for enhancing Indo-U.S. bilateral trade. GE (General Electric) Power has also successfully established that India serves as a suitable market of a mix of energy options provided by American investments.

As the South Asian countries emerge as distinct economic powerhouses, energy demands for infrastructure development is bound to increase. India is ideally placed, both geographically and economically, to support and buy into its neighbours economic boom.

Public-Private Partnerships

Developing Asia will need to invest US\$26tn from 2016 to 2030, or \$1.7 trillion per year, if the region is to maintain its growth momentum, eradicate poverty, and respond to climate change ([climate-adjusted estimate](#)). Hence, India's focus on developing resilient and sustainable infrastructure projects can draw on the expertise of the U.S.

By October 2019, the Overseas Private Investment Corporation of the United States will be softened into the U.S. International Development Finance Corporation, which will provide the U.S. higher flexibility to support PPP investments in India.

India, similar to its neighbours, is facing the quintessential Hobson's choice – to build infrastructure necessary to achieve the Sustainable Development Goals or to take-on risks accompanying private financing tools. The U.S., in all of its redeeming glory of a free enterprise system, could re-direct its presence in order to advice infrastructure development through public-private partnerships in India.

Re-orienting ARIA and BUILD

India's infrastructure sector alone offers an investment opportunity of US\$250bn a year. Hence, by increasing the current U.S.-India bilateral trade from US\$126bn to US\$500bn by 2025 should just about suffice India's demand for investment financing.

The emerging economies in South and Southeast Asia are growing at a pace far surpassed by the availability of resources. While regional security and defence is a key area of concern for the Indo-Pacific region, the bigger incentive for regional cooperation in South and Southeast Asia lies in trade and infrastructure development.

Hence, despite introducing enterprising initiatives such as the ARIA and the BUILD acts, the U.S. would have to prove its nettle among various other foreign donor entities in India. Most importantly, the U.S. should direct its investments to support India's infrastructure initiatives, which are not merely instruments of regional connectivity but can serve a higher purpose of people-to-people connectivity for the populace of the Indo-Pacific region.

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