



Geopolitical Competition in the Indo-Pacific: Managing Development Cooperation

Ela Nath & Stephan Klingebiel

Summary

This Policy Brief examines the geopoliticisation of development cooperation within the Indo-Pacific region. First, we discuss the emergence of Indo-Pacific strategies and how these intersect with geopolitics and development cooperation amongst traditional development actors such as the United States and the European Union. Second, we examine how these narratives have shaped the development cooperation approaches of China and India, both significant geopolitical actors. Third, we look at how these dynamics have played out in key regions of the Indo-Pacific, especially Southeast Asia, South Asia, and the Pacific Islands. We argue that while geopolitical competition brings opportunity to these regions, this opportunity needs to be strategically managed to deliver positive development outcomes.

Geopolitics has always been a factor in development debates and development cooperation historically, and we should not expect this to change (Power, 2019; Liao & Lee, 2022). In the last decade, this competition has heightened with China's global rise – economically, strategically, and geopolitically. As China became perceived as a potential competitor to traditional global and regional powers such as the United States, the European Union, Japan, or Australia, we saw a rise in strategies to manage, balance, or counter this rise. Consequently, emerging Indo-Pacific frameworks and strategies are shaping and dominating the discourse on global geopolitics, including development cooperation.

As a result of sharp geopolitical competition, development cooperation has become a contested space. China's

powerful rise and the subsequent proliferation of Indo-Pacific strategies to counter this rise are key drivers of this dynamic. While this competition can breed division, between and within countries and regions, it can also give rise to increased multipolarity, partner country agency, and positive competition towards development outcomes.

Competition and the numerous new strategies, resources, and initiatives that come with it, can offer opportunity for partner countries to secure resources and commitment toward their own development agenda. Rather than being “forced” to choose sides, countries and regions can and are using geostrategic competition to their advantage. Competition provides choice, a seat at the table, and opportunities for decision-making. However, taking ownership and direction over these strategies and resources can challenge partner countries and regions. Hedging is one option but carries risks, especially when politics get in the way, and development gains may be subsequently compromised.

While there is a plethora of Indo-Pacific strategies that articulate visions for the region and ways powers should strengthen economic, diplomatic, security, and development ties with the Indo-Pacific countries, Indo-Pacific countries themselves should also have their own strategies, which outline their vision and objectives for engagement with great powers and other actors who seek and vie for their partnership.

1. Introduction: Indo-Pacific – the emergence of a geographical concept

World regions are imagined and constructed. They are based on perceptions, positions, interests and changing contexts. Regions can be determined by geographical features and based on the geopolitical and geo-economic interests of actors. This is also true for a recent term that is increasingly used: the “Indo-Pacific” or the “Indo-Pacific region” (Heiduk & Wacker, 2020).

Japanese Prime Minister Shinzo Abe solidified the term “Indo-Pacific” in contemporary geopolitical discourse during a speech in 2007 in New Delhi, arguing that “Asia-Pacific” failed to recognise and embrace the importance of India. This geopolitical inclusiveness resonated with other leaders and, since then, the Indo-Pacific concept has been increasingly adopted by other governments to frame their regional and global engagements. However, China rejects the Indo-Pacific notion, believing it to be a Western-led strategy to limit Chinese influence.

China’s expanding geopolitical, economic, and investment footprint has resulted in multiple Indo-Pacific strategies, designed implicitly or explicitly to counter this rising influence, partly by including India as a counterweight. These include multi-pronged strategies and approaches from the United States, France, Germany, the Netherlands, the United Kingdom, Japan, Australia, the European Union, the Republic of Korea, India, and Canada, and ASEAN, the Association of Southeast Asian Nations. These strategies frame the relationship with China as competitive, rival and/or collaborative, depending on the sphere of engagement. Indo-Pacific strategies typically emphasise the importance of the region and discuss three dimensions: i) economic aspects in terms of trade and supply chains; ii) security aspects (China’s militarisation of the South China Sea, the long-lasting tense situation between India and Pakistan, etc.); and iii) climate change challenges (mitigation needs in respect to China,

India and other significant CO₂-emitting countries; adaptation needs for other countries of the region).

While development is often perceived as a collaborative space, increasing strategic attention to the Indo-Pacific region has drawn a higher level of geopolitical and economic competition, including in development cooperation.

Therefore, the concept “Indo-Pacific” – like other terms and concepts – is controversial. This paper looks at the geopolitical dimensions of development and development policy. The changing constructions, interests and perceptions are important here. For this reason, we use the term to describe the region for our analytical purposes.

2. Indo-Pacific development cooperation

Development cooperation has been a lever of geopolitical competition and strategy from the post-World War 2 (WW2) period, through the Cold War and into the 21st century. Within the parameters of their Indo-Pacific strategies, the United States and its allies and friends offer several targeted initiatives which promise economic development, investment, trade, democratic solidarity, and regional cooperation to countries in the Indo-Pacific, as an alternative to partnerships with China. Examples include the G7 Partnership for Global Infrastructure and Investment (PGII), announced in June 2022, which provides USD 600 billion over 5 years to support critical infrastructure in similar areas to China’s Belt and Road Initiative. The PGII includes several already existing activities of G7 members such as the EU’s Global Gateway initiative, which aims to target global challenges by mobilising up to EUR 300 billion of investments for quality infrastructure and connectivity projects. Other initiatives offering alternatives to China in the infrastructure space include Australia’s Partnerships for Infrastructure, the United States’ Blue Dot Network, and Japan’s Partnerships for Quality Infrastructure as well as the US-led Indo-Pacific Economic Framework (IPEF) – a thirteen-nation coalition – focused on

connectivity, trade, supply chains, and clean energy.

China and India's approaches

Indian and Chinese development cooperation evolved along a similar path in the post-World War 2 period during which countries emerging from colonialism faced common challenges and sought solidarity and cooperation to address them. Both countries played a critical role in the historic Asian-African conference held in Bandung, Indonesia, in 1955, and the Non-Aligned Movement (NAM), formed in 1961 which laid the foundation for South-South Cooperation (SSC), an approach to development cooperation which embodied different principles to traditional aid, such as equality, mutual solidarity and benefit, and peaceful coexistence.

From about 2000, SSC went from being mostly below the radar of Western donors to being a significant source of resources and influence. This rise corresponded with China's economic ascent and much of the Global South generally, as well as a decrease in the dependence of traditional forms of foreign aid across many countries, particularly in Asia.

China and India's expansion and elaboration of their development narratives, resources, and partnerships have raised the profile of development cooperation as a foreign policy instrument.

China

China views the Indo-Pacific strategies with suspicion and even scorn, and sees them as a challenge to its own interests and security in the region. Its response has been to double down and diversify its development cooperation offerings, bilaterally, regionally, and multilaterally.

China's engagement with the Global South has evolved over the course of the century into a strategic and comprehensive approach with complementary pillars. The Belt and Road Initiative (BRI) has been central to China's economic diplomacy in the Global South and a key feature of partner countries' development objectives. The

BRI's scale (180 countries and institutions) and connectivity make it potentially transformational for partner countries and highly strategic for China's global influence.

Given its ambitious reach and the related consequences of its investments, the BRI has received mixed response internationally. While several partner countries value the investment in essential infrastructure, other countries, especially those that contest China's increasing global reach and influence, view it as a neo-imperialist Chinese strategy. As noted above, the proliferation of Indo-Pacific strategies arguably emerged in response to China's global expansion via the BRI.

Amidst increasing criticism and scrutiny of the BRI (though not necessarily in response to this) China introduced the Global Development Initiative (GDI) in 2021 as its investments in BRI tapered off. For more than a decade, China has sought to communicate a more public development cooperation narrative, articulated through its three white papers (2011, 2014, 2021) and most recently the GDI.

China asserts that the 2030 Agenda is off track, with the GDI laying out and advocating its vision with six accompanying principles (a people-centred approach; development as a priority; benefits for all; innovation-driven development; harmony with nature; and action-oriented approaches), eight priorities (poverty reduction; food security; COVID-19 and vaccines; financing for development; climate change and green development; industrialisation; digital economy; and connectivity), governance arrangements, and actions.

More recently, China has announced two more pillars of its comprehensive global engagement proposition. China introduced the Global Security Initiative (GSI) in 2022. As the third pillar to China's global engagement, the GSI's six peace and security commitments complement the BRI and GDI and offer a type of protection for these investments. On 15 March 2023, China introduced a fourth pillar, the Global Civilization

Initiative, (GCI) which has strong development undertones. “As part of a broader geopolitical package to burnish the PRC’s global governance credentials and address the perceived inadequacies of the prevailing open international order” (Cash, 2022), the BRI, GDI, GSI, and GCI, present a normative direction for China and its partners, promoting an alternative vision and system of global governance, development, and security.

India

Under the leadership of Prime Minister (PM) Modi, India has become more geopolitically assertive. India’s Indo-Pacific Strategy, launched in 2019, envisions a free, open, inclusive, and rules-based Indo-Pacific region. Counterbalancing China’s influence is the main driver of the Strategy, and India deploys its diverse statecraft tools including development, defence, and diplomacy in this effort. India has deepened ties in all these areas with the United States, Australia, and Japan bilaterally, and multilaterally through the Quad security dialogue of all four countries.

India assumed the G20 Presidency in 2023, a role which has elevated India’s development cooperation priorities and development paradigm to international audiences. Like China, India is committed to the 2030 Agenda and its SDGs (Sustainable Development Goals), while India’s “development compact” approach is based on the principle of reciprocity, shared values, and principles. Climate action is a key pillar of India’s G20 agenda and Prime Minister Narendra Modi has underscored India’s commitment to “clean, green, sustainable and reliable energy” and his Lifestyle for Environment (LIFE) initiative which emphasises lifestyle changes to address the climate challenge.

Western powers such as the United States, the United Kingdom, Australia, Germany, and the European Union recognise India as a potential counterweight to China in the Indo-Pacific and consequently actively seek economic, security, and development partnerships with India.

Leveraging development cooperation as a soft power tool, the United States, the United Kingdom, Germany, and Japan are implementing triangular cooperation partnerships with India to bolster and promote India as a partner of choice in Asia, Africa, Latin America, and the Pacific Islands, on issues ranging from disaster resilience to agriculture technology to telemedicine.

3. Regional impacts of geopolitical competition

The expansion of SSC and the sharpening of geopolitics and great power rivalry in the last decade have combined to make development cooperation an increasingly competitive, rather than collaborative space. Development finance in its various forms now forms part of the arsenal of diplomatic levers that competing powers use to extend their geostrategic reach.

This plays out colourfully in the Indo-Pacific region. Below we look more closely at three regions.

Southeast Asia

Southeast Asia is arguably the most contested region amongst the great powers. Competition is stiff as the region is economically and politically critical to China and the United States, but also to other powers such as Japan, India, and Australia. There are a few key factors that shape geopolitical development cooperation in Southeast Asia more than other regions.

- First, while the region is not aid dependent, the demand for infrastructure is high, estimated at approximately USD 200 billion annually till 2030 (PWC, 2017). While Japan has been and remains the largest infrastructure investor, several powers, including Japan, India, and Australia, stepped up their infrastructure investments after China launched its BRI, likely fearing Chinese dominance in the sector. All 10 ASEAN countries have agreements with China under the BRI (Yan, 2018), with Indonesia having the most projects.

- Second, the region's robust regional architecture, ASEAN has been critical in navigating geopolitics. Member states have generally resisted picking sides and have leveraged ASEAN as a platform to discuss regional development cooperation. This concept of ASEAN centrality allows member states to work together towards common development goals. Frameworks and mechanisms such as the Master Plan on ASEAN Connectivity, the ASEAN Coordinating Committee on Micro, Small and Medium Enterprises (ACCMSME), and the ASEAN Committee on Disaster Management ensure that external partners are aligned with ASEAN's development priorities and strategies.
- Third, the region is truly multipolar and countries of the region want to keep it that way. While China assertively promotes its four pillars of political, security, economic and civilisational investment through its GDI, GSI, BRI, and GCI, the United States promotes its IPEF, encourages critical technologies and supply chain diversification to the region (for example, the Apple relocation of manufacturing to Vietnam) and advances "minilateral cooperation" through the Quad. Intense infrastructure competition amongst powers drives up quality, increases choice, and allows Southeast Asia nations to maintain their autonomy and maximise the benefits from diverse partners.

South Asia

Strategic competition in South Asia is different from in Southeast Asia or other regions in that for decades, India has been the dominant power. While India has longstanding political and security tensions with Pakistan, it also has a Neighbourhood First policy focussed on strengthening strategic, economic, and cultural ties with its other neighbours, including Nepal, Bangladesh, Sri Lanka, the Maldives, Bhutan, Myanmar, and Afghanistan. This region receives the lion's share of Indian lines of credit (mostly for infrastructure projects) while for many countries, India has

historically been the largest and most important trading partner.

In the last decade however, while India-China tensions have escalated over a disputed border region in eastern Ladakh, China's has increasingly regarded India's neighbourhood as its own. China has become a significant partner to several countries in South Asia, particularly through economic diplomacy and BRI-type investments. Notably, China partnered with India's main regional adversary, Pakistan, on the China Pakistan Economic Corridor (CPEC). India has concerns about the project which seeks to link Pakistan's Gwardar port to China's western Xinjiang – passing through areas of Pakistan-occupied Kashmir disputed by India. CPEC is considered the BRI's largest and flagship project (USD 62 billion) and India has raised concerns over the reported expansion of CPEC projects by China and Pakistan in Afghanistan.

Smaller countries in the region (Nepal, Bangladesh, Sri Lanka, the Maldives) tend to pursue a hedging strategy, playing India and China off each other to gain economically from each. Hedging involves simultaneously engaging with multiple powers or actors in the region, without taking a definitive side or forming a strong alliance with any one of them. However, which country is currently in favour, tends to depend on the government in power.

The ruling Rajapaksas in Sri Lanka and President Yameen in the Maldives were close to China until both lost power. The narrative in both countries quickly became critical of China and Chinese debt alongside new political leadership. In August 2022, the docking of a Chinese military vessel in Hambantota port, Sri Lanka, created tension between China and India.

The US role in South Asia is more peripheral but still significant. Bangladesh, Sri Lanka, and Bhutan felt snubbed when not invited to the US democracy summit in 2021, suggesting that these countries do not fit in the US's geopolitical calculus. In Nepal, the USAID (United States Agency for International Development) USD 500

million transport and power development project became hotly contested and stalled for five years amongst Nepal's political parties. Many dubbed the Millennium Challenge Corporation Compact as Washington's hedging strategy against China's increasing aid and an attempt to encircle China with US-funded transport infrastructure. Others argue that the Compact aims to enhance India's access to Nepal's resources, which also renders the project a flashpoint in India-China rivalry.

Given the degree of political flip-flopping in South Asia, hedging can come with high risk to effective economic development and delay benefits to these countries' citizens.

The Pacific Islands

The Pacific Islands region is home to many small island developing states (SIDS) that are highly vulnerable to climate change, natural disasters, and economic shocks. Despite the number of countries that border, or have territories in, the region, it has often been seen as peripheral to global and regional politics. Australia and New Zealand consider the PICs their neighbourhood and have a strong commitment to supporting the development and security of the region. While Australia continues to play a dominant role and is by far the largest aid donor, its presence has been complemented/countered with a significant rise in Chinese diplomatic, economic, and security engagement since the early 21st century. While Chinese aid and investment are small for China in comparison to other regions, they are significant for the PICs, and are viewed with concern by Australia, the United States, and their allies.

Security is the main concern in the Pacific Islands region and in 2022 it was "game on" amongst competing powers. China and the United States appointed special envoys to the region. China released a Position Paper on Mutual Respect and Common Development with Pacific Island Countries, signed a bilateral security cooperation agreement with the Solomon Islands, and the then Chinese Foreign Minister, Wang Yi, toured

the region in May 2022 to discuss a regional security programme. The United States released its Roadmap for a 21st-Century US-Pacific Island Partnership, included Fiji in the list of its Indo-Pacific Economic Framework (IPEF) Countries, and pledged more than USD 800 million in assistance to the Pacific Islands during a summit for Pacific Island leaders at the White House.

Australia's new Albanese government increased aid and security cooperation to the Pacific by AUD 1 billion in its latest budget and has bolstered diplomacy efforts. India stepped up its diplomacy with a recent visit to Fiji by Indian Foreign Minister S. Jaishankar, the launch of a USD 1.3 million solar power project, and an impending visit by PM Modi to Papua New Guinea in 2023. Along with this, a Western coalition of powers launched a new regional institution, Partners in the Blue Pacific (PBP). This is, however, not an exhaustive list.

The greatest security threat to the PICs is not geopolitical, nor China. It is climate change. This point was affirmed by the Pacific Islands Forum Secretariat's Pacific Security Outlook Report 2022-2023, (PIF [Pacific Island Forum], 2022) and is continually repeated by PICs at every opportunity. Other needs include health security – diabetes is amongst the most pressing health issues for several Pacific Island countries – infrastructure, and jobs. Amidst all the geopolitical antics of competing powers, a PIC-owned agenda, PIC narratives, PIC-created institutions and strategies such as the Pacific Islands Forum, or the 2050 Strategy for the Blue Pacific Continent, are lost in the cacophony.

The upside of geopolitical competition is that it can provide an opportunity for Pacific Island states to advocate and articulate their priorities (such as climate action) and to push for resources and systems to address these. The downside is that the interests of great power are not aligned with those of the Pacific Islands and that the game could change at any time.

4. Conclusions: partner country opportunities and options for development cooperation going forward

Competition and the numerous new strategies, resources, and initiatives that come with it, can offer opportunities for partner countries to secure resources and commitment toward their own development agenda. Rather than being “forced” to choose sides, countries and regions can and are using geostrategic competition to their advantage. Competition provides choice, a seat at the table, and opportunities for decision-making. However, taking ownership and direction over these strategies and resources can challenge partner countries and regions. Hedging is one option but carries risks, especially when politics get in the way, and development gains may be subsequently compromised.

Against the background of a dynamic context, what are opportunities for countries and regions in the Indo-Pacific to direct the terms, manage the resources, and expand the space for development cooperation amidst current contestations (Chaturvedi et al., 2021; Carnegie Endowment for International Peace, 2023; Paskal, 2021)?

First, while there is a plethora of Indo-Pacific strategies, (mostly from great and middle powers), that articulate visions for the region and ways powers should strengthen economic, diplomatic, security, and development ties with the Indo-Pacific countries; Indo-Pacific countries themselves should also have their own China, US, Australia, Japan, or India strategies, which outline their vision and objectives for engagement with these great powers who seek and vie for their partnership. Even if such strategies need not be public (perhaps some already exist), they should be cross-party or bipartisan to survive the turbulence of national politics.

Second, if we take a page from Southeast Asia’s playbook, robust regional architecture (such as ASEAN) has allowed the states of that region to shape the terms of engagement for external

actors providing resources to the region, including those for infrastructure, connectivity, economic resilience, and other regional development initiatives. As great powers establish their own grouping and regional architecture to pursue their priorities in the subregions, they may skirt established processes of regional decision-making, and even exclude some countries. Indo-Pacific leaders should push back against this tendency and advocate for issues and priorities to be discussed through their own established regional architecture, such as the Pacific Islands Forum.

Indo-Pacific countries can also work through multilateral institutions and form coalitions with other countries to tackle international challenges and demand priority and commitment to a development agenda. While multilateralism has also become a contested space, some institutions, such as the G20 with its current succession of southern-led leadership (Indonesia, India, Brazil, South Africa), provides an opportunity to create and sustain shared space around a development agenda.

Third, Indo-Pacific countries and regions can advocate for positive competition on development cooperation. While most partner countries do not want to choose sides in a geopolitical contest, they do want freedom and flexibility to choose from the menu of what is on offer from various partners. Positive competition amongst great powers on shared priorities such vaccine diplomacy, health security, or climate action, can drive positive development outcomes and dissipate toxic competition. Concurrently, competing powers have different strengths in development cooperation. Indo-Pacific partner countries should be able to ask for these. These might include infrastructure support from China and complementary investments in gender and social inclusion from Australia or the United States to ensure that infrastructure serves the population equitably. Complementary inputs from development partners will enable partner countries to resist picking sides, discourage competition in the same space, and play to the comparative strengths of development partners.

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