



RSTV SUMMARY: BIG PICTURE: India-Japan-Australia Supply Chain Initiative

GS-II: Effect of Policies & Politics of Countries on India's Interests; India and its Neighborhood

Bilateral, Regional and Global Groupings and agreements involving India

Introduction:

India-Japan-Australia decides to launch resilient supply chain initiative in the **Indo-Pacific region**.

The Resilient Supply Chain Initiative (RSCI)

- It is proposed by India, Japan and Australia for building resilient supply chains in the Indo-Pacific.
- It aim to support free, fair, inclusive, non-discriminatory, transparent, and stable trade and investment environment.
- Digitization of trade procedures for facilitating trade and thereby maintaining resilience in supply chains.
- Transparency and trust are the hallmark of this initiative.

How will this new idea on supply chains impact India?

- With COVID-19 and U.S. - China trade tensions, India walked out of RCEP can threaten global supply chains, **Japan** has mooted the Supply Chain Resilience Initiative (SCRI) as a **trilateral alternative approach to trade**.
- The initiative is at the strategy stage and has to be considered by participants to realize trade benefits.

What does supply chain resilience mean?

- It is an **approach that helps a country to ensure that it has diversified its supply risk across a clutch of supplying nations instead of being dependent on just one or a few**.
- As events such as volcanic eruptions, tsunamis, armed conflicts can disrupt supplies and put a halts on trade that could adversely affect economic activities of the countries.
- The diversification of supply chain is critical for managing the risks associated with supply of inputs including disciplining price volatility.
- Linking value chains in the region by creating a network of reliable long-term supplies and appropriate capacities.

Existing trade between Australia-India-Japan

- During 2019, the cumulative merchandise goods and services trade between India, Japan and Australia was \$ 2.7 trillion and \$0.9 trillion respectively.
- They are affirmed to take a lead in delivering a free, fair, inclusive, non-discriminatory, transparent, predictable and stable trade and investment environment by keeping their markets open.
- Key areas of collaboration are market oriented policies, demography, growth potential, fiscal state of play including existing debt burdens and geo-political strategy.



What is Japan proposing?

- Japan has taken the initiative to include India and Australia, and potentially other Asian and Pacific Rim nations later, in a strategic dialogue.
- **The U.S.-China trade tensions** have caused alarm in Japanese trade circles.
- Japanese government recently earmarked \$2.2 billion to incentivize its companies to move their manufacturing out of China to other third countries.

What is likely to have spurred Japan to eye India as a partner for the SCRI?

- Japan is the **fourth-largest investor in India** with cumulative foreign direct investments touching \$33.5 billion in the 2000-2020 period accounting for 7.2% of inflows in that period.
- Imports from Japan into India more than doubled over 12 years to \$12.8 billion in FY19.
- Exports from India to the world's third-largest economy stood at \$4.9 billion.
- Almost 1,400 Japanese companies operating in India is a clear reflection of both countries long-standing and deepening trade relationship.

What is Indo-Pacific region?

- In terms of geo-spatiality, the Indo-Pacific is broadly to be understood as an interconnected space between the Indian Ocean and the Pacific Ocean.
- Its expanse is debated to be ranging from the eastern shores of Africa to the western coast of the United States, with variations in definitions depending on each actor and



Where does Australia stand?

- Australia, Japan and India are already part of another informal grouping, the Quadrilateral Security Dialogue, or the **Quad**, which includes the U.S
- China has been Australia's largest trading partner and that it counts for 32.6% of Australia's exports, with iron ore, coal and gas dominating the products shipped to Asia's largest economy.



- But relations have been deteriorating for a while now. For instances: **China banned beef imports from four Australian firms, levied import tariffs on Australian barley urges its citizens to 'no means travel to Australia' on account of rising 'racist incidents'**.
- China's get angered from **Australia's push for an enquiry into the origins of the SARS-CoV-2 virus.**

What does India stand to gain, or lose?

- Following the border tensions between the two highly populous Asian neighbors (Pak. And China), India is ready for dialogue on alternative supply chains.
- But cutting links with China would be impractical as China's share of imports into India in 2018 stood at 14.5% in February 2020.
- In areas such as **Active Pharmaceutical Ingredients** for medicines such as paracetamol, India is **fully dependent on China.**
- In electronics, China accounts for 45% of India's imports.
- Chinese supplies dominate segments of the Indian economy. Sectors that have been impacted by supply chain issues arising out of the pandemic include **pharmaceuticals, automotive parts, electronics, shipping, chemicals and textiles.**
- Over time, if India enhances self-reliance or works with exporting nations other than China, it **could build resilience into the economy's supply networks.**

Conclusion: While India appears an attractive option for potential investors both as a **market and as a manufacturing base**, there is a need to **accelerate progress in ease of doing business and in skill building.**

<https://www.thehindu.com/business/Economy/what-is-the-new-idea-on-supply-chains/article32476160.ece>

<http://newsonair.com/News?title=India-endorses-a-trustworthy-and-reliable-supply-chain-in-Indo-Pacific-region&id=398779>

<https://pib.gov.in/PressReleasePage.aspx?PRID=1650328>