



THE STRUCTURAL LIMITS OF THE SUPPLY CHAIN RESILIENCE INITIATIVE

BY JAGANNATH PANDA

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As a hub of global economic activity and great power tensions, the Indo-Pacific is home to an increasing number of minilateral arrangements shaping the future of the region. Groupings like the Quadrilateral Security Dialogue (Quad), as well as the Japan-America-India, Australia-Japan-India, and France-Australia-India trilaterals demonstrate this trend. The Supply Chain Resilience Initiative (SCRI), [launched](#) in April 2021 and complementing the Australia-Japan-India trilateral, is the latest such venture.

China’s deep integration in the international financial system and status as “factory of the world” make [global supply chains](#) unsustainably China-centric. COVID-19 revealed many states’ over-dependence on China-centered value chains, and the SCRI seeks to reconfigure global supply chain networks to overcome such vulnerabilities.

The SCRI seeks to ensure global supply chains remain resilient to future “[black swan](#)” events, such as pandemics and geopolitical tensions. With several states prioritizing supply chain risk diversification, the SCRI can also [further](#) Indo-Pacific economic security dialogue between like-minded nations. Importantly, the SCRI can help [balance](#) against China’s rapidly expanding influence, including through the Belt and Road Initiative.

Yet, despite its merits, the SCRI faces considerable structural limitations.

Firstly, although primarily a geo-economic mechanism, the SCRI risks losing focus amid the intensifying regional power rivalry. The initiative is a product of [strategic necessity](#) brought about by the pandemic, yet this emphasis on supply chain management is frequently ignored in media and scholarship in favor of strategic positioning vis-a-vis China. Yet, like Japan’s Expanded Partnership for Quality Infrastructure and India’s Act East Policy, the SCRI is not necessarily an anti-China venture.

China-dependent supply chains are a major concern for both smaller and major powers across many critical sectors, including essential pharmaceutical products, food, and industrial raw materials. However, the SCRI does not aim to entirely re-route existing supply chains; this would require complete economic decoupling from China, an unfeasible (and undesirable) goal considering Beijing’s economic clout. Instead, it seeks to build alternative, resilient supply chains to reduce over-dependency, diversify risk, and enhance ability to absorb future market disruptions. Rather than isolating China, the aim is to ensure national economies can withstand adversity. The focus on enhancing cooperation with like-minded nations is drawn on the imperative of [building](#) “a free, fair, inclusive, non-discriminatory, transparent, predictable and stable trade and investment environment.” The focus on inclusivity implies openness to dialogue (or participation) with all nations committed to similar ideals—even China.

Secondly, the SCRI remains far-fetched, even overly ambitious. Despite their broad-based synergy on China (or matters relating to China), the main proponents of the SCRI—Australia, India, and Japan—have gaps in their global multilateral practices, including trade and economic outlooks. This will limit the progress of the SCRI. For instance, Japan’s [reluctance](#) to support the expansion of the G7 to include India and Australia highlights how national interest considerations supersede any prospects of regional cooperation. Japan is a trading economy, and supply chains are critical to its growth. This is not true for India, which prioritizes manufacturing and

innovation, even while aspiring to enhance integration with other economies before it can emerge as a trading nation. These differences could impact the SCRI's direction and the importance each state gives it.

Thirdly, no clear vision currently exists among SCRI founders on how to shape their initiative. To succeed, a clear plan or charter is vital. The lack of a guiding document risks hampering cooperation, as has been the case with the Quad and Quad-plus, which has only picked up steam over the past year amid increased tensions with China. A similar problem emerged with the Asian Infrastructure Investment Bank and Regional Comprehensive Economic Partnership. Although India and Australia became AIIB members, Japan and the United States [opposed](#) it. With RCEP, Japan and Australia could not continue engaging (or supporting) India, displaying a lack of coordination and resulting in New Delhi's withdrawal from this mega-trade deal.

These examples show the need for a common understanding, agreed framework, and concentrated dialogue to shape and implement the initiative. A charter would be useful in laying down expectations and requirements for the SCRI. As founding members [consider](#) the SCRI's expansion "based on consensus" and acknowledge the importance of business and academia in further developing it, a charter could be critical in coding and committing to an "inclusive" outlook. A formal document would also mitigate criticisms that the initiative is a cartel or "anti-China," potentially opening the door to induction for Beijing (or even to countries aligned strongly with Beijing) and allowing the Australia-Japan-India trilateral a rulebook to regulate China's actions.

Fourthly, the SCRI remains limited to its founding members. With its focus on recalibrating global supply chains, expansion to include the United States must be explored. This would make the SCRI a derivative of the Quad, strengthening the Indo-Pacific concept and furthering their supply chain goals. President Biden's recent comprehensive supply chain [review](#) outlined Washington's need to build "resilient, diverse, and secure" supply chains; SCRI integration could be a productive move forward.

Similarly, the SCRI must consider full/partial participation of key economies and economic blocs—including ASEAN, the European Union (especially [France](#), given its Indo-Pacific focus), and the [United Kingdom](#). Several such entities, including the United States and [ASEAN](#), have sought to reconfigure supply chains to reduce dependence on China and increase resiliency, but made no concerted effort in this direction. While the SCRI might be an Asian exercise, its ambition to create diverse, expansive, inclusive, and resilient supply chains mandates involvement by other major and middle-ranked economies everywhere. Moreover, the participation of technologically advanced actors beyond Asia would prove crucial given the SCRI's focus on digital technologies.

The SCRI's success will depend on inroads it can make with ASEAN. With Australia-Japan-India at its core, the SCRI promotes inclusivity and multipolarity, but also seeks to build Asia-driven (or Indo-Pacific-driven) supply chains. Japan and India are key East Asian and South Asian economic powers; Australia is a major Indo-Pacific actor closely connected to Asia. In relative comprehensive national power, the Lowy Institute's 2020 [Asia Index](#) placed Japan third in the region, India fourth, Australia sixth, and the United States first (with China a close second). Connecting with ASEAN will be economically lucrative and promote the SCRI's "Asian" vision.

Despite its merits, the SCRI is structurally limited right now. Yet with economic transformation and post-pandemic recovery shaping regional power distribution, the expectations for the SCRI are immense. To meet expectations, the Australia-Japan-India trilateral must acknowledge the challenges and shape the initiative adequately to overcome them.

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