

INFRASTRUCTURE, IDEAS, AND STRATEGY IN THE INDO-PACIFIC

EDITED BY DR JOHN HEMMINGS



**ASIA
STUDIES
CENTRE**

DEMOCRACY | FREEDOM | HUMAN RIGHTS

March 2019

Published in 2019 by The Henry Jackson Society

The Henry Jackson Society
Millbank Tower
21-24 Millbank
London SW1P 4QP

Registered charity no. 1140489
Tel: +44 (0)20 7340 4520

www.henryjacksonsociety.org

© The Henry Jackson Society, 2019. All rights reserved.

Title: "INFRASTRUCTURE, IDEAS, AND STRATEGY IN THE INDO-PACIFIC"
Edited by Dr John Hemmings

Cover Photo: https://commons.wikimedia.org/wiki/File:Singapore_Port_viewed_from_The_Pinnacle@Duxton_08.jpg by Zairon

INFRASTRUCTURE, IDEAS, AND STRATEGY IN THE INDO-PACIFIC

EDITED BY DR JOHN HEMMINGS



DEMOCRACY | FREEDOM | HUMAN RIGHTS



March 2019

ABOUT THE AUTHORS

Dr Kun-Chin Lin is a university lecturer in politics and Director of the Centre for Rising Powers at the University of Cambridge. He graduated magna cum laude from Harvard College, and obtained his PhD in political science from the University of California at Berkeley. Kun-Chin was a Leverhulme postdoctoral fellow at the University of Oxford and taught at King's College London and the National University of Singapore. His research focuses on the politics of market reform in developing countries.

Professor Kei Koga is Assistant Professor at the Public Policy and Global Affairs Programme, School of Social Sciences, Nanyang Technological University (NTU). His research focuses on IR theory, International Security, International Institutions, and East Asian security, including Japan, the United States, and ASEAN on the "Free and Open Indo-Pacific" concepts and strategies. He received his Ph.D. in International Relations at the Fletcher School of Law and Diplomacy, Tufts University.

Dr Rahul Roy-Chaudhury is the Senior Fellow for South Asia at the IISS. He leads the Institute's South Asia research programme, looking at India's neighbourhood foreign and security policies; Pakistan, Afghanistan and regional security; counter-extremism and terrorism; regional nuclear matters; and the Indian navy and the Indian Ocean. Rahul gives select policy-relevant talks and briefings, and regularly organises several 'track 1.5' meetings.

Professor Harsh V Pant is Director, Research at Observer Research Foundation, New Delhi and Professor of International Relations at King's College London. He is also a Non-Resident Fellow with the Wadhvani Chair in US-India Policy Studies at the Center for Strategic and International Studies, Washington, DC. Currently his research is focused on the changing strategic dynamic in the Indo-Pacific.

Dr Euan Graham is Executive Director of La Trobe Asia at La Trobe University in Melbourne. He has developed a career specialization in Asian security issues, with a particular expertise on the maritime domain. Graham has several years' experience in the think tank sector, with the Lowy Institute, in Sydney, and RSIS, in Singapore. Before that, he was a Senior Research Officer for the Foreign and Commonwealth Office. He remains an associate fellow with RUSI and Non-Resident Fellow with the Lowy Institute.

Ian Easton is a research fellow at the Project 2049 Institute, where he conducts research on defense and security issues in Asia. During the summer of 2013 he was a visiting fellow at the Japan Institute for International Affairs (JIIA) in Tokyo. Previously, Ian worked as a China analyst at the Center for Naval Analyses (CNA) for two years.

Dr David Scott is a prolific writer, with three books, and over 70 refereed articles and book chapters. He is a presenter at the NATO Defense College in Rome, and analyst for the NATO Defense College Foundation. His research currently focuses on the maritime geopolitics of the Indo-Pacific and different Indo-Pacific strategies being pursued by India, Australia, Indonesia, China, Japan, Taiwan, US, as well as France and the UK.

Dr Satoru Nagao is Visiting Fellow at Hudson Institute in Washington DC. Previously, he was worked at The Tokyo Foundation and Ocean Policy Research Foundation. He was also Visiting Scholar at CSIS. Currently his research focuses on Japan-US-India security cooperation, primarily through the lens of military strategy and the geopolitics.

Dr John Hemmings is the Director of the Asia Studies Centre at the Henry Jackson Society and an Adjunct Fellow at CSIS. Previously, he has worked at RUSI and held a fellowship at the Pacific Forum in Honolulu. Currently his research focuses on the Indo-Pacific, primarily through the lens of alliances, and the geopolitical repercussions of China's rise.

ACKNOWLEDGMENTS

This report would not have been possible without a grant from the government of Taiwan. I would also like to acknowledge the contributing authors, Kun-Chin Lin, Kei Koga, Harsh Pant, Euan Graham, Ian Easton, David Scott, and Satoru Nagao, without whom this project could not exist. I am also completely grateful to Dr Andrew Foxall, Barry Macleod-Cullinane, James Rogers, Jay Andrews, Sam Armstrong, and Viktorija Starych-Samuoliene for their help in supporting me in the latter stages of this project.

EXECUTIVE SUMMARY

- Geopolitical considerations are the ultimate decisive factor in China's maritime expansion plan, to the extent that Beijing can influence trade flows by steering local governments and state-owned shipping companies and port authorities to prioritise one route over another.
- The linchpin to China's control over maritime commerce is the competitiveness of its coastal ports. These nodes have underpinned Beijing's developmental and national security strategies since Deng Xiaoping's Open Door Policy and will continue to do so for the foreseeable future.
- Three trends have created the Indo-Pacific framework: the relative decline of the US, the rise of Chinese power (and hegemonic designs), and the Indo-Japanese concern that both of these have fostered.
- Indo-Pacific allies should continue to develop a securitized, framework for maritime legal and commercial safeguarding of the global commons. This would provide a normative foundation for Indo-Pacific maritime cooperation.
- Traditionally, regional countries have taken a backseat on infrastructure finance, but the increased strategic salience of port and infrastural development has promoted many to favour bilateral or miniltaeral infrastructure investment arrangements.
- While the US remains the cornerstone of Japan's security and economic prosperity, it believes it vital to develop a broad coalition of like-minded states, including Australia, India, and ASEAN, to shape and constrain Chinese action in-region.
- While this continues to undergird Tokyo's Indo-Pacific approach, it is steadily evolving tacitly, and this has sometimes seen Japan's approach toward China take a less confrontational and more collaborative bent.
- China's ambitious Belt and Road Initiative (BRI) presents India with many strategic challenges and it has been the most vocal opponent of the infrastructure strategy. It is particularly concerned that Gwador Port might give China control over the West Indian Ocean, including Indian energy and trade supplies.
- While India's reaction to China has been lackluster – particularly in the field of competing infrastructure plans – it has developed encouraging projects with Japan both in the IOR and in West Africa.
- Australia was the first “mover” in terms of adopting the Indo-Pacific framework as national strategy, and this is because the concept helps Canberra centre itself (between the Indian and Pacific Oceans), more than has historically been the case.
- By pushing Australia's strategic horizons westwards, the Indo-Pacific naturally lends itself to the logic of ‘balance’ and diversification in Australia's external relationships, a form of dealing with Canberra's over-reliance on Beijing for economic growth.

- Driven by deep ideological and structural differences, and underpinned by key strategy documents, it seems likely that US-PRC competition will become a central feature of international affairs in the decades ahead.
- The US is reforming its approach to economic statecraft in order to better incentivize private sector investment in emerging economies and provide strong alternatives to state-directed initiatives that come with hidden strings attached.
- External powers, such as the UK, have become aware of the increasing security challenges in the region, as well as the economic opportunities.
- Britain's current strategy is two-fold: to roll over economic agreements and negotiate new deals with key regional economies, while increasing naval deployments and basing in-region to defend the rules-based system upon which its sea lanes depend.
- China's BRI presents challenges to the region, not only because it corrupts and undermines the recipients of its outbound foreign direct investment, but because it gives Beijing strategic control over those countries that lay along the strategic nodes.
- Countries like Taiwan and the UK should partner with the Quad member states to offer different alternatives to those developing countries in the region: better infrastructure projects with high-quality, transparent agreements, and lower interest rates.
- While BRI and the Indo-Pacific are not mutually exclusive for economies who wish to benefit from both, it is also true that geopolitical "ordering" interests and concerns, undergird both.

ENDORSEMENTS

These essays on the Indo-Pacific could not be appearing at a better time.

Much of the comment and the controversy about the rise of China has focused on Beijing's differences with Washington and on whether the United States will be overtaken by China as the dominant power in the Far East.

But as important has been the growing co-operation and alliances formed by all China's neighbours from Japan to India, including Australia, South Korea, Thailand and many others. Why else should Tokyo and Delhi be having joint naval exercises other than shared concern at China's growing economic and military power and its determination to impose its will in the South China Sea and elsewhere?

This Henry Jackson Society collection of essays is timely, thoughtful and informative. The Indo-Pacific dimension will be as important as China over the years to come. As Dr John Hemmings, the editor of the essays, concludes the rise of the Indo-Pacific may be as important to the wider world as the rise of China.

Rt. Hon. Sir Malcolm Rifkind, former Foreign Secretary, former Defence Secretary

The Henry Jackson Society's latest report focuses our attention on how the 'Indo-Pacific' is becoming ever more critical to Britain's long-term interests. From a concept created by Japan and India, the Indo-Pacific is now shaping the thinking of policy-makers from Canberra to Washington to London. Our answers to the Indo-Pacific's policy challenges will significantly shape our world.

For Britain to fully benefit from the Indo-Pacific's many economic opportunities, it must also contribute to resolving the region's numerous security challenges. Britain cannot merely look to roll-over economic agreements and negotiate new trade deals across the Indo-Pacific without committing to being an active security partner. That will involve more naval deployments and basing in-region. To do so, however, will require Britain to commit greater resources to the Royal Navy to help defend the freedom of the sea lanes and the rules-based order upon which we depend. That is the emerging policy challenge of the Indo-Pacific.

Royston Smith MP, member of the Foreign Affairs Committee

By 2050, the Indo-Pacific is expected to account for over 50% of global GDP – and this fact will significantly re-shape our global order. This new collection of essays, assembled by the Henry Jackson Society, provides expert analysis of the 'Indo-Pacific' as a regional foreign policy concept and traces out its implications for geo-politics, maritime security, trade and development across the region and globally.

For Global Britain, the Indo-Pacific presents some major new challenges and opportunities. This timely collection of essays about the Indo-Pacific will help us to better understand this vital region and to improve our engagement in it and to help shape the emerging global security and trade architecture.

Bob Seely MP, member, Foreign Affairs Committee

The Indo-Pacific region is a key part of the global economy. As its importance has grown so have geopolitical and particularly maritime rivalries emerged. States across the Indo-Pacific are modernising their militaries, with an emphasis on naval power to ensure their national security. This partly reflects the geography of the region, large sea areas, island chains and archipelagos, but also the fact that sea lanes are also crucial for surety of access and trade. An added complication is that the sea-lanes through the region are crucial to the global economy and the very survival of countries such as Japan.

There is a lacuna in effective infrastructure in large parts of the region. China has identified helping with that infrastructure as a strategic opportunity with its much-vaunted “Belt and Road Initiative” (BRI). For example, its use of debt-diplomacy to gain control of ports as collateral, reinforces the concern that BRI is being used to further China’s wider geopolitical aims.

This new collection of essays from the Henry Jackson Society suggests there are sound geopolitical, economic and security reasons for the UK to collaborate with other powers to provide alternatives to the Chinese development model across the Indo-Pacific.

The Rt. Hon. the Lord West of Spithead GCB DSC, former First Sea Lord and Chief of the Naval Staff (2002-6)

INDEX

AAGC	Asia-Africa Growth Corridor
ADB	Asian Development Bank
AIIB	Asia Infrastructure Investment Bank
AUKMIN	Australia-UK Ministerial
ARTCF	Asia Regional Trade & Connectivity Fund
ASEAN	Association of Southeast Asian Nations
BIOT	British Indian Ocean Territory
BRI	Belt and Road Initiative
CPEC	China-Pakistan Economic Corridor
CP-TPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
DFAT	Department of Foreign Affairs & Trade (Australia)
EEZ	Exclusive Economic Zone
FONOPS	Freedom of Navigation Operations
FTA	Free Trade Agreement
GDP	Gross National Product
ICJ	International Court of Justice
IOR	Indian Ocean Region
IPEC	Indo-Pacific Economic Corridor (US)
MOD	Ministry of Defence (UK, Japan)
MEA	Ministry of External Affairs (India)
MFA	Ministry of Foreign Affairs (PRC)
MOFA	Ministry of Foreign Affairs (Japan)
MSR	Maritime Silk Road
NSP	New Southbound Policy (Taiwan)
PCA	Permanent Court of Arbitration
PRC	People's Republic of China
SLOC	Sea Lanes of Communication
TIWG	Trilateral Infrastructure Working Group
WB	World Bank
WTO	World Trade Organization

CONTENTS

INTRODUCTION:	
Dr John Hemmings	12
1. PORTS, SHIPPING AND GRAND STRATEGY IN THE INDO-PACIFIC:	
Dr Kun-Chin Lin	15
2. JAPAN: COMING UP WITH THE INDO-PACIFIC CONCEPT:	
Dr Kei Koga	20
3. HOW INDIA VIEWS THE INDO-PACIFIC:	
Rahul Roy-Chaudhury	25
4. INDIA, BRI, AND DELHI'S INDO-PACIFIC STRATEGY:	
Dr Harsh Pant	32
5. AUSTRALIA'S WHOLE-OF-GOVERNMENT INDO-PACIFIC:	
Dr Euan Graham	38
6. STRATEGY AND DIRECTION: THE US AND FOIP:	
Ian Easton	44
7. GLOBAL BRITAIN AND THE INDO-PACIFIC:	
Dr David Scott	48
8. COMPETING VISIONS: BRI VS FOIP?:	
Dr Satoru Nagao	52
9. CONCLUSION:	
Dr John Hemmings	56

FOREWORD

The Indo-Pacific as a political and economic concept continues to gain traction. To paraphrase one of the authors in this volume, many leading diplomatic establishments have given grudging acceptance, but there is still some resistance in the academia. Some countries like China remain deeply suspicious. Nevertheless, the Indo-Pacific idea is here to stay with all its unresolved issues and questions.

It is commendable that the Henry Jackson Society has jumped “all-in”, as it were, to generate a better understanding of the increasingly complex debate. This initiative also comes when the Indo-Pacific debate is beginning to attract Britain and the European powers. This initiative is timely as Britain reconsiders its global posture in favour of its traditional maritime role.

The report maps the thinking about the Indo-Pacific issues among a number of Britain’s trade and security partners and should be of great practical value to policy makers in London, who are trying to cope with the rapid developments in the East. The UK has much to do as it recalibrates its regional and global policies. As with previous moments of historic change, I am sure, the UK will measure up to the challenge.

The rise of post-colonial Asia has begun to rearrange our geography. It is renewing and expanding connectivity between Asia and Europe—both overland and across the Indian and Pacific Oceans. It has imparted new meaning to some past ideas like ‘Eurasia’ and created new ones like the ‘Indo-Pacific’.

For many in the UK, the Indo-Pacific might sound strange. But it is not very different from the vast region Great Britain had ruled through the 19th and the first half of the 20th century. The Indo-Pacific framework provides Britain the historic opportunity to reconnect with this region— stretching from Aden to Brunei and from Mauritius to New Zealand.

France is developing an Indo-Pacific strategy of its own and has strengthened broad-based engagement with India, Australia and Japan. Delhi that once urged British and French navies to stay out of the Indian Ocean, is now welcoming them with open arms and working with them to promote maritime security, regional stability and a more stable balance of power.

Many in Asia and Europe worry the Indo-Pacific strategy is about containing China. Asian chancelleries know China is too large to be contained. The Asian political classes know they have no option but to live with a rising China that has its own legitimate interests. The question, then, is not about containment of China but constructing a stable and sustainable regional order in the Indo-Pacific in which the interests of all countries are secure. That order will need significant contributions from the United States and Europe as well as a Global Britain.

These contributions must cover security, trade and the infrastructure. Britain, along with other European powers, inherits a legacy of providing security, promoting commercial flows, and a building connectivity through large infrastructure projects.

If Britain’s past engagement with this region was hegemonic, the second encounter under the Indo-Pacific framework can only be founded on a more equal and mutually beneficial basis. India and many other countries would like to develop a productive partnership with Global Britain in constructing a peaceful and prosperous Indo-Pacific region.

C. Raja Mohan Director, Institute of South Asian Studies, National University of Singapore

INTRODUCTION

Dr John Hemmings

Henry Jackson Society

The evolution of the 'Indo-Pacific' concept in regional foreign policy discourse has been one of the most interesting phenomena of the last two decades. It is fascinating because we have seen a concept move from a foreign policy speech by a Japanese politician develop to an approach towards regional dynamics adopted by a number of different states. The concept has also intersected a number of geographical areas, a number of different disciplines (geopolitics, maritime security, trade and development), and a range of nation-states.

Nevertheless, many of the foreign policy elites and academics see it through one or another of these prisms, bringing to the concept their own fears, expectations, and objectives. For the so-called Quad or Quadrilateral members – Australia, Japan, India, and the United States – it has been a reactive policy, one that is both in opposition to, and balanced against, Chinese geo-strategic ambitions, which have been manifest in the Belt and Road Initiative and Maritime Silk Road. One can also see this reactive element in how Taiwan and the UK have begun to adopt to the Indo-Pacific construct. While it is tempting to view these various policy baskets as 'containment' of China, this would be misguided. As international relations scholars are apt to point out, it is the drivers to policy – rather than policy itself – that reveal the truest understanding of state behaviour. This paper, which brings together a collection of essays written by individuals based in members of the Quad, is an attempt to make sense of those drivers.

Neither this paper, nor the project from which it derived, were funded by one of the Quad members. Instead, both were funded by Taiwan, which as a regional power has its own complex set of drivers and interests *vis-à-vis* China's geostrategic vision and ambitions. The fact that Taiwan's Ministry of Foreign Affairs re-organised its regional departments in 2017 to reflect the 'Indo-Pacific' geopolitical patterns – as did Australia in 2014 – indicate that some states in the region discern that the concept is more than just a competing strategy. It is a framework, or policy basket. For example, in its New Southbound Policy (NSP), the Tsai administration has sought to create a sense of economic community and establish dialogues for cooperation between Taiwan and the 18 NSP target countries¹ across a range of economic areas.

The Indo-Pacific concept is the region's second indigenous 'ordering' concept, after the rise of the multilateral trade architecture of ASEAN, which was realized in the 1990s. The concept has its genesis in the late 1990s. At the time, one can see that the region was characterised by three major structural features: (a) the US-led alliance system; (b) the Southeast Asian-led economic system; and (c) the rising power of China. In Tokyo, Japanese foreign policy elites were concerned² at the rise of Chinese influence inside ASEAN in the wake of the 1997 Asian Financial Crisis. The measure of this influence was revealed sharply to Japanese diplomats after ASEAN chose the 'Plus Three' (China, Japan, and South Korea) model of partnership over 'Plus Six' (China, Japan, South Korea, Australia, New Zealand and India). Tokyo had preferred this latter model in order to balance out Beijing's outsized influence and add three Western-friendly democracies to the grouping.

¹ Glaser, B., Scott Kennedy and Matthew Funaiolo, 'The New Southbound Policy: Deepening Taiwan's Regional Integration', CSIS China Power Project (2018), available at: https://csis-prod.s3.amazonaws.com/s3fs-public/publication/180613_Glaser_NewSouthboundPolicy_Web.pdf?AcoayLFliB9_jAvbmYvP_jM27mEXw5xL, last visited: 7 March 2019.

² Terada, T., 'The Origins of ASEAN+6 and Japan's Initiatives: China's Rise and the Agent-Structure Analysis', *The Pacific Review* 23.1 (2010), pp. 71-92.

In the wake of that defeat, Japan began a serious diplomatic outreach toward India, which came to fruition in Japanese Prime Minister Shinzo Abe's India foreign policy. This is best symbolised by the speech³ Abe gave to the Indian Parliament in April 2007. Speaking before the assembled Indian dignitaries and MPs, Abe said that Japan had "rediscovered India as a partner that shares the same values and interests and also as a friend that will work alongside us to enrich the seas of freedom of prosperity, which will be open and transparent to all". He stressed shared values, such as freedom, democracy and universal rights, as well as strategic interest, sea lane security, and foreign direct investment. In the case of Japan and India, Abe also offered Japanese know-how in developing a massive industrial corridor linking Delhi and Mumbai, based along the lines of the Japanese Tokyo-Osaka corridor, which accounts for nearly 81% of Japan's economic output.

Looking back, all the elements of what has become the 'Indo-Pacific' concept were laid in this speech: the stress of values, the wider convergence of strategic interests, particularly over sea-lane security, and, the emphasis placed on infrastructure needs. As China's own Belt and Road Initiative was not launched until 2012, Abe's speech reveals that the regional powers were attempting to frame the coming trends five years ahead of time. As a driver for the Indo-Pacific construct, infrastructure has played a central role in the region and in many ways is a major focal point for state energy, spending, and activity. A 2017 Asian Development Bank (ADB) report, *Meeting Asia's Infrastructure Needs*, argued that the region is only spending half of what it needs on infrastructure if it is to maintain growth and tackle poverty. Current annual estimates put regional infrastructure spending to be around £567 billion, while the region needs £1.29 trillion in infrastructure spending. There is little wonder that Indo-Japanese cooperation has focused on development and OFDI.

However, despite its Indo-Japanese origins, the 'Indo-Pacific' concept has not remained static. Instead, it has been picked up and mobilised by a range of other regional countries. As a result, the 'Indo-Pacific' that Abe spoke about in 2017 has developed slightly differently in different countries. This paper attempts to pick apart the way that it has developed as foreign policy elites in various countries adopted the concept. This paper has a particular focus on the Quad members – Japan, India, Australia, and the US – and their approach towards regional connectivity, sea-lanes, and infrastructure development, because they have been the most vocal in supporting an Indo-Pacific construct. For countries like Taiwan, and the UK, which is undergoing global re-posturing, this paper provides an opportunity to compare and contrast the varying regional approaches toward infrastructure in the Indo-Pacific.

As it proceeds, this paper is divided into eight chapters, each of which provides a case study of a country. These chapters outline how each country came by the 'Indo-Pacific' concept, how it conceived of its own national interests through the lens of the concept, and how it applied in terms of infrastructure development.

The first chapter, written by Dr Kun-Chin Lin from Cambridge University, looks at how China's strategic approach towards sea lane security, container shipping trends, and port development has become a proxy for geopolitical manoeuvring and, as a result, has framed much of the discussion. **The second chapter** examines Japan's role in the creation of the Indo-Pacific and its infrastructure strategy. **The third chapter** examines India's role in the creation of the Indo-Pacific and its infrastructure strategy. To some extent, in this latter capability, Dr Kei Koga, from Nanyang Technological University (NTU), shows how Japan has been

³ 'Confluence of the Two Seas: Speech by HE Mr Shinzo Abe, Prime Minister at the Parliament of the Republic of India', *Ministry of Foreign Affairs of Japan website*, 22 August 2007, available at: <http://www.mofa.go.jp/region/asia-paci/pmv0708/speech-2.html>, last visited: 17 October 2018.

the fastest mover in this area, highlighting a hitherto unknown Japanese assertiveness. This leads into **the third chapter**, by Professor Rahul Roy-Chaudhuri explores India's strategic understanding of the Indo-Pacific concept, examining both its origins as well as its evolution. **The fourth chapter**, by Professor Harsh Pant, from the Observer Reach Foundation (ORF) in New Delhi, which examines how infrastructure and investment feed into India's overarching grand strategy.

The fifth chapter, written by Dr Euan Graham, of La Trobe Asia, examines how Australia has attempted to rationalise the Indo-Pacific concept across the various aspects of its foreign and economic policy bureaucracy in order to deal with the intersection between trade and geopolitical leverage. **The sixth chapter**, by Ian Easton from Project 2049 Institute, examines how the US' late arrival to the concept – during a major shift in its relationship with China – has produced an infrastructure strategy that perhaps the most overtly characterised by geopolitical competition. He also notes how the US – with its vast foreign policy machine and alliance-management history – has become an organising point for the other powers. In **the seventh chapter**, David Scott lays out Britain's take on the Indo-Pacific and sketches out some early indicators of directions London might pursue as Brexit fades from memory. In **the eighth chapter**, Dr Satoru Nagao, from the Hudson Institute, provides a robust declaration of intent on how Quad members should tackle what he sees as China's global ambitions, in BRI and the Maritime Silk Road.

While geopolitical tensions inherent in the US-China and Japan-China bilateral relationships have made the 'Indo-Pacific' construct an attractive way of responding, the way each country does so is slightly different. Yes, they are attempting to grapple with the enormity of China's own geopolitical framework – in the BRI, in CPEC, and in the MSR – but they are not merely attempting to contain Chinese power. They are also attempting to put forward an alternative vision. They are certainly not approaching the concept in a perfectly uniform way, but there are – broadly speaking – obvious overlapping themes.

From Abe's speech in New Delhi in 2007 to the "Free and Open Indo-Pacific" espoused by President Donald Trump at the APEC Summit in Vietnam in 2017, values, like rules-based order and good governance, have been a major part of the messaging around the Indo-Pacific framework by Quad members to differentiate China as 'other'. To be sure, there has been little by way of values-based project work on the ground, with much of this being limited to speeches and generic policy statements. Concerns around Chinese restrictions of sea lanes, predominantly in the South China Sea, expanding naval might, and 'debt-diplomacy' approach toward recipients of its infrastructure development, have produced the expression 'free and open'. Whether or not Taiwan, Britain, and ASEAN states can adjust to and adopt to the geopolitical and developmental complexities will depend, to some extent, on their ability to respond quickly to changing realities. The Chinese model of heavy state involvement, from project financing, planning, and management, will also test Western notions of infrastructure development, a project that has been in the doldrums since development aid reacted to Third World debt in the 1980s.

The world is reacting to both China's rise and Asia's rise; its geography impacts both energy and market supplies across a large swatch of the world's territory. As the region is predicted to account for a majority of both global GDP and global growth by 2050, there is little doubt that it will become a fulcrum point between old and new powers, for deciding regional architecture, and a place where the future of global power – and hence global order – will be decided.

Chapter 1

PORTS, SHIPPING, AND GRAND STRATEGY IN THE INDO-PACIFIC

Dr Kun-Chun Lin

University of Cambridge

The conceptualisation of the Indo-Pacific is a complex one. Many scholars are already debating its meaning. One way of dealing with this conundrum would be to usefully ground the concept in the structure and dynamics of global maritime commerce. Historically, new trade routes have given rise to new great powers – famously argued by geopolitical strategist Alfred Mahan in *Elements of Sea Power* (1890) and historian Paul Kennedy in *The Rise and Fall of the Great Powers* (1987) – by restructuring the economic fundamentals of transnational economic flows to shape the order, network, and competitive balance of a new global system. Today when pundits and policymakers talk about the “Pacific Age”⁴ or China “ruling the waves”⁵ or the strategic notion of the Indo-Pacific, they are imposing a spatial image that largely understates the geo-economic reality of the maritime flow of container traffic carrying the bulk of trade between Asia and European and East Coast US markets. In the past two decades, the crucial change in global shipping has been a back and forth swing in the balance of traffic via the Eastbound route through the Pacific and the Panama Canal and the Westbound route via the Indian Ocean and Suez Canal. I argue that the revived Eastbound route – due to Panama Canal expansion in 2016 – has significant strategic implications for US relations with Asian allies as well as competitive implications for China’s Belt and Road Initiative.⁶

Containerisation has been a single most important driver of globalisation since the 1970s, with an impact greater than all the trade liberalisation agreements combined.⁷ In recent years, approximately 90% of non-bulk cargo worldwide travels in containers. As the ‘shop floor of the world’, China has led as the top exporters of containerised cargo – or about 26% of total container transshipment – with 36 million TEU in 2014 (compared to US’ 12 million TEU) and ranked second in importing containers at 15 million TEU (second to US’ 20 million TEU). Of the top 25 seaports in the world port traffic league ranked by containers handled between 1999 and 2003, 15 formed what has been called “a string of pearls” stretching from Singapore to Tokyo.⁸ Of these fifteen ports, seven are located in China.⁹ In 2015, 13 Chinese seaports were ranked in the global top 20 ports. Each of the three major container handling port regions in China – Bohai, Yangtze River Delta and Pearl River Delta handled about 55 to 65 million TEU in 2015, compared to 50 million TEU for US and 100 million TEU for the entire Europe container seaport system.

⁴ Tricks, H., ‘Special Report: The Pacific Age’, *The Economist*, 13 November 2014, available at: <https://www.economist.com/special-report/2014/11/13/the-pacific-age> (last visited: 11 October 2018).

⁵ Kynge, J., Chris Campbell, Amy Kazmin and Farhan Bokhari, ‘Beijing’s global power play: How China rules the waves’, *Financial Times*, 12 January 2017, available at: <https://ig.ft.com/sites/china-ports/>, last visited: October 11, 2018.

⁶ The analysis below draws from, Lin, K.C., and I-H Chen, ‘New Eastbound Strategy – Taiwan’s Maritime Silk Road in the 21st Century’, *Presentation for The Challenges and Opportunities of Asian Economic Integration Facing Taiwan under the Impact of Globalisation*, SOAS, London, 10 May 2018.

⁷ ‘The humble hero: Containers have been more important for globalisation than freer trade’, *The Economist*, 18 May 2013, available at: <https://www.economist.com/news/finance-and-economics/21578041-containers-have-been-more-important-globalisation-freer-trade-humble>, last visited: 28 February 2019; Levinson, M., *The Box: How the Shipping Container Made the World Smaller and the World Economy Bigger* (Princeton University Press, 2008).

⁸ A brief overview of Asia in global container shipping. Note global economic and financial downturns have hit hard container traffic flows in 1998 (AFC), 2009 (US subprime meltdown) and 2014-5 (the double dip).

⁹ Funke, M., and Hao Yu, ‘The emergence and spatial distribution of Chinese seaport cities’, *China Economic Review* 22 (2011).

Maritime Commerce as the Mainstay of China's BRI

The geographical contour of Chinese President Xi Jinping's BRI/OBOR is well known by now, if not definitive from an official standpoint. To reach its No. 1 trading partner, the EU, China takes a two-pronged approach via land (the Belt, starting in Xi'an and ends in Duisburg where it connects to major north European ports such as Rotterdam, Antwerp and Hamburg, and connects south to Venice in Italy where it meets up with the Maritime Silk Road) and sea with the Maritime Silk Road that begins at the port of Quanzhou (Fujian province), and makes calls at Guangzhou, Beihai (Guangxi), and Haikou (Hainan) before passing the Malacca Strait en route to India/Pakistan, East Africa, and eventually entering the Mediterranean.

To reach its No. 2 trading partner – the US – China faces a non-linear pathway and has weighed competing transport options. Given the thrust of BRI is Westbound for the Western European markets and the US East Coast, it would seem logical for China to focus its investment on developing supporting logistics centres and intermodal transport networks in Europe and Africa to facilitate the Atlantic traversal. With the Egyptian government promising further upgrading of the Suez Canal to accommodate ever-larger vessels, the commercial prospect of the Westbound route will likely improve.

No doubt geopolitics would be the ultimate decisive factor in Xi's maritime expansion plan, to the extent that Beijing can influence trade flows by steering local governments and state-owned shipping companies and port authorities to prioritise one route over another. In the foreseeable future, China's investment in the commercial projects of the Nicaragua Canal, along the Northern Sea Route in the Arctic, and with the Thai Kra Isthmus Canal would provide new transport routes to core markets which avoid countervailing responses of other great powers such as in the SLOCs of the Indo-Pacific seas. While the US and its allies still maintain superior naval force, it can mount a *Mahanian* response to China's effort to access the Eurasian landmass via the Belt, which in turn is underpinned by Mackinder's heartland theory. The strategic capability to affect shipping routes provides a critical leverage in this geopolitical response.

The linchpin to China's control over maritime commerce is the competitiveness of its coastal ports. These nodes of global interactions have underpinned post-Mao China's developmental and national security strategies from Deng Xiaoping's Open-Door Policy, to China's accession to the WTO in 2001, and now in the BRI. Ports connect the hinterland-crossing Belt to the sea-bound Maritime Silk Roads. China has been proactive in enhancing its market position from ten years ago, investing in port expansion during global economic and financial downturns that hit hard container traffic flows in 1997-8 (AFC), 2009 (US subprime meltdown) and 2014-5 (the double dip). With the shipping industry being in the doldrums and US ports suffering underutilisation in the past decade and half, China has stepped up in relative competitiveness by sheer political, financial and policy focus on the port and shipping sectors.¹⁰ Since 2004, when the Port Law was implemented as the overarching port development framework, Chinese policymakers have adopted a number of strategic and managerial decisions including: (a) an increased focus on seaport integration and co-operation, (b) a strong orientation on hinterland development through corridors and dry ports, (c) a two-way opening up of the seaport sector by combining initiatives to attract foreign investments and trade to Chinese ports with an internationalisation of Chinese port-related companies.¹¹

¹⁰ Notteboom, T. and Zhongzhen Yang, 'Port Governance in China since 2004: Institutional Layering and the Growing Impact of Broader Policies', *Research in Transportation Business and Management* 22 (2017), pp. 184-200.

¹¹ Notteboom and Yang (2016); Wang & Ducruet (2012); Chadha (2001); Airriess (2001). Also see Wang, Ng, and Olivier (2004) on the impact of FDI by terminal operating multinationals on the roles of Chinese port authorities and corporatization practices.

More recently, the national Belt and Road Initiative, the mixed ownership reform of port authorities and shipping companies, trials of the fourth-generation Free Trade Zones in Shanghai in 2013 and elsewhere since, and broader regulatory changes in regional planning, land regulation, and financial and administrative restraints on industrial overcapacity point to Beijing's effort at recentralisation of port governance.¹² While administrative decentralisation in the 1990s has rapidly mobilised subnational official support and financial resources for capacity expansion to the point of duplicate capacities in nearby ports, the success of the past two decades is mainly driven by the 'fundamentals' – i.e. China's manufacturing prowess, large domestic market, and rising trade dependency since the 1990s. However, for the global competitive reasons mentioned above, the decentralized approach in port development has increasingly manifested hidden and acute costs that have led Beijing to rethink its overall approach to the maritime economy. As global shipping lines have gained relative power over ports in the 2000s due to their monopolistic status and mobility – i.e. able to switch allegiance to ports and restructuring their routes in relatively short times – Beijing is compelled to offset the leverage of the global shipping lines, and to avoid deleterious competition among Chinese ports.¹³ The intra-Asia competitive dynamic is not a zero-sum or geographically stable one, as inter-port competition follows the shifting centre of gravity of cargo volumes from East Asia to southern coast of China and Southeast Asia and as Asia in general draws in shipping liners to restructure their transport networks globally.¹⁴

Chinese policymakers recognise these complex network effects in their design of the new FTZs, which not only produces diversion effects with customs and duty-free incentives, but also attempts to shape the competitive dynamics between nearby, cross-jurisdictional ports by: a) orienting specific ports to capture the trade relations with neighbouring countries – e.g. the Tianjin FTZ would focus on trade with South Korea and Japan, Guangdong FTZ would enhance integration with Hong Kong via financial links, while the Fujian FTZ would develop cross-Taiwan Strait economic cooperation. Chinese policies to draw in advanced manufacturing and finance and trade-related services would also encourage cross-border investment to cluster in these expanded port areas. In short, China aims to make these ports the loci of regional growth activities.

In the Long Haul – The Indo-Pacific Agenda for Maritime Commerce

From Hillary Clinton's "America's Pacific Century" (*Foreign Policy*, Nov. 2011) to Ash Carter's "Reflections on American Grand Strategy in Asia" (Harvard Belfer Centre Report, Oct. 2018), US policymakers have approached regional strategy under the premise that greater collective security would preserve the existing economic growth and trade relations between US and its Asian allies. We have suggested looking at the challenge from the other end – how can specific, relatively non-controversial economic choices open up strategic options that offset China's dominance in regional and inter-regional trade. Short of sponsoring a mega-pact such as the shelved PPT, which requires extensive political capital and diplomatic manpower, the US could support trade route diversification – and in the process contributing to food and energy security – of its Asian partners through the Eastbound route.

¹² Xu and Chin (2012) on the impact of devolution.

¹³ Cullianane, K. and T. Wang, 'Devolution, port governance, and port performance', *Research in Transportation Economics*, 17 (2007), pp. 517-566.

¹⁴ Yap, W.Y. and Jasmine Siu Lee Lim, 'Competition dynamics between container ports in East Asia', *Transportation Research Part A Policy and Practice* 40.1 (2006), pp. 35-51.

It would not be out of question to scale up the shipping relations to more ambitious infrastructure such as a Northeast Asian gas hub – Japan, ROK, and Taiwan, and open to Chinese participation – fed by US LNG. The expanded Panama Canal will enable 90% of current LNG tankers to pass through its new locks, compared to a meagre 30% through the old locks.¹⁵ The LNG-carrying capacity has increased over five-fold from 0.7 billion cubic feet (BCF) up to 3.9 BCF.¹⁶ The travel time will be greatly reduced. For example, sailing an LNG tanker from the Gulf of Mexico to Japan would now only take 25 days now, compared to 41 days previously.¹⁷ It would thus make the LNG of the Gulf area more accessible to Asian markets. One analyst predicts that almost all US LNG exports would go to East Asia in 2035.¹⁸

These commercial benefits from the re-orientation of container trade provide compelling justifications for closer cooperation and strategic coordination between the US and countries in the Indo-Pacific region, not excluding China. Elsewhere, Dr I-Hsin Chen and I have recommended that Taiwan emphasise the Eastbound route for its medium- to long-term maritime economic development, and we are particularly glad to see Taiwan securing a 25 year, US\$25 billion LNG deal with Cheniere Energy in August, and its first long-term deal to buy 2 million barrels of WTI Midland crude per month for February to June of the coming year.¹⁹ Concurrently, US-Taiwan relations have been strengthened in words and actions, latest with Washington DC approving a US\$330m arms sale in September and two US warships destroyer transiting the Taiwan Strait last week.

American diplomacy that integrates national and maritime commercial interests: The US might look to the European Union's Blue Growth Strategy for guides to incorporate marine ecological protection and non-traditional security into strategies for 'blue competition'. Similarly, Christian Bueger (2015) applies a securitisation framework for maritime security based on a matrix of seapower, marine safety, blue economy, and human resilience, which he observes in NATO's Alliance Maritime Strategy. In recent years and prompted partly by sovereignty and territorial disputes in South China Sea, Asian policymakers and maritime legal and security scholars have discussed interstate cooperation to safeguard the 'maritime commons'. A shared understanding of these concepts and principles could provide the normative foundation for Indo-Pacific maritime cooperation.

Industrial policy for the ports and shipping industry, which identifies areas of growth and cooperation in both the Eastbound and Westbound routes: The policy should focus on government facilitation of domestic businesses in identifying and exploiting global value chains rings true for port development. It should be consistent with liberal trade and in particular trade and investment facilitation for Asian partners in the maritime sectors. Firms could be encouraged to restructure production networks in Asia to take

¹⁵ Energy Information Administration of the United States, 'Expanded Panama Canal reduces travel time for shipments of U.S. LNG to Asian markets', *Today in Energy*, 30 June 2016, available at: <https://www.eia.gov/todayinenergy/detail.php?id=26892>, last visited: 15 March 2018.

¹⁶ Ibid

¹⁷ Moryadee, S. and Steven A. Gabriel, 'Panama Canal Expansion: Will Panama Canal Be a Game-Changer for Liquefied Natural Gas Exports to Asia?', *Journal of Energy Engineering* 143.1 (2017), DOI: 10.1061/(ASCE)EY.1943-7897.0000365, p. 3.

¹⁸ Ibid, p. 10.

¹⁹ 'Cheniere signs 25-year LNG sales deal with Taiwan's CPC', *Reuters*, 11 August 2018, available at: <https://www.reuters.com/article/us-cheniere-energy-taiwan/cheniere-signs-25-year-lng-sales-deal-with-taiwans-cpc-idUSKBN1KW03E>, last visited: 28 February 2019; 'Taiwan's CPC Inks First US Term Crude Purchase Deal', *Oil & Gas Investor*, 22 October 2018, available at: <https://www.oilandgasinvestor.com/taiwans-cpc-inks-first-us-term-crude-purchase-deal-1719836>, last visited: 28 February 2019.

advantage of the improved transport routes. Given the protectionist tendencies of the Trump administration, these measures could in a sense serve as a hedging mechanism, keeping Asia-US trade on even keel.

Government and corporate stakeholders should have access to evidence-based public policy: Policy and corporate decisions need to be guided by multidisciplinary perspectives of economics, politics, law, history, geography and marine sciences, etc., as well as economic and ecological data sourced from all countries. Asia-based maritime academics, most notably Prof. Sam Bateman, have called for the establishment of an independent, multinational resource on regional security along the lines of the Stockholm International Peace Research Institute (SIPRI). The UK has tremendous scientific resources to support such a venture. For example, Cambridge has the Scott Polar Research Institute and the Lauterpacht Centre of International Law, world leading in their respective maritime fields.

The Maritime Commerce agenda should be linked to collective security measures, including Code of Conduct, FONs and joint military exercises.

Chapter 2

JAPAN: COMING UP WITH THE INDO-PACIFIC CONCEPT

Dr Kei Koga

Nanyang Technological University (NTU) Singapore

Japan's "Free and Open Indo-Pacific Strategy" (FOIP) derived from Prime Minister Shinzo Abe's speech at the Sixth Tokyo International Conference on African Development (TICAD VI) in 2016.²⁰ In this speech, Abe emphasized the importance of the rule of law, open economy, free from coercion, and freedom and prosperity from Asia to Africa through the Indian Ocean and the Pacific Ocean.²¹ Japan's geographical scope of the Indo-Pacific region is important for its security and economic prosperity. The Sea Lines of Communications (SLOCs) stretching from the Indian Ocean to the South China Sea to the Pacific Ocean are vital for Japan's energy import as Japan depends on this SLOCs for approximately 80% of its oil imports.²² This broad region also provides opportunities for economic growth and social development in Africa, the Middle East, South Asia, and Southeast Asia.

The essence of Japan's FOIP might be summarized as "US in, China down, Australia/India/ASEAN up".²³ First, Japan considers its relations with the United States vital for ensuring its own security and economic prosperity, and the Japan-US alliance has been the core of Japan's strategy.²⁴ Thus, Japan attempts to keep US commitment to the region constant by continually strengthening the alliance. Second, Japan perceives that China would likely challenge the existing international order. Since China's increasing assertiveness in the maritime spheres and growing political and economic influence in the region, Japan considers China needs to be checked in several ways. Third, Japan considers it vital to strengthen strategic partnerships with like-minded states, namely Australia and India, as well as the Association of Southeast Asian Nations, the core multilateral institution in Asia. While such groupings have yet to constrain Chinese action in the region, the enhancement of strategic partnerships aims to compensate for what is seen as declining US relative diplomatic influence in the region.²⁵

²⁰ 'Address by Prime Minister Shinzo Abe at the Opening Session of the Sixth Tokyo International Conference on African Development (TICAD VI)', *Prime Minister of Japan and His Cabinet*, 27 August 2016, available at: https://japan.kantei.go.jp/97_abe/statement/201608/1218850_11013.html, last visited: 28 February 2019.

²¹ Ibid.

²² Koga K., 'Japan's strategic interests in the South China Sea: beyond the horizon?', *Australian Journal of International Affairs* 72.1 (2018), p. 18.

²³ Koga K., 'Honing Japan's regional strategy: Tokyo's Indo-Pacific vision could do with sharper teeth', *Policy Forum*, 17 December 2018, available at: https://www.academia.edu/37999137/Honing_Japans_regional_strategy_Tokyos_Indo-Pacific_vision_could_do_with_sharper_teeth, last visited: 28 February 2019.

²⁴ 'National Defense Program Guidelines for FY2011 and beyond, Approved by the Security Council and the Cabinet on December 17, 2010 (Provisional Translation)', *Japanese Ministry of Defense*, available at: http://www.mod.go.jp/e/d_act/d_policy/pdf/guidelinesFY2011.pdf, last visited: 28 February 2019, pp. 7-8; 'National Security Strategy, December 17, 2013 (Provisional Translation)', *Prime Minister of Japan and His Cabinet*, available at: <https://www.cas.go.jp/jp/siryoku/131217anzenhoshou/nss-e.pdf>, last visited: 28 February 2019, p. 14; 'National Defense Program Guidelines for FY 2014 and beyond, December 17, 2013 (Provisional Translation)', *Japanese Ministry of Defense*, available at: http://www.mod.go.jp/j/approach/agenda/guideline/2014/pdf/20131217_e2.pdf, last visited: 28 February 2019, p. 5; 'National Defense Program Guidelines for FY 2019 and beyond, December 18, 2018 (Provisional Translation)', *Japanese Ministry of Defense*, available at: http://www.mod.go.jp/j/approach/agenda/guideline/2019/pdf/20181218_e.pdf, last visited: 28 February 2019, p. 2.

²⁵ Ibid.

That said, it is unclear whether this strategic line of thinking will last in the long-term because the concept of the 'Free and Open Indo-Pacific' (FOIP) is inherently evolutionary. While the principles are unlikely to change, Japan's approach to implement it would change over time. This is inherently so because Japan attempts to make the FOIP concept as flexible as possible in order to adjust fast-changing strategic environment.

The Origins of Japan's FOIP

The origin of FOIP attributes to three factors: long-term strategic trends in Asia, the prospect of China's growing influence, and Abe's personal commitment to the Indo-Pacific region. First, the long-term trend of changing strategic environment in Asia propelled Japan to adjust its strategy. Japan has long been concerned about China's increasing military and economic capabilities since the end of the Cold War. However, Japan did not fear China's rudimentary material capabilities in the 1990s and 2000s despite its rapid growth, and it was confident over its own capability to balance against China with the Japan-US alliance.²⁶

Given China's consistently rising status, however, Japan considered it would be necessary to enhance its social, economic, and security relations with like-minded states, such as India and Australia, and ASEAN. In fact, Japan began to improve its relations with India, which was once deteriorated due to the 1998 nuclear test. In 2000, Japan and India established "Global Partnership," and elevated it to "Strategic Global Partnership" in 2006, to "Special Strategic And Global Partnership" in 2014, which has broadened the range of cooperative frameworks.

On Australia, Japan institutionalised the Japan-US-Australia trilateral foreign ministerial dialogue, the Trilateral Strategic Dialogue (TSD) in 2005, which resulted in the bilateral security arrangement through the Japan-Australia Joint Declaration on Security Cooperation in 2007. On the basis of the declaration, bilateral security cooperation was then deepened through such means as conclusion of the Acquisition and Cross-Servicing Agreement (ACSA) in 2010 and the General Security of Information Security Agreement (GSOMIA) in 2012.

Japan's efforts to strengthen its ties with ASEAN were also evident. Japan and ASEAN adopted the joint declaration on their comprehensive economic partnership in 2002 and the Tokyo Declaration in 2003, which envisioned deepening Japan-ASEAN strategic partnership for peace and prosperity. While security cooperation was still confined to non-traditional security areas, such as counter-piracy and humanitarian assistance/disaster relief (HA/DR), their cooperation steadily evolved.

Nevertheless, Japan's threat perception *vis-à-vis* China became more acute from 2009, when a number of events occurred in quick succession. First, the 2008 Global Financial Crisis occurred, which that weakened the US' economic foundation; then China's assertiveness grew in the East China and South China Sea in 2010; then, China passed Japan in GDP terms in 2010, and finally, China's development of asymmetric warfare, under the rubric of Anti-Access/Area Denial (A2AD) capabilities, all posed the question whether Japan would be able to sustain the strategy based on the Japan-US alliance.

²⁶ Koga, K., 'The Concept of 'Hedging' Revisited: The Case of Japan's Foreign Policy Strategy in East Asia's Power Shift', *International Studies Review* 20.4 (2018), pp. 633-660.

Second, the trend of China's growing influence is likely to persist in the near future. By 2016, China's Belt and Road Initiative (BRI) gained international attention as its infrastructure projects attracted many countries in Eastern Europe, Central Asia, South Asia, and Southeast Asia, which needed infrastructure investment. While China's announcement of BRI, which began with President Xi Jinping's speeches on "the Silk Road Economic Belt" and "the Maritime Silk Road of the 21st Century" in 2013,²⁷ did not immediately draw attention from the West, gaining international constituencies over time, BRI became China's flagship development policy by 2016. Since China's development policy did not always follow international standards, such as human/labour rights protection and environmental protection, Japan began to raise its concern because the development assistance would give China a leverage to challenge international standards as well as political and economic influence over those who accepted China's assistance.

Also, the year 2016 saw Beijing's staunch refusal to accept the findings of the South China Sea Arbitration Tribunal's Award. Although China clarified its position toward the Arbitration Tribunal in 2014 by providing its position paper, the Japanese government supported the award and considered that refusing the Award was a challenge against international law.²⁸ At the same time, ASEAN member states, which negotiated with China over the Code of Conduct over the South China Sea from 1990s, were unable to reach consensus to issue ASEAN's statement. This development of Asia's strategic environment set the condition for Japan to propose FOIPS.

Third, Abe's personal conviction that the Indo-Pacific region would become the centre of geopolitical gravity for Japan was the ultimate factor which created FOIP. This can be traced back to his 2007 speech at the Indian Parliament, "Confluence of the Two Seas", which emphasised the importance of India to connect the Indian Ocean to the Asia Pacific and formulate a "broader Asia".²⁹ Despite that the first Abe administration was short-lived for one year from 2006 to 2007, the second Abe administration continuously advocated the importance of India and connecting to the Pacific Ocean. This is clearly written in his short essay, "Asia's Democratic Security Diamond" in Project Syndicate in 2012, the undelivered speech in Indonesia in 2013, "Bounty of the Open Seas," and the 2014 Shangri-La Dialogues speech, "Peace and prosperity in Asia, forevermore".³⁰ In this sense, Abe's strategic thinking in the changing regional balance of power produced FOIP.

²⁷ 'President Xi Jinping Delivers Important Speech and Proposes to Build a Silk Road Economic Belt with Central Asian Countries', *People's Republic of China Ministry of Foreign Affairs*, 7 September 2013, available at: https://www.fmprc.gov.cn/mfa_eng/topics_665678/xjpfwzysiesgjtfhshzzfh_665686/t1076334.shtml, last visited: 28 February 2019; Jiao, W., 'President Xi gives speech to Indonesia's parliament', *China Daily*, 2 October 2013, available at: http://www.chinadaily.com.cn/china/2013xiapec/2013-10/02/content_17007915.htm, last visited: 28 February 2019.

²⁸ 'Position Paper of the Government of the People's Republic of China on the Matter of Jurisdiction in the South China Sea Arbitration Initiated by the Republic of the Philippines', *People's Republic of China Ministry of Foreign Affairs*, 7 December 2014; 'Arbitration between the Republic of the Philippines and the People's Republic of China regarding the South China Sea (Final Award by the Arbitral Tribunal)', *Japanese Ministry of Foreign Affairs*, 12 July 2016, available at: https://www.mofa.go.jp/press/release/press4e_001204.html, last visited: 28 February 2019.

²⁹ "Confluence of the Two Seas,' Speech by H.E. Mr. Shinzo Abe, Prime Minister of Japan at the Parliament of the Republic of India', *Japanese Ministry of Foreign Affairs*, 22 August 2007, available at: <https://www.mofa.go.jp/region/asia-paci/pmv0708/speech-2.html>, last visited: 28 February 2019.

³⁰ Abe, S., 'Asia's Democratic Security Diamond', *Project Syndicate*, 27 December 2012, available at: <https://www.project-syndicate.org/commentary/a-strategic-alliance-for-japan-and-india-by-shinzo-abe?barrier=accesspaylog>, last visited: 28 February 2019; 'The Bounty of the Open Seas: Five New Principles for Japanese Diplomacy: Address by H.E. Mr. Shinzo Abe, Prime Minister of Japan, January 18, 2013, Jakarta', *Japanese Ministry of Foreign Affairs*, available at: https://www.mofa.go.jp/announce/pm/abe/abe_0118e.html, last visited: 28 February 2019; 'The 13th IISS Asian Security Summit -The Shangri-La Dialogue - Keynote Address by Prime Minister Abe', *Japanese Ministry of Foreign Affairs*, 30 May 2014, available at: https://japan.kantei.go.jp/96_abe/statement/201405/0530kichokoen.html, last visited: 28 February 2019.

Strategic Ambiguity and Evolution of FOIP

Given the origin of FOIP, the strategy seems to counter China's influence, which posed serious challenges against the international order. This is the backbone of the FOIP concept; however, the concept has been constantly changing as it is still ambiguously defined, and Japan's approach toward China would likely to change over time. There are two main trends that suggest Japan's changing approach.

First, the principles of FOIP have been developed and gradually consolidated through consultations with its allies and partners, particularly the United States. Yet, this does not necessarily mean that they always share the same approach toward China. The basic principles of FOIP shared by Japan and the United States was defined in the Japan-US summit in November 2017. In this summit, Japan and the United States agreed that through FOIP, they pursue (1) "promotion and establishment of fundamental values", such as the rule of law and the freedom of navigation, (2) "economic prosperity" through means such as improvement of connectivity, and (3) "commitment for peace and stability", such as maritime law enforcement capacity building.³¹ Also, they stated that they would welcome any country which "share this vision" of the Indo-Pacific region.³²

Nevertheless, their approaches to pursue these principles differs over time. On the one hand, the United States began to take a firmer stance to counter China's military, economic, and diplomatic influence by regarding it as "strategic competitor".³³ On the other hand, Japan began to soften its approach toward China and aimed to shape China's behaviour by cooperation. This is illustrated by Abe's 2017 speech that Japan would cooperate with China's BRI under the conditions that China would adhere to the international standards and the 2018 summit meeting between Japan and China that agreed to hold dialogues over development cooperation.³⁴

Second, the main institutional frameworks have shifted from the quadrilateral cooperation among Japan, the United States, Australia, and India (Quad), to ASEAN. While Japan did not explicitly discuss the revitalisation of the 'Quad' framework, it was implicitly emphasised. For example, the report published by International Cooperation Bureau (ICB), the Ministry of Foreign Affairs (MOFA), "Priority Policy for Development Cooperation", indicated the importance of cooperation with the United States, Australia, and India in 2017.³⁵ Also, in November 2017, the Japan-US-Australia-India senior official meeting was held to discuss the FOIP concept.³⁶ However, this emphasis shifted in 2018, and Japan's official document in FOIPS began to include ASEAN as the centre of the map, emphasising ASEAN unity and centrality.³⁷

³¹ 'Japan-U.S. Working Lunch and Japan-U.S. Summit Meeting', *Japanese Ministry of Foreign Affairs*, 6 November 2017, available at: https://www.mofa.go.jp/na/na1/us/page4e_000699.html, last visited: 28 February 2019.

³² Ibid.

³³ 'National Security Strategy of the United States of America', The White House (2017), available at: <https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf>, last visited: 28 February 2019, pp. 45-46.

³⁴ 'Shusho, ittai ichiro ni kyoryoku shisei' (Prime Minister, Cooperative Posture toward BRI), *Nikkei Shimbun*, 6 June 2017; Prime Minister Abe Visits China, Japanese Ministry of Foreign Affairs, 26 October 2018, available at: https://www.mofa.go.jp/a_o/c_ml/cn/page3e_000958.html, last visited: 28 February 2019.

³⁵ 'Priority Policy for Development Cooperation FY2017', International Cooperation Bureau, Japanese Ministry of Foreign Affairs (2017), available at: <https://www.mofa.go.jp/files/000259285.pdf>, last visited: 28 February 2019) p. 9.

³⁶ 'Australia-India-Japan-U.S. Consultations on the Indo-Pacific', *Japanese Ministry of Foreign Affairs*, 12 November, 2017, available at: https://www.mofa.go.jp/press/release/press4e_001789.html, last visited: 28 February 2019.

³⁷ 'Free and Open Indo-Pacific', *Japanese Ministry of Foreign Affairs*, 20 December 2018, found at: https://www.mofa.go.jp/policy/page25e_000278.html, last visited: 28 February 2019.

Further, Japan no longer uses the term, FOIPS, and use FOIP by dropping the term, 'strategy'.³⁸ As the 'strategy' connotes zero-sum image, some ASEAN member states raised concern in August 2018, and Japan changed it to "vision" rather than "strategy".³⁹ As such, the FOIP concept is fluid, and Japan could possibly modify it further in the future.

Implications for Japan's FOIP Concept

Japan's FOIPS and FOIP are a strategic construct. Its strength rests on conceptual flexibility, so that Japan can adjust its approach as the strategic environment changes. This prevents unnecessary provocation, tensions, and concerns that could be raised by other states, including China and ASEAN member states.

Nevertheless, the downsides of this strength are three-fold. First, Japan's conceptual ambiguity may lead other states to take the initiative in defining FOIP. Currently, the United States sees FOIP through the prism of its competition with China, while ASEAN attempts to create its own definition of the Indo-Pacific by maintaining primacy for ASEAN. It's possible that these two opposing definitions might marginalise Japan's own version of FOIP. Second, the difference in approaches to FOIP can create inter-state tension between Japan and the United States. While the principles are shared, different approaches could potentially increase doubts about each other's intention unless there is careful consultations.

Third, emphasizing ASEAN Centrality would result in 'reinventing a wheel'. ASEAN is a pivotal player in facilitating multilateralism in East Asia. However, if ASEAN applies the same institutional design and mechanism to the Indo-Pacific region, it would likely create a similar forum in the region unless clarifying what roles Japan wants ASEAN to play. Japan's FOIP is still ambiguous enough to articulate the differences from the existing foreign policy that it has been pursuing. It would help Japan gain time to understand strategic regional trends. However, given the rapidly evolving strategic environment in the past three years, Japan could lose that diplomatic space and strategic ambiguity in the near future if it's not careful.

³⁸ 'Indo taiheiyo, kieta 'senryaku' seifu ga 'koso' ni shusei (Indo-Pacific: Disappeared "strategy," the Japanese government altered it to 'vision')', *Nikkei Shimbun*, 13 November 2018; 'Free and Open Indo-Pacific', *Japanese Ministry of Foreign Affairs*, 20 December 2018, found at: https://www.mofa.go.jp/policy/page25e_000278.html, last visited: 28 February 2019.

³⁹ *Ibid.*

Chapter 3

HOW INDIA VIEWS THE INDO-PACIFIC

Rahul Roy-Chaudhury

Senior Fellow for South Asia

The International Institute for Strategic Studies (IISS) London, UK

From ambivalence to articulation

Till five months ago, India was hesitant to use the term Indo-Pacific in its official discourse. This regional concept, based on the increasing interdependence of the Indian and Pacific Oceans, was first suggested by Japanese prime minister Shinzo Abe in his speech to the Indian parliament in August 2007 when he talked of the confluence of the two oceans.¹

Yet, the then ruling Congress party-led government in India used the term sparingly. Then prime minister Manmohan Singh first used the term only in May 2013 in an address to the Japan-India Association in Tokyo. The Ministry of Defence used the term only once in its official annual report (in 2016); the Ministry of External Affairs only occasionally referred to it from 2016 onwards. The Indian navy's latest strategy document of 2015 used the term only six times.²

This ambivalence was due largely to uncertainty whether the term would become popular with other countries, with the US referring to the region largely as Asia-Pacific or Indo-Asia-Pacific. It was only during US President Donald Trump's five-nation tour of Asia in late 2017 that he frequently used the term 'free and open Indo-Pacific region'.³

There was also the question for India of its maritime reach and influence. The Indian navy's primary area of influence and operations has traditionally been the Indian Ocean. This has included India's maritime zones including the Exclusive Economic Zone (EEZ), the Arabian Sea and the Bay of Bengal. In this context, over 90% of India's foreign trade in volume and 77% in value is seaborne, accounting for over 40% of the country's total GDP. India had also increased its oil imports from about 40% of demand in 1990 to around 80% in 2018. Most major international shipping lanes in the Indian Ocean are located close to India's island territories. Some 66% of the world's maritime oil trade, 50% of the global container traffic and 33% of global cargo trade flow through the Indian Ocean. As a result, since April 2004, the Indian navy has officially stated that its "maritime vision for the first quarter of the 21st century must look at the arc from the Persian Gulf to the Straits of Malacca as a legitimate area of interest".⁴

Yet, the navy's rising profile, India's 'look east' policy, and the expansion of the Chinese navy's presence and influence in the Indian Ocean, began shifting the Indian navy's focus beyond the Bay of Bengal and the eastern Indian Ocean to areas east of the Straits of Malacca-Singapore, including the South China Sea. Not surprisingly, the navy's 2009 updated maritime doctrine categorised for the first time India's 'secondary areas' of maritime interest as including the "South China Sea, other areas of West Pacific Ocean and friendly littoral countries located herein", along with "other areas of national interest

¹ Shinzo Abe, 'Confluence of the Two Seas' speech to the Indian Parliament, New Delhi, 22 August 2007, <http://www.mofa.go.jp/region/asia-paci/pmv0708/speech-2.html>.

² Letter from Admiral Robin Dhowan, Chief of Naval Staff of the Indian Navy, to Rahul Roy-Chaudhury, on Ensuring Secure Seas: Indian Maritime Security Strategy 2015, 9 December 2015.

³ Demetri Sevastopulo, 'Trump gives glimpse of 'Indo-Pacific' strategy to counter China', 10 November 2017, <https://www.ft.com/content/e6d17fd6-c623-11e7-a1d2-6786f39ef675>.

⁴ Integrated Headquarters, Ministry of Defence (Navy), Indian Maritime Doctrine (INBR 8) (2004), p.56.

based on considerations of diaspora and overseas investments”⁵, although none of this was elaborated upon. Indeed, the navy’s 2007 military strategy specifically noted the importance of “establishing and retaining influence over the maritime neighbourhood”.⁶ Finally, on 1 June 2018, in his Keynote address at the International Institute for Strategic Studies (IISS) Shangri-La Dialogue in Singapore India’s prime minister Narendra Modi used the term Indo Pacific eleven times.⁷ He also strongly articulated, for the first time, India’s vision towards the Indo-Pacific region. This followed one of his earliest foreign policy decisions as prime minister in 2014, the renaming of India’s existing ‘Look East’ policy to ‘Act East’, highlighting India’s renewed focus on ASEAN (Association of South East Asian Nation) states and shifting the emphasis of what had previously been an economic and trade-based policy to nurturing political and security relationships.

India’s policy towards the Indo-Pacific

There are four key aspects emanating from prime minister Modi’s 1 June speech as to how India currently views the Indo-Pacific:

First, the geographical definition of the Indo-Pacific. Modi defined this essentially maritime region as stretching “from the shores of Africa to that of the Americas”⁸, thereby incorporating the Arabian Sea/Gulf region and Indian Ocean island states left out of popular definitions of the region. As a result, it is the most expansive definition of the Indo-Pacific among the ‘quad’ countries – the security-based grouping of the US, India, Japan and Australia; while being closest to the Japanese definition. In 2018, Japan expanded its earlier definition of the Indo-Pacific to stretch from the east coast of Africa to the west coast of the US (instead of limiting it at Japan). The 2017 US national security strategy defines the region as stretching from the western shores of the US to the west coast of India, and the 2017 Australian Foreign Policy White Paper defines the region as stretching from Australia to the westernmost point in India.

Second. Modi announced that India’s Indo-Pacific policy was ‘free, open and inclusive’. In essence, this gives equal importance to the term ‘inclusive’ in the pursuit of progress and prosperity, including all nations in this geography and “others beyond who have a stake in it”⁹; it does not see the region as a strategy or as a club of limited members; and it does not consider such a geographical definition as directed against any country, nor as a grouping that seeks to dominate. At the same time, Modi mentioned his recent meeting with Russian President Putin in Sochi to demonstrate India’s ‘strategic autonomy’.

Third, Modi strongly highlighted the importance of partnerships on the basis of shared values and interests. For only the second time in a prime ministerial speech, Modi used the term ‘rules-based international order’ for the region, which he stressed “must equally apply to all individually as well as to the global commons”.¹⁰ These rules and norms were to be based on “the consent of all, not on the power of the few”.¹¹ He also emphasised

⁵ Integrated Headquarters, Ministry of Defence (Navy), Indian Maritime Doctrine (INBR8) (2009), p.68.

⁶ Integrated Headquarters, Ministry of Defence (Navy), Freedom to Use the Seas: India’s Maritime Military Strategy (2007), p. 87.

⁷ Indian Ministry of External Affairs, ‘Prime Minister’s Keynote Address at Shangri La Dialogue’, 1 June 2018.

⁸ Ibid.

⁹ Ibid.

¹⁰ Ibid. The term rules-based international order was first used by Prime Minister Modi in a press statement during the India-EU Summit in October 2017. The term had also previously been used in joint declarations with Japan; Australia; the EU; the UK; and the Netherlands.

¹¹ Ibid.

freedom of navigation and overflights, and the peaceful settlement of disputes in accordance with international law.

In effect, this was a thinly-veiled criticism of China. In the same vein, Modi also criticised infrastructure projects that were not “based on respect for sovereignty and territorial integrity, consultation, good governance, transparency, viability and sustainability”, noting that such projects “must empower nations, not place them under impossible debt burden”.¹² Both these were indirect references to India’s strong and sustained opposition to China’s Belt & Road Initiative (BRI) and its flagship project the China-Pakistan Economic Corridor (CPEC). Yet, Modi also stated that strong and stable Sino-Indian relations were an important factor for global peace and progress, referencing his recent informal summit in Wuhan with Chinese President Xi. There was also no mention of New Delhi’s concern over China’s assertiveness towards India or in the South China Sea.

Fourth, Modi firmly placed ASEAN at the core of India’s engagement with the Indo-Pacific. This was an important reassurance to the politically-divided ASEAN states, who were concerned that the rejuvenation of a ‘quad-like’ approach would force them to choose sides with the US or China during a period of uncertainty or lead to their eventual neglect.

Problems and Limitations

However, Modi’s speech raises four complex issues in terms of India’s foreign and security policy priorities:

First, the absence of any geographical prioritisation within the Indo-Pacific region. Modi firmly placed the huge expanse of the Indo-Pacific at the heart of India’s engagement with the world. This is based on India’s geographical, historical and civilisational links with the region as well as its importance for India’s current and future prosperity and security. This engagement is to be based on the five S’ in Hindi: Sammaan (respect); Samvad (dialogue); Sahyog (cooperation), Shanti (peace), and Samridhi (prosperity). Yet, he briefly noted that the Indian Ocean held the “key to India’s future”.¹³

But, this is too vast an operational area without any policy prioritisation. Indeed, the Indian navy does not view this extended maritime realm of the Indo-Pacific as the domain of its strategic priority.¹⁴ India’s 2015 Maritime Security Strategy continues to differentiate between India’s ‘primary’ areas of maritime interests – within the Indian Ocean – and those ‘secondary’ areas – lying east of the Straits of Malacca-Singapore. The former extends from, at the most westerly points, the Persian Gulf and the Gulf of Oman; the Gulf of Aden and the Red Sea; the East Coast of Africa littoral and the South-West Indian Ocean Region island nations to, at the most easterly reach, the Andaman Sea to India’s east, whose littoral states include Myanmar, Thailand, and Indonesia.¹⁵ The latter, meanwhile, include the South-East Indian Ocean (stretching as far as Australia), South and East China Seas, Western Pacific Ocean, and Southern Indian Ocean Region (including Antarctica). It remains to be seen whether an updated Indian navy strategy document in the future reviews this distinction.

¹² Ibid.

¹³ Ibid.

¹⁴ Roy-Chaudhury, Rahul and Dr Kate Sullivan de Estrada, ‘India, the Indo-Pacific and the Quad’, *Survival: Global Politics and Strategy* June-July 2018 60, no. 3 (June 2018): 181-194, <https://doi.org/10.1080/00396338.2018.1470773>.

¹⁵ Indian Ministry of Defence, ‘Ensuring Secure Seas: Indian Maritime Security Strategy’, October 2015, p. 32, https://www.indiannavy.nic.in/sites/default/files/Indian_Maritime_Security_Strategy_Document_25Jan16.pdf.

Second, the differing operational priorities in the Indian Ocean and the wider Indo-Pacific. In 2015, Modi had expressed his vision for the Indian Ocean, named Sagar (Security and Growth for All in the Region).¹⁶ This five pronged approach comprised:

- i) safeguarding India's mainland and islands, defending its interests, ensuring a safe secure and stable Indian Ocean, and making available India's capabilities to others;
- ii) deepening economic and security cooperation with India's maritime neighbours and island states, and strengthening their maritime security capacities and economic strength;
- iii) envisaging collective action and cooperation to advance peace and security and respond to emergencies;
- iv) seeking a more integrated and cooperative future for the region that enhanced sustainable development; and
- v) seeking a climate of trust and transparency; respect for international maritime rules and norms by all countries; and peaceful resolution of maritime issues.

But, it is not clear how the security aspects of this policy in the Indian Ocean, especially India's attempts to become a 'first responder' to humanitarian and disaster emergencies in its neighbourhood as well as a 'net security provider-plus' to littoral and island states can be implemented east of the Straits of Malacca-Singapore, where India has little defence or security leverage. At the same time, India has faced a range of key, country-specific, problems in doing so even within the Indian Ocean, in relation to the Maldives, Sri Lanka and Seychelles. Mirroring New Delhi's vision for India's maritime reach, the Indian navy also has clear incentives for a strong operational role in the Indian Ocean and little such incentive for a role that extends to the South China Sea or broader Pacific Ocean.¹⁷

It is also highly unlikely that any Indian government would order the navy to operationally deploy in the South China Sea to protect India's commercial interests. India is also unlikely to carry out freedom of navigation operations (FONOPS) in the South China Sea, especially as it itself remains a target of US FONOPS in terms of prior consent required for military exercises or manoeuvres in India's Exclusive Economic Zone (EEZ) or operations at sea. At the same time, India will almost certainly continue to reject formal invitations to join the US in joint patrols in the South China Sea.¹⁸

Equally, reflecting the Indian government's attempts to counter China's regional connectivity initiatives normatively, New Delhi has also sought to counter China's presence in the Indian Ocean strategically. This also leverages India's naval strength in the Indian Ocean, where it has tremendous relative advantages of geography, reach and capacity over the Chinese navy, to seek to offset China's advantages in the South China Sea.¹⁹

¹⁶ Rahul Roy-Chaudhury, 'India's perspective towards China in their shared South Asian neighbourhood: cooperation versus competition', *Contemporary Politics*, 24, no. 1 (2018): 98-112, <https://doi.org/10.1080/13569775.2017.1408173>.

¹⁷ Roy-Chaudhury and Sullivan de Estrada, 'India, the Indo-Pacific and the Quad', 181-194.

¹⁸ *Ibid.*

¹⁹ Rahul Roy-Chaudhury, 'Modi spells out free, open, inclusive Indo-Pacific policy', July 2018, <https://indiaincgroup.com/modi-spells-out-free-open-inclusive-indo-pacific-policy/>.

Third, questions over the future of the 'Quad'. It is often forgotten that the origin of the regional 'quadrilateral' grouping (comprising India, the US, Japan and Australia), lies in their naval and air coordination for humanitarian and disaster relief in the aftermath of the devastating Indian Ocean tsunami of December 2004. This led to the first, and to date, only joint quadrilateral naval exercise in September 2007 in the Bay of Bengal, along with Singapore. As a result of the subsequent Chinese demarche, this quadrilateral partnership was wound down. It was only in 2017, as a result of growing Chinese assertiveness, that the Quad was revived after a decade, at a meeting of senior diplomats from the four nations on the side-lines of the ASEAN and East Asia Summits in Manila.

As it was no coincidence that the resumption of the Quad took place alongside President Trump's formal enunciation of the term 'Indo-Pacific', it was perceived that whereas the Indo-Pacific was the new regional 'geo-strategic concept', the Quad was its 'operating concept' - of a revived partnership between the four countries seeking to both counter China as well as offer other regional countries diplomatic options other than China.

However, India is not keen on 'operationalising' or militarising the Quad in this respect. Prime Minister Modi's refusal to mention the Quad in his IISS Shangri-La dialogue speech was a blow to the concept and disappointing to the defence ministers of the other three countries present. This was compounded by India's reluctance to include Australia in the annual Malabar-series of joint trilateral naval exercises with Japan and the US, which would, most certainly, have looked and felt like the resumption of the Quad naval exercise a decade later. It was, perhaps, no coincidence that India's decision over Australia's participation took place following the 'informal summit' between Prime Minister Modi and Chinese President Xi Jinping in April 2018 in Wuhan, China, to ease tensions between the two Asian giants.

Clearly, the Quad will take time to evolve as a security partnership. This will be driven largely by the actions of China and the US; with India instead currently seeking, in the interim, to focus the Quad on economic and infrastructural projects and partnerships.

However, this has not prevented India in actively participating in trilateral or quadrilateral security meetings (indeed, the fifth meeting of senior officials of the Quad in November 2018 on the side-lines of the East Asia Summit in Singapore) or even joint trilateral naval exercises within the Indian Ocean and the Indo-Pacific.

At the same time, India will continue to deepen and widen its bilateral security partnerships with the US, Australia and Japan; ensure the provision of reciprocal logistical access with both the US and France; and seek to engage deeper with the UK in the Indian Ocean.

In June 2016, India was designated a Major Defence Partner of the US, which allowed increased cooperation on a range of defence issues. Two months later, India signed the Logistics Exchange Memorandum of Agreement (LEMOA), which gave both countries access to designated military facilities for refuelling and replenishment. During the inaugural India-US 2+2 Ministerial Dialogue in September 2018 - the only 2+2 dialogue that India holds at ministerial level - the two sides signed a Communications Compatibility and Security Agreement (COMCASA) that will facilitate access to advanced defence systems and enable India to optimally utilise its existing US-origin platforms.

During Prime Minister Modi's visit to Japan at the end of October 2018, the two countries sought to negotiate an Acquisition and Cross-Servicing Agreement (ACSA), to enable the sharing of supplies and ammunition, in order to enhance bilateral security and defence cooperation. They also signed an Implementing Arrangement for deeper cooperation between the Indian Navy and the Japan Maritime Self-Defence Force (JMSDF).

With Australia, the first bilateral maritime exercise AUSINDEX took place in the Bay of Bengal in 2015. Australia's November 2017 White Paper on Foreign Policy states that India was in the front rank of Australia's international partnerships.

Fourth, limited Indian military and naval capabilities. At the broadest level, India's strategy in the Indian Ocean can only operate as far as the constraints set by India's limited naval expansion programme. India's 2015 Maritime Security Strategy document formally states that the future fleet will be based on the development of three carrier battle groups, each centred on an aircraft carrier, as well as the development of an operational capability of two carrier task forces, each comprising one or more carrier battle groups. This hugely ambitious warship-building programme reportedly seeks to develop a 212-ship navy within the next 10 years from the 138 ships at present (14 submarines, 27 principal surface combatants and nearly 100 patrol and coastal combatants). Virtually all of this is to be based on domestic warship construction, with some 40 ships currently being built in India.²⁰

Yet, the reality is that India's warship construction projects continue to suffer from innumerable delays and cost increases. Only a quarter of the warships currently being built are principal combatants (including aircraft carriers, nuclear-armed ballistic-missile and conventional submarines, and destroyers and frigates). The Indian navy's overstretched force levels and manpower have already compromised its operational effectiveness amidst a recent spate of warship accidents. A well-known example is India's conventional submarine force. India's total number of submarines is in decline with no follow-on acquisition programme in place. This situation is compounded by the lack of an adequate number of multi-role helicopters and minesweepers.²¹

India's defence budget for 2018-19 indicates a nominal increase of 9.5% for the capital side of the armed forces, just about covering 5% inflation/rupee depreciation, resulting in a real increase of less than 5%, with much of it to be spent to cover payments for ongoing acquisitions.²²

India has also, so far, been unable to exploit the geographical location of its Andaman and Nicobar islands in the Bay of Bengal, lying in proximity to the Straits of Malacca and Singapore. Although a joint services command exists on the islands, local naval and air deployments remain limited.

Despite growing defence, economic and diplomatic links with Southeast Asia, at the operational and strategic level India is not poised to project its sea power further to the east. In the short term, therefore, India's engagement with the Indo-Pacific will remain largely diplomatic, economic and rhetorical, with its core strategic focus located to the west of the Straits of Malacca in the Indian Ocean.

²⁰ Roy-Chaudhury and Sullivan de Estrada, 'India, the Indo-Pacific and the Quad', 181-194.

²¹ Ibid.

²² Rahul Roy-Chaudhury, 'India Emerges as World's Big Defence Spender', March 2018, <http://www.indiaglobalbusiness.indiaincorporated.com/india-emerges-worlds-big-defence-spender/>.

Prospects for India-UK Cooperation

In view of India's policy and priority towards the Indo-Pacific, three new potential and prospective areas of India-UK cooperation have emerged, in addition to hosting the Konkan series of bilateral naval exercises. These can most usefully be seen from the perspectives of both the Indian Chief of Naval Staff (and Chairman, Chiefs of Staff Committee), Admiral Sunil Lanba and the First Sea Lord and Chief of Naval Staff Admiral Sir Philip Jones, whom the IISS uniquely jointly hosted in London on 12 March 2019.²³

In a powerful message to India, the First Sea Lord for the first time shared a panel with India's naval chief (a 2006 alumni of the Royal College of Defence Studies), which he had agreed to only twice before, for his US and Australian counterparts. And, in a strong message to the UK, the visit of India's top military officer took place despite India's ongoing tensions with Pakistan.

Firstly, on bilateral navy-to-navy interactions. During the interaction with the two Chiefs, there was UK interest in participation in India's recently opened Information Fusion Centre for the Indian Ocean (IFC-IO) region, based near Delhi, and India's interest in aircraft carrier capability partnership, with the Indian naval chief visiting the Queen Elizabeth-class aircraft carrier.

Secondly, on enhancing Indian Ocean cooperation. Along with India, the UK also has key interests in the Indian Ocean, with 80% of natural gas imports passing through its sea lanes. The UK is reopening its naval base in Bahrain which will increase its ability to supply naval assets into the Indian Ocean; it plays a leading role in the EU's naval mission to suppress piracy off the Somali coast; and is a major contributor to the combined maritime task forces in the western Indian Ocean. India-UK naval cooperation therefore needs to be bolstered through bilateral exercises in the Arabian Gulf region or even trilateral exercises with a Gulf navy, or even trilateral cooperation in relation to the Omani port of Duqm, where both navies have selectively been provided access by the Sultanate of Oman. The recent presidential election results in the Maldives also highlighted the ability of both countries to work together to ensure and strengthen democracy.

Thirdly, on encouraging a rules-based international order. India is aware that its rise as a major global and economic power can take place only through a rules-based international order. At the same time, India seeks, through membership of an expanded UN Security Council, a role in re-shaping these rules in accordance with the changes that have taken place in the international order in the past seventy years.

The UK has, of course, long advocated respect for international rules, an international rule-based system including the law of the sea and freedom of navigation, as well as the principles of openness and inclusivity. Both countries could use these principles of international law to enhance bilateral and regional cooperation.

In this regard, the UK and India agree that Chinese investments in infrastructure projects overseas need to meet international standards on transparency and good governance, even though they differ on its mega Belt and Road Initiative (BRI); the UK supports CPEC but not investment in disputed territories.

²³ Please see <https://www.iiss.org/events/2019/03/india-uk-maritime-strategy>
Admiral Sir Philip Jones KCB ADC DL, Royal Navy - <https://youtu.be/ZneulEczTrU>
Admiral Sunil Lanba PVSM AVSM ADC, Indian Navy - <https://youtu.be/VqVKQGtMepg>

Chapter 4**INDIA, BRI, AND DELHI'S INDO-PACIFIC STRATEGY**

Dr Harsh Pant

Kings College London / Observer Reach Foundation

The shift in the epicentre of global politics from the Atlantic to the Indo-Pacific, marked by America's relative decline and the rise of China, has significant geopolitical implications for the Indo-Pacific region. Although the ongoing uncertainty will likely have global repercussions, Asian states will be at the forefront of this strategic flux. This is intertwined with their security and sovereignty. Asian states benefited from the US-led post-Cold War order and President Trump's decision to withdraw his country from that order is causing anxiety in the region, not only about the future of the liberal order but also the US' capability and willingness to defend it. Meanwhile, China's hegemonic designs are a growing cause of concern for regional countries like India.

Indian Prime Minister Narendra Modi's speech at Shangri-La Dialogue last year described the Indo-Pacific as a "natural region" extending from the "shores of Africa to that of America," even as he challenged the idea of the 'Indo-Pacific' as any sort of strategy or an exclusive club. Nevertheless, he emphasized a "free, open and transparent Indo-Pacific grounded in respect for international maritime laws".⁴⁰ The speech also tried to assuage the concerns of Southeast Asian nations by placing ASEAN as central to India's vision of the Indo-Pacific.

The construction of the Indo-Pacific as an entity extending from the shores of Africa to America, together with an emphasis on the centrality of ASEAN within the entity, points to the competing views of its core "geography." While the former presents (and rightly so) the Indo-Pacific as a coherent continuum, the emphasis on ASEAN's centrality restricts the strategic focus to the east of the Indian subcontinent. Indian strategic concerns need to be viewed holistically and not be compartmentalized into eastern and western reaches. Asserting ASEAN's centrality is simultaneously a rejection of Chinese centrality and is aimed at injecting a new life into a concept which for many has become too focused on China.

Challenges Posed by China

In this context, the challenge posed by China's ambitious Belt and Road Initiative (BRI), a continent-spanning infrastructure enterprise, has emerged as India's primary strategic concern. India has been the most vocal opponent of the BRI, and this opposition was clearly demonstrated by New Delhi's open boycott of the Belt Road Forum for International Cooperation held in Beijing in 2017. India's position regarding the multinational infrastructure development project, initially called the One Belt, One Road initiative (OBOR), has evolved and crystallised over time as the nature and scope of the Chinese initiative has become clearer. This hostility towards China's endeavour becomes clear when examined through the prism of geopolitics.⁴¹

⁴⁰ 'Prime Minister's Keynote Address at Shangri La Dialogue (June 01, 2018)', *Indian Ministry of External Affairs*, 1 June 2018, available at: <https://www.mea.gov.in/Speeches-Statements.htm?dtl/29943/Prime+Ministers+Keynote+Address+at+Shangri+La+Dialogue+June+01+2018>, last visited: 11 October 2018.

⁴¹ 'India has its reasons to boycott China's Belt Road Initiative', *Hindustan Times*, 17 May 2017, available at: <https://www.hindustantimes.com/editorials/india-has-its-reasons-to-boycott-china-s-belt-road-initiative/story-kbLQ7Km9b9fNJTpL5hIMSO.html>, last visited: 11 October 2018.

The first issue of contention raised by India was the China-Pakistan Economic Corridor (CPEC), believed to be the flagship project of the BRI. India argued that the proposed corridor would run through a territory in Kashmir that it claims. Red flags were raised higher, when it became clear that large proportions of the funds supposedly devoted to infrastructure projects were being routed to the Pakistani military establishment – an entity that New Delhi believes is responsible for a sustained campaign of state-sponsored terrorism in Kashmir and for propagating figures in Pakistan that are openly hostile to India.⁴² Further, India sees the CPEC as an extension of the already robust physical axis between China and Pakistan, accentuating New Delhi's existing concerns over Gwadar Port. The port, which strengthens China's foothold in the Western Indian Ocean, is also a part of the maritime leg of the BRI, otherwise known as the 21st Century Maritime Silk Route.

Furthermore, China's unwillingness to take into consideration, let alone agree to, New Delhi's requests for consultation on the objectives, nature, and financing of the initiative, creates opacity regarding the entire venture. New Delhi sees merit in the usage of Chinese capital to bridge the infrastructure spending gap in emerging economies in the region. However, India has emphasised the need for the transfer of concerned funds to take place in accordance with global guidelines and norms of transparency and viability. New Delhi's specific approach in this scenario is well represented by its support for emerging banking institutions that are centred around China, such as the Asian Infrastructure and Investment Bank.

India has also expressed scepticism regarding several other infrastructure projects undertaken by Beijing in other countries. China has employed the BRI as a tactic for statecraft and attempted to influence foreign policy in some of these nations, Sri Lanka being a noteworthy case.⁴³ The construction of ports and highways by Chinese companies on the island nation has resulted in the accumulation of monumental amounts of debt at extortionate interest rates.⁴⁴ China has waited for the concerned governments to sufficiently entangle themselves, and by the bribing of political leaders,⁴⁵ then influenced Colombo's foreign policy. The case of Sri Lanka in and of itself served as a major cause for the hardening of India's stance. While the development of the Sri Lankan port of Hambantota began in 2009, it was not until 2014, when Colombo allowed the docking of Chinese nuclear-powered submarines at the same port, that Indian concerns were validated.⁴⁶ The actions were firm confirmation of New Delhi's suspicions that the objective

⁴² Singh, R., 'Pakistan, China scaling up military at lightning speed; fund crunch crippling India, warns army', *Hindustan Times*, 13 March 2018, available at: <https://www.hindustantimes.com/india-news/army-says-it-lacks-funds-to-buy-ammunition-counter-china-pakistan/story-4bfbXOglreRIRvrmDNOSxL.html>, last visited: 12 October 2018.

⁴³ Davidson, H., 'Warning Sounded over China's 'debtbook diplomacy'', *The Guardian*, 15 May 2018, <https://www.theguardian.com/world/2018/may/15/warning-sounded-over-chinas-debtbook-diplomacy>, last accessed 10 October 2018.

⁴⁴ Fernandez, M., 'Is China's investment in Sri Lankan project a debt trap?' *Al Jazeera*, 16 January 2019, available at: <https://www.aljazeera.com/news/2019/01/chinas-investment-sri-lankan-project-debt-trap-190116190240067.html>, last visited: 19 January 2019.

⁴⁵ 'Sri Lanka probes Chinese firm over claims it bribed former president Rajapaksa', *Reuters / SCMP*, 24 July 2015, available at: <https://www.scmp.com/news/asia/south-asia/article/1843557/sri-lanka-probes-chinese-firm-over-claims-it-bribed-former>, last visited: 11 January 2019.

⁴⁶ 'Aneez, A., and Ranga Sirilal, 'Chinese submarine docks in Sri Lanka despite Indian concerns', *Reuters*, 2 November 2014, available at: <https://www.reuters.com/article/sri-lanka-china-submarine/chinese-submarine-docks-in-sri-lanka-despite-indian-concerns-idINKBNOIMOLU20141102>, last visited: 10 October 2018.

of BRI was not benevolent public good, but the use of a multifaceted approach, involving debt, bribery, and investment, to ensure the establishment of loyalties and dependencies of nations in line with China's geo-political strategic goals. A little investigation revealed to Indian officials that China had done the same in Laos and Cambodia.⁴⁷

Against the backdrop of tense Sino-Indian relations, the investment of significant effort by China into ensuring that India, in one way or the other, endorses the BRI has left New Delhi surprised. Chinese officials, most prominently the foreign minister, Wang Yi, have asserted in policy speeches⁴⁸ that the BRI is a policy focused on 'connectivity', 'peace and cooperation', 'openness and inclusivity', and 'mutual learning and mutual benefit', and not control, as critics and sceptics purport. However, such claims have not convinced Indian decision makers, who see the development of infrastructure projects under the BRI, especially in coastal regions, as a "clear strategic focus on establishment of a permanent presence in the Indian Ocean Region (IOR) in the not too distant future".⁴⁹

The Indian Ocean is an important centre of economic functionality and stability for India, with all its energy imports from the Gulf and Africa, as well as 90% of its total exports, being seaborne. Around 95% of trade by volume, and 68% by value, of India's total annual foreign trade moves through the Indian Ocean.⁵⁰ The Indian fishing industry is another sector that is severely dependent on the openness of the Indian Ocean.

With its development of Gwadar Port, China has greater control over the Western Indian Ocean and, thus, maritime trade, a shift that could have severe ramifications on Indian energy imports. Finally, if the BRI does ensure the resolution of China's long-standing concern of over-reliance on the Straits of Malacca for maritime trade, the People's Republic could exercise greater operational space, and pursue unilateral interests, without much consideration of the implications on freedom of navigation, and trade and energy security of other nations dependent on the Indian Ocean Region (IOR), including India.⁵¹

Countering China

In an effort to develop a coherent method to counter China's efforts, India has sought support for its own approach but has remained uncertain how best to do that. It was only in late 2017, that then US Secretary of State Rex Tillerson joined India in openly calling out the BRI.⁵² In private, several nations, most notably Germany, have informed India of their decision to covertly oppose BRI, and eliciting the initiation of some sort of a coherent opposition from the European Union has become one of New Delhi's major objectives in its diplomatic relationship with the multi-national bloc.⁵³

⁴⁷ Lin, Q., 'Money Talks: China's belt and road initiative in Cambodia', *Global Risk Insights*, 7 January 2018, available at: <https://globalriskinsights.com/2018/01/money-talks-chinas-belt-road-initiative-cambodia/>, last visited: 11 October 2018.

⁴⁸ 'Speech by H.E. Wang Yi at the Opening of Symposium on the International Situation and China's Foreign Relations in 2018', *Embassy of the PRC to the USA*, 11 December 2018, available at: <http://www.china-embassy.org/eng/zgyw/t1621221.htm>, last visited: 15 January 2019.

⁴⁹ Ahmad, T., 'Why India Needs to Take a Fresh Look at China's Belt and Road Initiative', *The Wire*, 2 July 2018, <https://thewire.in/diplomacy/india-needs-to-take-a-fresh-look-at-the-belt-and-road-initiative-proposal>, last visited: 11 October 2018.

⁵⁰ Pant, H.V., *Indian Foreign Policy: An Overview* (New Delhi: Orient BlackSwan, 2017), pp. 178-79.

⁵¹ Prमित Pal Chaudhuri, 'Why India sees China's Belt Road as a geopolitical threat', *Aspenia Online*, 17 November 2018, <https://www.aspeninstitute.it/aspenia-online/article/why-india-sees-china%E2%80%99s-belt-road-geopolitical-threat>, last visited: 11 October 2018.

⁵² Pant, H.V. and Ritika Passi, 'India's Response to China's Belt and Road Initiative: A Policy in Motion', *Asia Policy* 24 (2017), available at: <https://muse.jhu.edu/article/666558>, last visited: 28 February 2019, pp. 93-94.

⁵³ Baruah, D.M. and Constantino Xavier (ed.), *Global Governance, Security and Strategy in the EU-India Partnership*, (New Delhi: GPPi/Carnegie India, 2017) pp. 29-34.

However, it is in the piecing together of an actual alternative strategy to BRI that India will find its best interests served. It is therefore, rather worrisome that India's track record, as far as infrastructure projects is concerned, is poor. A look at what progress has been made in this regard, is crucial to this discussion.

Both technically and financially, Japanese backing for Indian plans has been encouraging. The two countries have initiated a plan to build a network of road, rail, and port links along the Bay of Bengal. The project is designed to increase connectivity between South and Southeast Asia, and in the process, counter the links China is attempting to establish between North and the South Asia. New Delhi has, in fact, gone as far as inviting Japan to help it revive schemes for transport corridors from Western Asia, through Afghanistan to Central Asia. The two nations have even announced plans for an Asia-Africa Growth Corridor, that will span both land and ocean. The first nodes for the project have been identified in Kenya and Mozambique.⁵⁴ To take forward their converging visions on the Indo-Pacific region, Japan is eager to collaborate on 'concrete' infrastructure projects with India and the two are working on the development of a road from the Assam-Bhutan border to Meghalaya's border with Bangladesh.

However, India has faced substantial challenges in several areas. Perhaps the flagship project within New Delhi's larger effort to counter China, the Chabahar Port, demonstrates this best. Located on the south-east coast of Iran, the development of Chabahar as major transit hub emerged as a major objective for India, following the announcement of a Tripartite Agreement with Iran and Afghanistan in May 2016.⁵⁵ The port project was part of a larger object – establishing a transit corridor between the three countries. Afghanistan was, in fact, to be the greatest beneficiary of the project, given that it is a landlocked nation in desperate need of an expansion of connectivity.⁵⁶ India's proposal to construct highways, railway links and other transportation links across Afghanistan, and Iran, would help Kabul bypass Pakistan, and give New Delhi strategic access to, and legitimacy within, the war-torn nation. Deepening relations with Iran have also been important to India, given that it has historically imported significant amounts of crude oil from Tehran, while receiving benefits such as extended credit limits and subsidised transportation in return.⁵⁷

The development of Chabahar, therefore, promised to achieve multiple objectives. It would supersede Pakistani control over Afghanistan's transportation, directly counter the effect of China's development of Gwadar on control of trade in the Western Indian Ocean, strengthen the relationship between New Delhi and Tehran, while also giving India a greater leverage in determining the future of Afghanistan.

⁵⁴ Chaudhury, D.R., 'Pushing back against China's One Belt One Road, India, Japan build strategic 'Great Wall'', *The Economic Times*, 16 May 2017, available at: <https://economictimes.indiatimes.com/news/economy/infrastructure/pushing-back-against-chinas-one-belt-one-road-india-japan-build-strategic-great-wall/articleshow/58689033.cms>, last visited: 12 October 2018.

⁵⁵ 'India, Iran and Afghanistan sign trade corridor deal', *Al Jazeera*, 24 May 2016, available at: <https://www.aljazeera.com/news/2016/05/indian-iran-afghanistan-sign-trade-corridor-deal-160523193709946.html>, last visited: 12 October 2018.

⁵⁶ For a detailed account of the strategic rationale behind Indian investment in Chabahar, see Pant, H.V. and Ketan Mehta, 'India in Chabahar: A Regional Imperative', *Asian Survey* 58 (2018), available at: <http://as.ucpress.edu/content/58/4/660>, last visited: 28 February 2019, pp. 660-678.

⁵⁷ Anwer, N., 'Rerouting India's oil imports post Iran sanctions: Challenges and possibilities', *Observer Research Foundation*, 10 September 2018, available at: <https://www.orfonline.org/expert-speak/43897-rerouting-indias-oil-imports-post-iran-sanctions-challenges-and-possibilities/>, last visited: 11 October 2018.

However, the imposition of fresh sanctions on Iran, following the United States' withdrawal from the JCPOA, seriously jeopardised the strategic advantages afforded by the Chabahar project. Not only do the sanctions disincentivise business with Iran, but they also threaten Indian entities with possible freezing of funding for the port project itself. At the same time, Iran has invited Pakistan and China to use Chabahar, and has expressed its interest in joining the CPEC, tapping into the fact that it is unlikely that Beijing will adhere to the United States' sanctions.⁵⁸ Chances of Iran joining CPEC will pose a major setback to India, and ignoring the development of Chabahar will help boost Gwadar's status as an international trade hub.

In a move that might seem strange at the outset, India has also abstained from participating in a joint initiative launched by the United States, Australia, and Japan to fund infrastructure projects to counterbalance BRI in the Indo-Pacific.⁵⁹ This move is in keeping with India's larger strategy of ensuring and emphasising the need for multipolarity in the IOR, and non-bloc security architecture.

India's response has therefore been through an espousal of the need for multilateral dialogue, and this has been through an effort to gain support for mechanisms such as the Indian Ocean Naval Symposium, and the Indian Ocean Dialogue, encouraging European countries to do the same. It has also highlighted the need for a rules-based, international law-oriented approach, and has encouraged the ramping up of joint training exercises between EU NAVFOR and the Indian Army.

New Delhi is also moving towards the operationalisation of logistical agreements with France, the United Kingdom, and the United States, in order to upgrade naval relations to gain berthing rights to Diego Garcia in the Chagos Archipelago, Mayotte Island, and La Réunion. In return, New Delhi could allow its own bases to be used for logistical support by these navies. Additionally, India can offer similar reciprocal rights to Australia, thereby gaining access to its naval base in the Cocos Islands. By cultivating naval cooperation with these states, New Delhi might establish tacit naval alliances in the future. Furthermore, it will benefit from developing, at the very least, logistical support stations on Assumption Island in the Seychelles, as well as Agalega in Mauritius, building upon its already existing listening post in northern Madagascar. Lastly, New Delhi can step up the use of existing berthing rights in Duqm Port in Oman and Maputo in Mozambique.

The development and connection of these offshore stations with their on-shore naval commands will enhance India's capability of establishing sea-denial in the IOR, thus demonstrating the breadth of Indian naval power. These efforts should be accompanied by diplomatic outreach to nations in South Eastern Asia, that China seeks to bring into its own fold. While this approach might not necessarily limit Chinese influence, it will at the very least, ensure that India is not tied down by BRI clients in the IOR, a region New Delhi asserts, is its own sphere of influence.⁶⁰ The economic nature of the projects is central to China's vision of the BRI as it wants to develop new markets with Beijing at the core of the economic arrangements. India is the fastest growing market in Asia today and it

⁵⁸ Pant, H.V. and Abhijnan Rej (ed.), 'Beyond JCPOA: Examining the Consequences of U.S. Withdrawal', *Observer Research Foundation*, 2 July 2018, available at: <https://www.orfonline.org/research/42050-beyond-jcpoa-examining-the-consequences-of-u-s-withdrawal/>, last visited: 28 February 2019, pp. 17-19.

⁵⁹ Chaudhury, D.R., 'India not to join US-led counter to China's BRI', *The Economic Times*, 7 August 2018, available at: <https://economictimes.indiatimes.com/news/politics-and-nation/india-not-to-join-us-led-counter-to-chinas-bri/articleshow/65300729.cms>, last visited: 12 October 2018.

⁶⁰ Mukherjee, T., 'China's Maritime Quest in the Indian Ocean: New Delhi's Options', *The Diplomat*, 24 April 2018, available at: <https://thediplomat.com/2018/04/chinas-maritime-quest-in-the-indian-ocean-new-delhis-options/>, last visited: 12 October 2018.

should be able to leverage its strengths effectively with China. Otherwise, it confronts a stark choice: it can either accept the Chinese hierarchy, thereby leaving itself to Beijing's encroachment upon its own sphere of influence, not to mention, the further strengthening of its regional problem – Pakistan; or, it can choose to pursue aforementioned objectives and projects, in an effort to ensure its geo-strategic and trade priorities and objectives remain intact, and China's strategy to establish regional dominance is, at least to a certain extent, limited.

As the rise of China and its BRI re-define the traditional geographies around India, New Delhi will have to be more proactive in shaping the strategic landscape of the wider Indo-Pacific. Its infrastructure strategy will have to respond to this larger structural change especially as the credibility and sustainability of American presence in the region comes under question. India is gearing up for that challenge, but it will be some time before the results of New Delhi's new approach become evident.

Chapter 5

AUSTRALIA WHOLE-OF-GOVERNMENT INDO-PACIFIC

Dr Euan Graham

La Trobe University – Asia

First-mover Advantage

Australia was the first country to adopt the ‘Indo-Pacific’ as official nomenclature. The 2013 Defence White Paper (DWP) simply called it a “logical extension” of the Asia-Pacific.⁶¹ This significant fact should not be forgotten, as major players including Japan and the United States have more recently followed suit with their overlapping Free and Open Indo-Pacific concepts. It is a reminder that smaller countries can creatively shape the narrative of the region’s major powers, on an issue as fundamental as how they frame their strategic geography.

The 2013 DWP described the Indo-Pacific as a “strategic arc” which connects the Indian and Pacific Oceans through Southeast Asia. Australia’s use of ‘Indo-Pacific’ was subsequently refined and reinforced in the 2016 DWP and 2017 foreign policy white papers.⁶² The term has now settled across Canberra’s external policy and intelligence community and, to a lesser extent, academia. It has resulted in some organisational changes within government. For example, the Department of Foreign Affairs and Trade (DFAT) has reorganised its sub-regional structures under a new parent Indo-Pacific Group, to reflect the concept.⁶³ DFAT has also put a greater emphasis on ‘geo-economics’, placing aid, trade and investment within a more competitive strategic, foreign policy context.⁶⁴ Australia’s prioritisation of the Indo-Pacific is not defined only in terms of security threat, it is also consciously framed in pursuit of Asia’s diverse economic opportunities. It is a geo-economic canvas, as well as a geo-strategic canvas.

Strategic Concept or Framing concept?

Observers of Canberra’s brand of politics, which has produced six prime ministers in the last decade, could be forgiven for thinking otherwise. The strategic objectives outlined in the defence and foreign policy white papers provide pointers towards “an open, inclusive and prosperous Indo-Pacific”. But the white papers have also been criticised for failing to give sufficiently prescient guidance against a growing consensus that Australia’s strategic circumstances have sharply deteriorated, under the twin influences of China’s increased hegemonic behaviour and rising doubts about US leadership, its commitment to the ‘rules-based international order’, and its credibility as a treaty ally.⁶⁵

Setting political dysfunction to one side, Australia’s external-facing bureaucracy has now adopted an Indo-Pacific policy template, which runs both wide and deep. The change

⁶¹ ‘Defence White Paper, 2013’, Department of Defence, Canberra (2013), available at: http://www.defence.gov.au/whitepaper/2013/docs/WP_2013_web.pdf, last visited: 7 March 2019.

⁶² ‘2017 Australian Foreign Policy White Paper’, Australian Government (2017), available at: www.fpwhitepaper.gov.au, last visited: 7 March 2019, p. 1.

⁶³ ‘Department of Foreign Affairs and Trade, Organisational Structure’, *Department of Foreign Affairs and Trade*, October 2018, available at: <https://dfat.gov.au/about-us/department/Documents/dfat-org-chart-executive.pdf>, last visited: 7 March 2019.

⁶⁴ ‘2017 Australian Foreign Policy White Paper’, *Australian Government*, November 2017, found at: www.fpwhitepaper.gov.au (last accessed March 6, 2019) pp. 44.

⁶⁵ ‘Jennings, P., ‘Preparing for the war of 2020’, *Australian Strategic Policy Institute*, 18 November 2017, available at: www.aspi.org.au/opinion/preparing-war-2020, last visited: 7 March 2019, (last accessed March 6, 2019) pp. 44.

in terminology also increasingly has bipartisan support. Indeed, it was the opposition Labor Party, when last in power, that introduced the Indo-Pacific into Australia's official lexicon, under Defence Minister Stephen Smith. It remains contested, to some degree, in the academic space, where the main reservations are that the Indo-Pacific fails to acknowledge Asia's centrality, compared to the preceding Asia-Pacific formulation, and that it overplays strategic connectivity between the Indian and Pacific oceans.⁶⁶ However, the Indo-Pacific, as a framing concept, has also benefited from advocates and adherents in academia, in particular Rory Medcalf, head of Australia's National Security College, who played a significant role in popularising it, and pushing for its official adoption.⁶⁷

The Labor Government's original 2013 definition of the Indo-Pacific as "a series of sub-regions and arrangements rather than a unitary whole",⁶⁸ was strikingly modest. Despite this, the Indo-Pacific has long been understood within Australia as a useful shorthand for maritime connectivity between Asia's two principal oceans. The case for this has since grown compellingly, as China's economic and military activities in the Indian Ocean have accelerated under the Belt and Road Initiative, and the opening of its first overseas military base, in Djibouti.⁶⁹ Locally, in Australia, the Indo-Pacific construct has also been seen as a way to compensate for Canberra's perceived strategic neglect of the Indian Ocean, and by implication, Western Australia.⁷⁰ An Indo-Pacific framing has the additional advantage for Australia of placing it closer to the centre the map than has historically been the case.⁷¹

Adherents of the Indo-Pacific are quick to insist that it does not exclude China or constitute a framework for its containment.⁷² This is no more than a statement of reality, given China's already extensive Indian Ocean presence. But by pushing Australia's strategic horizons westwards, the Indo-Pacific naturally lends itself to the logic of 'balance' and diversification in Australia's external relationships. Such a sprawling canvas seems to demand a concert of powers, or something similar.

All Indo or Half Indo?

For Australia's strategic policy-makers the bottom line is that the Indo-Pacific provides a policy rationale and strategic framework for drawing India into a closer economic relationship, and a more active security posture in the eastern Indian Ocean and Western Pacific.⁷³ In the context of drawing India in, it is significant that the DWP 2017 officially

⁶⁶ Bisley, N., 'Indo-Pacific: the maritime and the continental', *Australian Strategic Policy Institute*, *The Strategist*, 21 November 2016, available at: <https://www.aspistrategist.org.au/indo-pacific-maritime-continental/>, last visited: 7 March 2019.

⁶⁷ Medcalf, R., 'The Indo-Pacific: What's in a Name', *The National Interest*, 22 October 2013, available at: www.lowyinstitute.org/publications/indo-pacific-whats-name, last visited: 7 March 2019.

⁶⁸ 'Defence White Paper, 2013', Department of Defence, Canberra (2013).

⁶⁹ Brewster, D., 'China's new network of Indian Ocean bases', *The Interpreter*, 30 January 2018, available at: <https://www.lowyinstitute.org/the-interpreter/chinas-new-network-indian-ocean-bases>, last visited: 7 March 2019.

⁷⁰ Rumley, D., Timothy Doyle & Sanjay Chaturvedi, "Securing' the Indian Ocean? Competing Regional Security Constructions', *Indo-Pacific Governance Research Centre*, *The University of Adelaide*, Policy Brief Issue 3 (2012).

⁷¹ Graham, E., 'The Quad Deserves its Second Chance', *Centre of Gravity*, *Strategic and Defence Studies Centre*, *Australian National University*, March 2018, pp. 4-7.

⁷² Medcalf, R., 'Why China doesn't like the Indo-Pacific and why it matters', *Australian National University*, *National Security College*, 21 June, 2017, available at: <https://nsc.crawford.anu.edu.au/departments-news/12613/why-china-doesnt-indo-pacific-and-why-it-matters>, last visited: 7 March 2019.

⁷³ Hartcher, P., 'Stronger ties to India can reduce unhealthy dependency on China', *Sydney Morning Herald*, 23 July 2018, available at: <https://www.smh.com.au/national/stronger-ties-to-india-can-reduce-unhealthy-dependency-on-china-20180723-p4zt5m.html>, last visited: 7 March 2019.

clarifies Australia's geographical definition of Indo-Pacific only as far as the Indo-Pakistan border, and a dotted line continuation that runs due south to Antarctica. Canberra's decision not to include the western Indian Ocean region within its definition of the Indo-Pacific falls short of the more expansive visions of India, Japan and France, all of whom define their Indo-Pacific regional interests as far west as Africa and the Red Sea.

Given this disjuncture, it is worth considering why Australia favours a dotted line Indo-Pacific boundary between India and Pakistan. One possibility is that Canberra aims to draw India into becoming an active Pacific policy actor, without a corresponding responsibility for Australia to reciprocate in the western Indian Ocean. Australia's restrictive definition of the "Indo-" portion of the Indo-Pacific formula suggests that Canberra currently places a heightened premium on securing its immediate region and outlying approaches, despite having deployed military force regularly into the Middle East, via the Indian Ocean, for the past three decades.

The division of the Indian Ocean in Canberra's conception of the Indo-Pacific region stems, pragmatically, from a concern to concentrate Australia's limited hardware resources on proximate security interests. However, the evidence suggests that a strategic prioritisation of the Indo-Pacific, 'narrowly' defined, is already well under way in Australia.⁷⁴ Give the Indian Ocean's historical associations with over-extension by significantly more capable states, including the Soviet Union, Canberra's caution is understandable. Moreover, Australia's definition of the Indo-Pacific is consistent with the US military's western operational boundary for its recently rebranded Indo-Pacific Command, or INDOPACOM (formerly Pacific Command, or PACOM). A practical desire for operational consistency within the alliance is likely to be a reinforcing factor.

Australia's defence establishment is devoting increased attention to the Indo-Pacific, cementing new partnerships and re-establishing a forward Australian military presence on a scale not seen in Asia since the early 1990s. Exercise Indo-Pacific Endeavour has since 2017 become quickly established as Australia's annual, expeditionary signature exercise, based around a naval task group deploying, for a duration of 3-4 months, into maritime South Asia, East Asia, and the South Pacific. Smaller task groups, single ships and submarines are also venturing more regularly into the South China Sea and South Pacific. Australian patrol aircraft have recently supported multinational sanctions enforcement, out of Japan.⁷⁵ They also regularly overfly the South China Sea, out of Butterworth Air Base in Malaysia, under a Five Power Defence Arrangements mandate. The establishment of a new, joint naval base with Papua New Guinea (PNG) has recently been confirmed.⁷⁶ This is a major development that heralds Australia's return to a forward military presence.

Quad as Indo-Pacific's 'Operating Concept'

If the Indo-Pacific is now the framing concept for Australia's strategic policy, then the so-called quadrilateral, or 'Quad', composed of India, Australia, the United States and Japan, should be the natural fit for its main 'operating concept'. This reflects the Quad's

⁷⁴ Greene, A., 'Navy chief flags greater military presence in south-west Pacific, hints Middle East withdrawal', *ABC News Online*, 8 September 2018, available at: <https://www.abc.net.au/news/2018-09-08/navy-chief-flags-greater-military-presence-in-south-west-pacific/10215782>, last visited: 7 March 2019.

⁷⁵ Chan, T.F., 'Australia has sent aircraft to monitor North Korean sanction breaches in the open seas', *Business Insider*, 30 April 2018, available at: www.businessinsider.com.au/australia-air-force-north-korea-sanctions-2018-4?r=US&IR=T, last visited: 7 March 2019.

⁷⁶ "Fullerton Forum Keynote", Australian Department of Defense, 28 January, 2019, found at: <https://www.minister.defence.gov.au/minister/cpyne/speeches/fullerton-forum-keynote> (last accessed February 28, 2019)

geometrical composition, spanning the Indo-Pacific's four compass points, suggesting a proto-coalition of like-minded maritime states, with the potential, in aggregate, to maintain a balance of power in regards to China. However, since the Quad was officially revived in 2017, after a decade-long hiatus, it has only met fitfully, at a relatively low level. India's lukewarm attitude towards the grouping is the most obvious factor currently holding it back.⁷⁷ Consequently, the onus of Indo-Pacific policy cooperation has moved towards trilateral groupings. The most obviously load-bearing of these arrangements is the US-Japan-Australia trio.

Other Options

Indo-Pacific observers and security practitioners should not fixate on the Quad, or see it as the only venue for security cooperation across the Indo-Pacific. Southeast Asia deserves special mention as the geographical epicentre of the Indo-Pacific, and Indonesia as ASEAN's *primus inter pares*. Australia goes to continuing lengths to emphasise ASEAN's 'centrality', hosting its leaders for the inaugural ASEAN-Australia summit in March 2018. The collective focus on ASEAN should not exclude bilateral strategic cooperation with individual members, where they are prepared to move at a faster pace than consensus. The Vietnamese approach is instructive; not only Hanoi's recent conclusion of a strategic partnership with Canberra, but also its concurrent pursuit of bilateral security and defence cooperation with all four Quad countries.

Outside of the quadrilateral and trilateral formats, Australia needs to focus on boosting its relations with other key Indo-Pacific countries, in order to further diversify its defence and economic portfolio in the region. Indonesia and South Korea are the obvious candidates, being already designated as two of five priority Indo-Pacific partners in the 2017 Foreign Policy White Paper. Encouragingly, Prime Minister Scott Morrison's first overseas visit, immediately after he replaced Malcolm Turnbull in late August 2018, was to Jakarta, where he signed a single-page preliminary to an Indonesia-Australia Comprehensive Economic Partnership Agreement, which is still under negotiation. Indonesia is only Australia's 13th-placed trading partner, to put this into context.

Despite the salience of the 'Indo' part of the Indo-Pacific to Australian grand strategy, Canberra's focus has been drawn increasingly to the South Pacific, as China's activities there have begun to reveal strategic intent. This has resulted in a series of 'blocking moves' in order to thwart Beijing's targeted interest in infrastructure projects in a number of locations across Melanesia.

Infrastructure and Investment

The US, Japan and Australia pledged a new partnership dedicated to promoting infrastructure investment in the Indo-Pacific in late July 2018.⁷⁸ Australia's top foreign affairs official, Frances Adamson, said its purpose is "to facilitate private sector involvement in infrastructure projects that are transparent, non-discriminatory and free from the burden of unsustainable debt".⁷⁹ Australia has announced a separate Infrastructure Cooperation

⁷⁷ Singh, A., 'India remains cautious about the "Quad"', *The Interpreter*, Lowy Institute, 26 April 2017.

⁷⁸ 'Australia, US and Japan announce trilateral partnership for infrastructure investment in the Indo-Pacific', *Department of Foreign Affairs and Trade*, 31 July 2018, available at: dfat.gov.au/news/news/Pages/australia-us-and-japan-announce-trilateral-partnership-for-infrastructure-investment-in-the-indo-pacific.aspx, last visited: 7 March 2019.

⁷⁹ Frances Adamson, "Australian perspectives on the Indo-Pacific", Australian Department of Foreign Affairs and Trade, 12 October, 2018, found at: <https://dfat.gov.au/news/speeches/Pages/australian-perspectives-on-the-indo-pacific.aspx> (last accessed February 28, 2019)

Initiative with ASEAN⁸⁰ Details of these initiatives remain elusive. What is clear is that Canberra's efforts to invest in new infrastructure are focused overwhelmingly on the South Pacific. According to DFAT's estimates for 2018-19, Australia was projected to spend £107m on infrastructure in the South Pacific, accounting for 40% of the total aid outlay devoted to infrastructure. This compares with £80m on infrastructure in East Asia (15% of total infrastructure) and £8m devoted to infrastructure in South Asia.

Traditionally, Australia has let multilateral banks handle infrastructure finance. But the increased salience of geopolitical competition with China has prompted Canberra to favour bilateral or 'minilateral' infrastructure investment.⁸¹ For example, Australia is working with Vanuatu to develop a road and sanitation network.⁸² On the side-lines of the APEC Leaders' Summit, hosted in Port Moresby in November 2018, Australia (together with Japan, New Zealand and the US), committed to providing 70% of PNG's population with electricity by 2030 – an extraordinarily ambitious target.⁸³

Australia's infrastructure investment in the Pacific includes a major cybersecurity element. Canberra is supporting a Pacific Cyber Security Operational Network, rolled out in April 2018. Australia has committed £20m to the new National Cyber Security Centre in Papua New Guinea, until 2022.⁸⁴ One of Australia's most ambitious infrastructure commitments is to lay a seabed internet cable to the Solomon Islands, beating out competition from China's Huawei. Canberra's willingness to underwrite the large cost of submarine cables in the Southwest Pacific reflects their extraordinary importance as physical conduits for the flow of information to and from the Pacific Islands. The Australian government demonstrated foresight and commitment, by agreeing to fund fibre-optic submarine communications to the Solomon Islands and PNG, to the tune of £73m, to beat off competition from China's Huawei. Yet this was made possible only by diverting funds from humanitarian assistance programs earmarked for Southeast Asia⁸⁵ Moreover, Australia's 'counteroffer' came too late to prevent PNG from proceeding with an earlier offer from Huawei.⁸⁶

Australia's investment into infrastructure in South Asia lags far behind East Asia and the South Pacific. But a South Asia Regional Infrastructure Connectivity initiative (SARIC), worth £13m over four years, was announced by Foreign Minister Marise Payne in New Delhi, in January 2019. When SARIC comes online from July 2019, it is meant to focus on investment in regional energy and transport infrastructure.⁸⁷

⁸⁰ Angus Grigg, Lisa Murray, & Andrew Tillett, "Malcolm Turnbull unveils ASEAN-Australia infrastructure cooperative", *Australian Financial Review*, 18 March, 2018, found at: <https://www.afr.com/news/world/asia/australia-challenges-china-on-infrastructure-20180318-h0xmu1> (last accessed February 28, 2019)

⁸¹ Jonathan Pryke and Richard McGregor, "The new US-Japan-Australia infrastructure fund", *The Interpreter*, 31 July, 2018, found at: <https://www.lowyinstitute.org/the-interpreter/the-new-us%E2%80%93japan%E2%80%93australia-infrastructure-fund> (last accessed February 28, 2019)

⁸² "Development assistance in Vanuatu", Australian Department of Foreign Affairs and Trade, found at: <https://dfat.gov.au/geo/vanuatu/development-assistance/Pages/building-resilient-infrastructure-vanuatu.aspx> (last accessed February 28, 2019)

⁸³ "The Papua New Guinea electrification partnership", Prime Minister of Australia, 18 November, 2018, found at: <https://www.pm.gov.au/media/papua-new-guinea-electrification-partnership> (last accessed February 28, 2019)

⁸⁴ "Australia and New Zealand: Pacific cyber cooperation", Australian Minister for Foreign Affairs, 16 November, 2018, found at: https://foreignminister.gov.au/releases/Pages/2018/mp_mr_181116.aspx?w=E6pq%2FUhzOs%2BE7V9FFYi1xQ%3D%3D (last accessed February 28, 2019)

⁸⁵ Townshend, A. and Brendan Thomas-Noone, 'Australia must refocus foreign policy on its own Indo-Pacific region', *Australian Financial Review*, 23 July 2018.

⁸⁶ Tom Westbrook, "PNG upholds deal with Huawei to lay internet cable, derides counter-offer", *Reuters*, 26 November, 2018, found at: <https://www.reuters.com/article/us-papua-huawei-tech/png-upholds-deal-with-huawei-to-lay-internet-cable-derides-counter-offer-idUSKCN1NVODR> (last accessed February 28, 2019)

⁸⁷ "Australia invests in South Asian connectivity", Australian Minister for Foreign Affairs, 9 January, 2019, found at: https://foreignminister.gov.au/releases/Pages/2019/mp_mr_190109a.aspx (last accessed February 28, 2019)

Conclusion

Despite teething issues, the redrawing of Canberra's strategic map to prioritise the Indo-Pacific is a positive development. It signals Australia's recognition that the global strategic centre of gravity has shifted to Asia, specifically maritime Asia, triggering an intensified focus on security in its near regions – maritime Southeast Asia and the Southwest Pacific – but also the imperative for statecraft across a broader canvas.⁸⁸ It is also a vote for India's future potential. The Indo-Pacific is the geo-strategic stage on which Canberra's statecraft will primarily play out in coming decades. This does not preordain a downgrading of Australia's alliance with the United States, any more than the Indo-Pacific, as a geographical concept, can reasonably exclude China.

Unfortunately, the most obvious limitation on Australia's ability to pursue a coherent Indo-Pacific strategy is self-imposed, in the form of political parochialism and distraction. Until and unless politicians are willing to demonstrate the capacity for long-term thinking about the Indo-Pacific, Australia will be unable to fulfil its potential for creative diplomacy and strategic engagement across the region, despite being the first significant country to officially adopt the Indo-Pacific.

⁸⁸ Lyon, R., 'Hard times in Australian strategic thinking', *The Strategist*, 19 October 2018, available at: www.aspistrategist.org.au/hard-times-in-australian-strategic-thinking/, last visited: 7 March 2019.

Chapter 6

STRATEGY AND DIRECTION: THE US AND FOIP

Ian Easton

Project 2049 Institute

The United States has embarked upon a long-term strategic competition with the People's Republic of China. Driven by deep ideological and structural differences, and underpinned by key strategy documents, it seems likely that US-PRC competition will become a central feature of international affairs in the decades ahead. Indeed, the US government's December 2017 National Security Strategy states: "China ... wants to shape a world antithetical to US values and interests. China seeks to displace the United States in the Indo-Pacific region, expand the reaches of its state-driven economic model, and reorder the region in its favour".⁸⁹

While Washington's overall competitive strategy is yet to be defined (or has been classified), American policymakers have begun to outline their thinking, discuss possible approaches, and develop a supporting narrative for both domestic and international audiences. This paper briefly examines the roll that infrastructure development could play as part of a broader US competitive strategy to create a 'free and open Indo-Pacific'.

Origins of the US Approach

For the past three decades, the US government has underinvested in infrastructure development, both domestically and internationally. This oversight created a considerable gap that was identified by Chinese Communist Party leaders as an opportunity for them to expand their influence throughout the Indo-Pacific, and around the globe, exploiting acute infrastructure development needs to advance what can most accurately be described as an imperialist strategy.⁹⁰ Beijing's practice of directly acquiring territory and/or indirect control over the political or economic life of other countries became especially prominent after 2012, when CCP Chairman Xi Jinping ascended to power and made this a cornerstone of his grand strategy.⁹¹

⁸⁹ 'National Security Strategy of the United States' The White House (2017), available at <https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf>, last visited: 7 March 2019, p. 25.

⁹⁰ Note that the Merriam-Webster Dictionary defines imperialism as: "the policy, practice, or advocacy of extending the power and dominion of a nation especially by direct territorial acquisitions or by gaining indirect control over the political or economic life of other areas", available at: <https://www.merriam-webster.com/dictionary/imperialism>, last visited: 7 March 2019.

⁹¹ For background, see Rolland, N., 'Testimony before the U.S.-China Economic and Security Review Commission Hearing on: 'China's Belt and Road Initiative: Five Years Later'', USCC, 25 January 2018, available at: https://www.uscc.gov/sites/default/files/Rolland_USCC%20Testimony_16Jan2018.pdf, last visited: 7 March 2019; Perlez, J. and Keith Bradsher, 'Xi Jinping Positions China at Center of New economic Order', *New York Times*, 14 May 2017, at <https://www.nytimes.com/2017/05/14/world/asia/xi-jinping-one-belt-one-road-china.html>, last visited: 7 March 2019; and Perlez, J. and Yufan Huang, 'Behind China's \$1 Trillion Plan to Shake Up the Economic Order', *New York Times*, 13 May 2017, available at: <https://www.nytimes.com/2017/05/13/business/china-railway-one-belt-one-road-1-trillion-plan.html?action=click&module=RelatedCoverage&pgtype=Article®ion=Footer>, last visited: 7 March 2019.

PRC actions have resulted in a growing sense of alarm in Washington's corridors of power. For example, in August 2018, the US Department of Defense reported that:

'One Belt, One Road', now renamed the 'Belt and Road Initiative' (BRI), is intended to develop strong economic ties with other countries, shape their interests to align with China's, and deter confrontation or criticism of China's approach to sensitive issues. Countries participating in BRI could develop economic dependence on Chinese capital, which China could leverage to achieve its interests. For example, in July 2017, Sri Lanka and a Chinese state-owned enterprise (SOE) signed a 99-year lease for Hambantota Port, following similar deals in Piraeus, Greece, and Darwin, Australia.⁹²

More recently, on 4 October 2018, in a landmark speech on China, Vice President Michael Pence stated the following in regard to Beijing's infrastructure strategy:

China uses so-called 'debt diplomacy' to expand its influence. Today, that country is offering hundreds of billions of dollars in infrastructure loans to governments from Asia to Africa to Europe to even Latin America. Yet the terms of those loans are opaque at best, and the benefits flow overwhelmingly to Beijing.⁹³

US national security officials might also come to the conclusion that the PRC intends to use its infrastructure projects to create overseas bases for military or paramilitary operations. In the event of conflict, such bases could notionally be used to delay, degrade, or deny US access to geostrategic chokeholds like the Panama Canal, Straits of Gibraltar, Suez Canal, Straits of Hormuz, Bab-el Mandeb, and the Strait of Malacca.⁹⁴ This could impact the US' ability to effectively respond to PRC use of force against allies and partners like the Republic of China (Taiwan). Given the high-risk, low-reward (anti-market) nature of most Chinese infrastructure investments, it seems clear that geopolitical and military objectives, and not commercial or financial motives, are their primary driver.⁹⁵

The Ends, Ways, and Means of American Infrastructure Development

The US government's stated strategic objective is to use infrastructure development as one tool in a much larger toolkit for creating a free and open Indo-Pacific. According to US Secretary of State Michael Pompeo, Washington's "free and open Indo-Pacific" strategy seeks a region where each nation is sovereign and free of coercion from other states, where good governance prevails so citizens are able to enjoy fundamental human rights and liberties, where all have open access to the global commons, where territorial disputes are resolved peacefully, where there is "fair and reciprocal trade, open investment environments, transparent agreements between nations, and improved connectivity to drive regional ties".⁹⁶

⁹² 'Military and Security Developments Involving the People's Republic of China 2018', Office of the Secretary of Defense (2018), available at: <https://media.defense.gov/2018/Aug/16/2001955282/-1/-1/1/2018-CHINA-MILITARY-POWER-REPORT.PDF>, last visited: 7 March 2019, p. i.

⁹³ 'Vice President Mike Pence's Remarks on the Administration's Policy Towards China', *Hudson Institute*, 4 October 2018, available at <https://www.hudson.org/events/1610-vice-president-mike-pence-s-remarks-on-the-administration-s-policy-towards-china102018>, last visited: 7 March 2019.

⁹⁴ See Thorne, D. and Ben Spevack, 'Harbored Ambitions: How China's Port Investments Are Strategically Reshaping the Indo-Pacific', C4ADS (2017), available at: <https://static1.squarespace.com/static/566ef8b4d8af107232d5358a/t/5ad5e20ef950b777a94b55c3/1523966489456/Harbored+Ambitions.pdf>, last visited: 7 March 2019, p. 4.

⁹⁵ Ibid.

⁹⁶ Pompeo, M.R., 'Remarks on 'America's Indo-Pacific Economic Vision,' *U.S. Department of State*, 30 July 2018, available at: <https://www.state.gov/secretary/remarks/2018/07/284722.htm>, last visited: 7 March 2019.

According to a White House statement, the US is reforming its approach to economic statecraft in order to “better incentivize private sector investment in emerging economies and provide strong alternatives to state-directed initiatives that come with hidden strings attached”.⁹⁷

With the aforementioned in mind, the US plans to apply a number of infrastructure-related means toward its ends. In the near term, these will include:

- US\$113.5 million seed funding investment into strategic initiatives in the Indo-Pacific focused on encouraging private investment, improving cyber connectivity and security, sustainable infrastructure development, energy security, and access.⁹⁸
- Cooperating with partners, especially Japan and Australia.⁹⁹ In 2016, Japan dedicated US\$200 billion over five years toward infrastructure.¹⁰⁰ In 2018, Japan created a US\$50 billion fund for infrastructure.¹⁰¹
- Creating a new US International Development Finance Corporation (USIDFC) and raising its spending cap to US\$60 billion, more than doubling the US Overseas Private Investment Corporation’s US\$29 billion budget while significantly streamlining development finance and expanding current capabilities.¹⁰²

Regardless of reforms, the means available to the US are limited and insufficient for direct competition with the PRC, which is estimated to spend approximately US\$40 billion per year toward infrastructure development through entities such as the Export-Import Bank of China, the China Development Bank, the Asia Infrastructure Investment Fund, the New Development Bank, and the Silk Road Fund.¹⁰³ However, Chinese Communist Party commercial diplomacy investments are not driven by market incentives. They are predatory, and therefore risk considerable blowback. Future investments made by the US and its allies are likely to achieve more sustainable results over time. At a minimum, they will help ensure that Indo-Pacific nations with acute infrastructure development needs have options and are not forced to trade away their sovereignty in return for Chinese government-backed projects to build bridges, railroads, highways, ports, pipelines, water treatment facilities, electricity grids, and/or telecommunications nets.

⁹⁷ ‘Statement from the Press Secretary’, *The White House*, 3 October 2018, available at: <https://www.whitehouse.gov/briefings-statements/statement-press-secretary-35/>, last visited: 7 March 2019.

⁹⁸ ‘President Donald J. Trump’s Administration is Advancing a Free and Open Indo-Pacific’, *White House*, 30 July 2018, available at: <https://www.whitehouse.gov/briefings-statements/president-donald-j-trumps-administration-advancing-free-open-indo-pacific/>, last visited: 7 March 2019.

⁹⁹ For example, see Bishop, J., ‘Australia, the United States and Japan have announced a trilateral partnership to invest in projects in the Indo-Pacific’, *Media Releases*, 30 July 2018, available at: https://foreignminister.gov.au/releases/Pages/2018/jb_mr_180731.aspx?w=tb1CaGpkPX%2FISOK%2Bg9ZKEg%3D%3D, last visited: 7 March 2019.

¹⁰⁰ Rajah, R., ‘An emerging Indo-Pacific infrastructure strategy’, *The Interpreter*, 3 August 2018, available at: <https://www.lowyinstitute.org/the-interpreter/emerging-indo-pacific-infrastructure-strategy>, last visited: 7 March 2019.

¹⁰¹ ‘President Donald J. Trump’s Administration is Advancing a Free and Open Indo-Pacific’, *White House*, 30 July 2018.

¹⁰² Runde, D.F. and Romina Bandura, ‘The BUILD Act has passed: What’s Next?’ *Center for Strategic and International Studies*, 12 October 2018, available at: <https://www.csis.org/analysis/build-act-has-passed-whats-next>, last visited: 7 March 2019.

¹⁰³ Kuo, M.A., ‘The US International Development Finance Corporation and China: Insights from Riva Levinson’, *The Diplomat*, 25 October 2018, available at: <https://thediplomat.com/2018/10/the-us-international-development-finance-corporation-and-china/>, last visited: 7 March 2019.

Implications

While US infrastructure strategy in the Indo-Pacific is still in an embryonic state, it has become clear that the US intends to challenge the PRC in this space. For Washington, the alternative to competition would be to cede an important battlefield for 21st century global leadership, allowing Beijing to employ infrastructure development to achieve its strategic goals, which include spreading authoritarian influence and undermining the American-led, liberal, free world order.¹⁰⁴

US infrastructure development financing, by itself, seems likely to play a modest role in the broader US-PRC strategic competition. The creation of the USIDFC nonetheless represents an important step for enhancing American economic statecraft and re-establishing Washington as a global leader in commercial diplomacy.¹⁰⁵

To be successful, Washington would be well advised to closely align and coordinate future operations with Japan, the current democratic leader in economic statecraft, especially in South and Southeast Asia. It may be possible to make infrastructure development an important component of the 'Quad' (US, Japan, Australia, India), an informal strategic group that maintains talks between member nations. However, expectations should be kept low in the near-term, with the aim being gradual improvements over time. Moving too aggressively is likely to upset Indian leaders, who prefer to remain non-aligned.

The US could also seek to form bilateral, trilateral, and multilateral coalitions of like-minded, free and democratic partners including South Korea and Taiwan. These countries are particularly important in view of their critical roles in the global information and communications technology sectors. For example, China has made the domination of global 5G internet infrastructure a priority focus of its long-term national political-economic 'Made in China 2025' strategy. Going forward, it seems likely that it will become increasingly difficult for the US and other market-oriented economies to compete if they fail to adjust their policies to fast-changing dynamics. Examining the costs and benefits of potential response options represents a promising area of policy research related to geostrategy and development.

¹⁰⁴ See Rolland, N., *China's Eurasian Century? Political and Strategic Implications of the Belt and Road Initiative* (Washington, D.C.: National Bureau of Asian Research, 2017), pp. 109-119.

¹⁰⁵ Hruby, A., 'With new development finance agency, the U.S. matches China's ante', *Axios*, 18 October 2018, available at: <https://www.axios.com/authors/AubreyHruby>, last visited: 7 March 2019.

Chapter 7

GLOBAL BRITAIN: REACHING FOR THE INDO-PACIFIC

David Scott

NATO Defense College Foundation

Strategic Interests and Strategy

While the UK has been rocked by Brexit, it has developed both awareness of the Indo-Pacific framework and several strategies for adapting to it. Primarily these strategies have been two-fold. Firstly, there has been a robust return to the “East of Suez” security presence; and secondly trade agreements with leading Indo-Pacific economies to operate once the UK exits (Brexit) the European Union, set at 29 March 2019. The two have become inter-linked. In November 2018, Britain’s Chief of Navy Admiral Philip Jones explained that the need for a strong naval presence as reflecting economic imperatives: “the Indo-Pacific region will be of such strategic importance to this island nation in the years to come” precisely because of in the ongoing “economic shift” to the Indo-Pacific, its associated “maritime trade” and UK post-Brexit “ambitions for enhanced trade” there.¹⁰⁶

Economic Strategy

The UK’s economic strategy involves trade and infrastructure issues, aimed at increasing trade flows. UK policy has recognised the growing economic importance of the East to global growth over the past decade, in particular the economies of India, Southeast Asia, China and Japan. The foreign secretary noted in January 2019 that “the global centre of economic gravity has been shifting eastwards towards Asia for decades – and this trend shows no signs of abating”.¹⁰⁷ Brexit sharpens a sense of opportunities in the Indo-Pacific through an independent trade policy, with Liam Fox noting in February 2019 that “the growth in the East represents a huge opportunity for the UK to establish new, and grow existing, trading relationships”.¹⁰⁸ UK trade policy is threefold:

- **Roll over** existing pre-Brexit EU trade agreements, “down to the wire” as Liam Fox told Parliament on 13 February. Continuation agreements were reached with Mauritius and the Seychelles (31 January) and Chile (1 Feb); but the most significant continuation agreements with Singapore, Vietnam, South Korea and Japan, about which broad positive noises were made during 2018, remained to be nailed down.
- **Negotiate** new post-Brexit trade agreements across the region with India, Malaysia, Australia, New Zealand and of course China. Australia and New Zealand has been the most supportive here.
- **Join** the recently reconstituted Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CP-TPP); which is made up of Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam.¹⁰⁹

¹⁰⁶ Jones, P., ‘Speech’, Indo-Pacific Workshop, International Institute for Strategic Studies, 28 November 2018, available at: <https://www.gov.uk/government/speeches/iiss-global-partnerships-event-2018>, last visited: 14 February 2019.

¹⁰⁷ Hunt, J., ‘Britain’s role in a post-Brexit world’, 2 January 2019, available at: <https://www.gov.uk/government/speeches/foreign-secretary-hunt-britains-role-in-a-post-brexit-world>, last visited: 14 February 2019.

¹⁰⁸ Fox, L., ‘Britain’s place in the global trading system’, 1 February 2019, available at: <https://www.gov.uk/government/speeches/britains-place-in-the-global-trading-system>, last visited: 14 February 2019.

¹⁰⁹ ‘CP-TPP will be a “force for good” in promoting free trade’, *Department for International Trade*, 30 December 2018, available at: <https://www.gov.uk/government/news/cptpp-will-be-a-force-for-good-in-promoting-free-trade>, last visited: 14 February 2019.

With regard to trade deals with *India*, the hope is that it will be easier for the UK to reach a free trade agreement (FTA) with India once the UK is out of the EU. Already UK exports of £5.4 billion to India in the year to November 2018 were up by 27.3%. However, there remain barriers in terms of any quick FTA deal in the form of UK immigration restrictions on Indian workers.

With regard to *China*, hopes for post-Brexit boost in economic relations have been less than expected. Despite continuing talk of a “new phase in the Golden Era” of UK-China economic relationship, the sad fact of economic diplomacy is that Brexit makes the UK of less significance for China even while it makes China of more significance for the UK.¹¹⁰ This makes the UK negotiating position weaker *vis-à-vis* China, with whom there is already a large trade deficit.

Infrastructure

The UK has given a cautious welcome to China’s *Maritime Silk Road (MSR)* initiative, which is linked to the overland Eurasia ‘Belt’ in the Belt and Road Initiative (BRI) pushed by China since 2013. Phillip Hammond the Chancellor attended Beijing’s showcase Belt and Road Forum held in May 2017, where he talked of the UK and China being “natural partners” on this project, with other ministers talking of the “huge opportunities” for UK companies in delivering infrastructure projects, and of increased trade flows.¹¹¹ Douglas Flint was appointed as the Treasury Department’s special Belt and Road ‘envoy’ in December 2017.

The two main channels for BRI infrastructure funding are (1) China’s own Silk Road Fund (SRF) to which China pledged \$40 billion in 2014; and (2) the *Asian Infrastructure Investment Bank (AIIB)*. The AIIB was set up in December 2015, but whereas the US and Japan refused to join, the UK did. UK logic given by Hammond to Parliament on 21 March 2018 was “UK’s membership deepens economic ties with Asia and creates opportunities for British businesses”, but it remains unclear how far British companies are particularly benefiting in terms of getting many contracts for delivering AIIB-funded infrastructure projects. In the AIIB, the UK’s US\$3,054.7 million subscription gives it 2.9% voting powers; overshadowed by China’s US\$29,780.4 million subscription and 26.6% voting powers. In this essentially China-led framework, the UK announced in December 2017 that it was pledging US\$50 million in four equal slices of US\$12.5 million for 2018, 2019, 2020 and 2021 into the AIIB’s Special Fund for Project Preparation.

One alternative channel for infrastructure assistance is the *Asian Development Bank*, which the UK has been a member of since 1966. The Department for International Development and the ADB launched the *Asia Regional Trade and Connectivity Fund (ARTCF)* in May 2018 complete with a £30 million initial pledge from the UK.

¹¹⁰ ‘New phase in Golden Era for UK-China relations’, *Department for International Trade*, 15 December 2017, available at <https://www.gov.uk/government/news/new-phase-in-golden-era-for-uk-china-relations>, last visited: 14 February 2019; Turner, O., ‘The Golden Era of UK-China relations meets Brexit’, *The Diplomat*, 18 December, 2018.

¹¹¹ Hammond, P., ‘Speech’, *Belt and Road Forum*, 14 May 2017, available at: <https://www.gov.uk/government/speeches/belt-and-road-forum-in-beijing-chancellors-speech>, last visited: 14 February, 2018; Baroness Fairhead, ‘Why China’s Belt and Road offers the UK huge opportunities’, 10 May 2018, available at: <https://www.gov.uk/government/speeches/why-chinas-belt-and-road-offers-the-uk-huge-opportunities>, last visited: 14 February, 2018.

Security (Military and Diplomacy)

The UK Indo-Pacific security policy is three-fold: basing, naval deployments, and defence partnerships. With regard to *basing*, the original *East of Suez* withdrawal involved pullback of UK military forces and bases from Bahrain, Aden and Singapore. A return to 'East of Suez' profile was evident in 2018. In Bahrain, HMS Juffair (Mina Salman Support Facility) was opened in April 2018. This was followed by the opening of the Joint Logistics Support Base at Duqm (Oman) in October 2018, complete with deep waters and dry docks. In turn, December 2018 witnessed the Defence Secretary Gavin Williamson's announcement that the small UK repair-refuel-resupply operation at Singapore would be strengthened into a fuller base presence by 2020. The prospect now looms of a chain of UK bases/facilities across the Indo-Pacific going from Bahrain-Oman-Diego Garcia-Singapore-Brunei.

With regard to *deployments* the withdrawal from *East of Suez* bases in the early 1970 left the UK presence mostly dependent on outside periodic naval deployments which became more intermittent, and within which UK aircraft carrier strength drained away. Energy security led to Royal Navy anti-piracy deployment since 2009 in the north-west Indian Ocean under the EU's *Atalanta* operation headquartered at Northwood.

The tempo and range of UK naval deployments markedly increased in 2018. After a gap of five years since HMS Daring's solitary dispatch in 2013, HMS Sutherland, HMS Albion, HMS Argyll and HMS Montrose were all deployed in turn during 2018 from the UK for extended operations across the Indo-Pacific. This represented the biggest appearance of UK forces in the Far East since the Korea War over half a century ago.

These increased unilateral deployments to the Indo-Pacific in 2018 included increased bilateral and trilateral operations in the Indo-Pacific. The well-established *Konkan* exercises with India running since 2012 were supplemented in 2018 by bilateral exercises with Japan in the Indian Ocean and Western Pacific, and trilateral exercises with Japan and the US in the Western Pacific. UK military elements were also embedded with France's *Jeanne d'Arc* naval operations across the Indo-Pacific in 2017 and 2018. There is a new readiness to carry out freedom of navigation exercises in the South China Sea, seen with HMS Albion in September 2018, complete with fierce Chinese denunciations.¹¹² Similar Chinese denunciations attended the drills and operations later carried out in the South China Sea between HMS Argyll and the USS McCampbell in January 2019.

With regard to *diplomacy*, the UK has also strengthened its participation in the Five Power Defence Agreements (5PDA), which brings together the UK, Australia, New Zealand, Singapore and Malaysia. A strategic partnership proclaimed with India in 2004 led to a Defence and International Security Partnership in 2015. Formal Defence Cooperation Agreements with Japan (2012) and Australia (2013) have led to further service level naval agreements like the UK-Japan-US *Trilateral Cooperation Agreement* signed in October 2016 and the UK-Australia *Joint Guidance for the RAN-RN Relationship* signed in November 2018.

¹¹² Hemmings, J. and Rogers, J., 'The South China Sea: Why it matters to "Global Britain"', Henry Jackson Society (2019).

Looking Forward

On the economic front, Brexit looms, and with it the ability of the UK to nail down ‘roll-over’ agreements with South Korea and Japan, and new deals with Australia and India during 2019-2020. It remains to be seen how fully the UK participates in the Second Belt and Road Forum in Beijing in April 2019. With rising criticisms of China’s Maritime Silk Road (1) generating ‘debt traps’ for countries like Sri Lanka and the Maldives, and (2) excessively benefiting Chinese companies; the UK has other infrastructure funding avenues, in the *Asia Regional Trade and Connectivity Fund* (ARTCF) set up with the Asian Development Bank, or indeed the *Trilateral Partnership for Infrastructure Investment in the Indo-Pacific* (TPIIP) set up in 2018 by Australia, Japan and the US.

UK deployments to the Gulf of Aden, hitherto organised under the EU *Atalanta* umbrella, could be maintained post-Brexit in the US-led *Combine Task Force 151* umbrella. Williamson’s unannounced defence discussions in Somaliland in January 2019 open up the prospect of Berbera as a further naval facility for the Royal Navy, *if* the UK government feels inclined and able to ignore African Union opposition to recognition of Somaliland.

Under the 2017 *National Shipbuilding Strategy 2017* the Royal Navy is finally set to expand after a long period of shrinkage, with 18 new Type-26 frigates scheduled to gradually replace the navy’s 13 Type-23 frigates from the mid-2020s onwards. This remains hostage to financial fortune and continuing resolve by the governments of the day. In a time of overall declining naval strength the UK government is reintroducing aircraft carrier capacity, after a decade’s absence. HMS Elizabeth was commissioned in December 2017, and HMS Prince of Wales is due to be handed over to the navy during 2019. However there remain potential financial constraints over the speed of equipping them with their advanced F-35B fighter components, and indeed on possible cuts in the number of planes carried.

Gavin Williamson was clear on 11 February 2019 that future UK strategy was to have one “Littoral Strike Group complete with escorts, support vessels and helicopters based East of Suez in the Indo-Pacific” and that in 2020/2021 “the first operational mission of the HMS Queen Elizabeth will include the Mediterranean, the Middle East [the Indian Ocean] and the Pacific region”.¹¹³

On the security front, the UK could consider closer involvement in the Australia-Japan-US (AJUS) trilateral including their *Pacific Bond* naval exercises, and their *Cope North Guam* air force exercises. Closer involvement with the Australia-India-Japan-US ‘Quad’ could be a further possibility to explore.

However, post-Brexit it will be hard to reconcile maintaining freedom of navigation exercises in the South China Sea with negotiating trade deals with China. The UK government will face a hard choice; concerning China, is it economic cooperation or security containment; with other China-concerned partners, which has greater priority? The two are incompatible, and one might need to be dropped to enable the other.

¹¹³ Williamson, G., ‘Defence in Global Britain’, 11 February 2019, available at: <https://www.gov.uk/government/speeches/defence-in-global-britain>, last visited: 14 February 2019.

Chapter 8**COMPETING VISIONS: BRI VS FOIP?**

Dr Satoru Nagao

Hudson Institute

Over the past few years, infrastructure demand in the Indo-Pacific has surged, partly as a result of rapid economic development. Since 2012, China's Belt and Road Initiatives (or One Belt One Road Initiative) has had the most potential to fulfil demand, both in terms of political will and overall national strategy. For want of a better phrase, China's BRI is 'the only game in town'. Despite the positive ability of Beijing to fill this need, a number of powers around China including Japan, India and US have begun to show serious concern about how China is engaging with recipients of its official development aid (ODA). One recent example, for example, is US Vice President Mike Pence's speech at Hudson Institute, where he warned about China's "debt diplomacy"¹¹⁴ toward developing nations. Thus, this paper seeks to attempt to answer three questions about BRI: first, why is it a problem (or why is it perceived to be a problem)? Second, accepting that there are aspects to BRI that are problematic, how should concerned states react? Third, how should they prioritise their responses?

Why China's BRI Is a Problem

If China were only providing infrastructure to countries that needed it, it's unlikely that it would receive much criticism. However, there have been serious concerns that the ODA model that China uses severely disadvantages its recipients. One of the most egregious examples of this sharper Chinese model is the example of Sri Lanka and its commercial port at Hambantota. In this case, China lent to the Government of Sri Lanka at high interest rates. Unable to service these loans, Sri Lanka was compelled to hand over a 70% stake in the port to China for 99 years.

Why did Sri Lanka decide to borrow money from China to build Hambantota port? The view from December 2017 when Sri Lanka signed the 99-year lease was that Sri Lanka needed 400 years to return the loan because the interest rate is 6.3%, which is higher than 0.25-3% of a loan from the World Bank or the Japan-US led Asia Development Bank.¹¹⁵ Why didn't the Sri Lankan government realise the lack of feasibility of the Chinese-backed project? There are concerns that it was because the Hambantota port is located in the constituency of then-President of Sri Lanka and his family at that time, with multiple media reports alleging that corruption was a decisive factor.¹¹⁶ Therefore, Chinese infrastructure projects present a problem because some of them export this example of corrupting influence on the recipient state.

¹¹⁴ 'Vice President Mike Pence's Remarks on the Administration's Policy Towards China', *Hudson Institute*, 4 October 2018, available at: <https://www.hudson.org/events/1610-vice-president-mike-pence-s-remarks-on-the-administration-s-policy-towards-china102018>, last visited: 7 March 2019.

¹¹⁵ Chaudhury, D.R., 'China May Put South Asia on Road to Debt Trap', *The Economic Times*, 2 May 2017, available at: <http://economictimes.indiatimes.com/news/politics-and-nation/china-may-put-south-asia-on-road-to-debt-trap/articleshow/58467309.cms>, last visited: 7 March 2019.

¹¹⁶ Abi-Habib, M., 'How China Got Sri Lanka to Cough Up a Port', *New York Times*, 25 January 2018, available at: <https://www.nytimes.com/2018/06/25/world/asia/china-sri-lanka-port.html>, last visited: 7 March 2019.

Another issue that has caused concern is the fact that China's infrastructure projects are also seemingly driven by Beijing's strategic goals, rather than the goals or objectives of the recipient countries. In democratic countries, opposition parties or journalists try to check corruption of the government. Because it is true that China's loan involved corruption, governments which received corrupted money from China tried to crack down on opposition. Though these processes, governments which receive money from China change from free and open democratic regimes to authoritarian regimes, which depend on China's support. Reducing democratic regimes in the world means reducing the influence of democratic countries including Japan-India-US and UK in the world. Thus, China's BRI is a challenging project for the democratic world.

What Should Japan-India-US and UK Do?

There are at least three methods. Firstly, Japan-India-US, Taiwan and UK should must continue to discuss and understand the risk inherent in Chinese projects. Countries which received loans from China dreamed of economic development. But at the same time, these recipients also wish to maintain independence. There are important discussions on how China approaches sovereignty and what that means for developing nations and presents a rather strong moral argument to the West, as well as a suitable tool of strategic communications. This issue is very important if one looks closely at the Hambantota port issue, it could have been avoided if the Sri Lankan public had been made aware of the dangers before the contract was signed.

Secondly, Japan-India-US, Taiwan and UK should pressure China to adhere to a rule-based process, with high transparency and accountability. One of the features of China's infrastructure projects is a lack of published details. For example, in the case of Hambantota port project, the high interest rate has not revealed after the deal had been signed and Beijing has often insisted that its contracts remain secret. That is the reason people in Sri Lanka lost the chance to oppose the project when China suggested it. With an interest rate of more than 6 per cent, it is clear that Beijing offered only very onerous conditions for its loans. Demanding rule-based processes with high level of transparency should be linked to China's reputation in the international community, with western states highlighting egregious Chinese contracts wherever and whenever possible.

Thirdly, Japan-India-US, Taiwan and UK should prepare a joint infrastructure funding pool, which allows developing countries in-region to avoid too much dependence on China's infrastructure institutions and loans. Such recipients of loans from China need options and it is not clear that they will be able to build the required infrastructure their countries require without some foreign backing and investment. If the size of other infrastructure projects is large enough, they will choose these instead of China's project. For example, when Bangladesh received China's suggestion about the Sonadia port project, Japan suggested the Matarbali port project just 25km from Sonadia port project. Finally, Bangladesh chose the Matarbali port project.

In this case, there are some other projects; for example, Japan and India are also planning to build Trincomalee port project. This Trincomalee port project has the potential to counter Beijing's influence in Sri Lanka. Economically, the Hambantota port project by the fact that there is not a nearby urban centre or city. As a result, commercial ships have little reason to carry cargo to Hambantota port. Ship crews do not wish to use Hambantota port as hub port. In the hub port, crews want to stay in the city as their cargo is reloaded to other ships to go other destination. In Trincomalee, while there is also no urban centre, the Japanese project would connect Trincomalee with the large city

of Colombo. As a result, if the Trincomalee port project would develop and Trincomalee port would become more useful. In addition, there is the possibility that Japan-India-US and UK might be able to use Trincomalee port as a naval port. Trincomalee is 25m depth natural naval port used by the UK. A depth of 25m means that US aircraft carriers can use this port. And it is well protected. In the 2004 Tsunami in the Indian Ocean, ships in the Trincomalee port were not damaged because this place is protected by natural walls. And the Trincomalee project has one more important benefit for Sri Lanka. It will promote the economy of the eastern part of Sri Lanka, which was destroyed during the civil war of 1983–2009. This Trincomalee port project could be the counter project to the Hambantota port project.

Like the Matarbali port project and the Trincomalee port project, Japan and India also collaborate on the Chabahar port project. This Chabahar port project and its connectivity with Central Asian countries is a counter-balance project against the China-Pakistan Economic Corridor (CPEC) as a core part of BRI, because Central Asian countries do not need to depend on CPEC if they find one more route through the Chabahar port. The Asia-Africa Economic Corridor port project in Africa also could neutralise China's influence in Africa. Between 2010 and 2016, the Japan-India Dialogue on Africa was held five times.

The view from these projects, is that it is feasible that Japan-India collaboration could counter China's growing influence in the Western Indian Ocean. The problem is the size of projects. Because the amount of money China has prepared is too much, it is impossible for Japan-India to prepare the same size infrastructure projects across the region. However, if Japan-India-US, Taiwan and UK and other like-minded countries collaborated, particularly in the area of financing, the size of infrastructure projects could be enough to deal with China's BRI.

What Should Our Priorities Be?

Where should we focus our priority for Japan-India-US and UK infrastructure projects? When we think about China related strategy, we cannot forget role of Taiwan. Taiwan has important location, militarily. Taiwan has also infrastructure project as a part of their "New Southbound Policy". Recently, the situation with regards to Taiwan is of immediate concern. Because of China's efforts, including economic assistance and infrastructure projects, four countries have abandoned formal diplomatic relations with Taiwan since June 2017 and the US brought ambassadors home from three of these countries. Thus, Japan-India-US and UK need to think how to collaborate and support Taiwan. Firstly, Japan-India-US and UK should collaborate with Taiwan to start joint infrastructure projects. And especially when we think about such infrastructure projects, Japan-India-US and UK should start a project which recognises Taiwan as a country. Now, there are only 17 countries recognise Taiwan is a legal independent country. And six of them are Indo-Pacific countries. These countries are under strong pressure from China. For example, Chinese tourists were a very important income source for Palau. But recently, China banned the tourists to change the diplomatic relation between Palau and Taiwan.¹¹⁷ Japan-India-US and UK should collaborate to support countries like Palau.

¹¹⁷ Chan, T.F., 'China has forced a Pacific airline to close down because of diplomatic ties with Taiwan', *Business Insider*, 18 July 2018, available at: <https://www.businessinsider.com/palau-airline-closes-over-anger-from-china-about-taiwan-ties-2018-7>, last visited: 4 October 2018.

Currently, China has spent much money on infrastructure projects. Through these infrastructure projects, China expands its influence on recipients and challenges the democratic order of the world. Thus, Japan-India-US and UK should collaborate to deal with this challenge. To deal with this challenge, Japan-India-US and UK need to pressure China into adhering to rule-based processes with high transparency and prepare alternative infrastructure projects which recipient countries can choose, if China is unwilling to improve its own. Especially, Japan-India-US and UK need to collaborate with Taiwan and support Taiwan-supporting countries. Now is the time to do so.

CONCLUSION

Dr John Hemmings

As the preceding chapters will have demonstrated, understandings of what constitute the Indo-Pacific can vary widely, even among the so-called Quad members, India, Japan, Australia, and the US. Certainly, when one thinks of others in this report, such as Taiwan and the UK, those differences increase even more. It can vary in terms of actual geography and it can vary in terms of why key states have chosen to adopt the framework. In the lead-up to this project, we identified several different drivers. There were, of course, geopolitical drivers, which saw great power competition between China and the US. While this great power competition dominates policy and regional discourse, there is also the power rivalry between China and Japan, which coloured the 20th Century and continues to echo to modern times. Finally, there is the emerging rivalry between a rising India and China, which is both a result of geographic happenstance (after all, India straddles China's energy supply from the Middle East) and the result of structural power variables (India threatens China's sole leadership of the Asian Century). Other drivers for the Indo-Pacific include economic and development factors. As many of our papers have pointed out, commercial shipping is currently the dominant form of trade, and the Indo-Pacific construct takes into account how these shipping routes are a source of income, growth, and connectivity. As states flourish from this trade system, so they are ever-increasingly in need of infrastructure to service these growing ports and growing cities.

As a driver for the Indo-Pacific construct, infrastructure plays a central role in the region and is the most obvious focal point for state energy spending and commercial activity. As a 2017 ADB report on infrastructure argued, the region needs £1.29 trillion in infrastructure spending per year, if it is to maintain growth, tackle poverty and respond to climate change. Currently, the annual spending is about half that at £567bn. To some extent, as the previous chapters have shown, the four Quad countries believe that they must compete with China's own ambitious strategic network of infrastructure projects in the Maritime Silk Road and Belt and Road Initiative, but that they are unsure on the implementation stage. Should they also collaborate with China in BRI in order to draw Beijing towards using more transparent and accountable processes? Should they finance infrastructure projects collectively, or should they work on their own? For the UK and Taiwan, there are other questions to be answered: should they use infrastructure as a means of developing better relations with the region and diversifying away from an over-reliance on Beijing? What capabilities do they bring to the region? For both powers, it is clear that they are at an early stage in developing their own Indo-Pacific concepts.

It is also clear that the six countries are split on the geography of the Indo-Pacific. The Australia and United States only view the Indo-Pacific as extending as far west as Pakistan, while Japan and India view it as extending as far as East Africa and even beyond. Taiwan prioritises the ASEAN 10 countries, plus six in South Asia, revealing again, a different framework. As for the UK, there are still questions on how the UK approaches the region, whether approaching ASEAN-as-Asia, China-as-Asia, or looking through the prism of the security relationships it has in the region. Certainly, there are all good reasons why these six states 'map' the region slightly differently from each other, but it then presents problems downstream as they try to collaborate in areas like port connectivity and infrastructure development.

These cleavages are perhaps even greater in the realm of values and norms. It is clear that some of the countries like the US and Australia feel strongly about incorporating values – particularly around democracy-promotion and human rights into their approach – while others like India and Japan use values in a more restrained way that is more responsive to regional sensitivities. Instead of prioritising democracy, for example, they focus on good governance, international law, and open and transparent approaches toward development. In many ways, this is as much down to strategic communications as it is down to differing domestic political cultures and values-based approaches toward foreign policy. For all the geopolitical focus that the Trump administration has adopted toward China, its foreign policy elites continue to view the Indo-Pacific construct through the lens of values versus interests. However, it must be noted that even as they attempt to define what they stand for, they are also attempting to define what they stand against. For example, as Beijing rolls out its smart cities programmes across the BRI, will it also export the social credit system or surveillance society? Will it – by dint of its opaque development practices and shady business deals – export corruption across the societies and political systems of developing economies? Will it export the social contract that it created in the wake of the 1989 Tiananmen Square massacre, whereby economic growth is substituted for political reform?

In a sense, this area of values is where countries like the UK, US, Taiwan, Australia, and India, have the most to offer in the reordering of the region. While they cannot afford to keep up with China's ever-burgeoning infrastructure funding, they can offer better alternatives, at cheaper prices, and based on good accountability and transparent contracting. They can also offer a better model for digital infrastructure, in which network carriers, society, and the state work together to offer network accessibility. In such systems, the rights of society and individuals are prioritised over hazy authoritarian concepts like 'stability'. Furthermore, the rules-based order can be promoted. While this term is used increasingly by policymakers in the region and particularly those involved in the Indo-Pacific to critique China's behaviour in the South China Sea, there is a deeper philosophical point implicit in the term. It is that power is subject to law – an ancient Roman legal concept – that has flourished in Western Europe since the Enlightenment, and one that has seen state behaviour become codified and less-and-less arbitrary. Encouraging this rules-based behaviour between states also has the added benefit of encouraging dispute settlement mechanisms, a requirement for any region with so many powers.

The Indo-Pacific concept is still a young one; it is difficult to predict its longevity. However, it has already been adopted by many countries in the region, indicating that its lifespan will be some decades hence. President Tsai Ing-Wen called the New Southbound Policy a “regional strategy for Asia” in her remarks at the Yushan Forum in 2017. This could also apply to the Indo-Pacific concept. In its complex entirety, it presents regional powers with an alternative, inclusive approach to the same connected world that China is offering. It just offers that connected world on better terms and in a more democratic manner. If we are to create a truly Asian Century, and not merely a Chinese one, then it should be an ‘open and inclusive’ century. It should be – for want of a better phrase – an Indo-Pacific Century.

Title: "INFRASTRUCTURE, IDEAS, AND STRATEGY IN THE INDO-PACIFIC"
Edited by Dr John Hemmings

© The Henry Jackson Society, 2019

The Henry Jackson Society
Millbank Tower, 21-24 Millbank
London SW1P 4QP, UK

www.henryjacksonsociety.org

