A New Region?
Building partnerships for cooperative institutions in the Indo-Pacific

Report from the Perth US-Asia Centre
Australia-US Indo-Pacific Strategy Conference

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Introduction

The terms we use to describe regions often reflect national perspectives and priorities. For most of the last two decades, the ‘Asia-Pacific’ concept dominated thinking regarding who, and what issues, characterised Asian regionalism. But in the mid-2000s, the expanded ‘Indo-Pacific’ concept began to emerge as a way of describing the economic, diplomatic and security interdependencies stretching across our region. This new spatial concept extends westwards, along the Southeast and South Asian littorals, the range of governments considered a part of the region. It also brings new issues and challenges to the forefront of cooperation initiatives.

Australian scholars and officials began using the term Indo-Pacific with increasing frequency from 2013, and it is now the dominant prism through which Australia views its immediate region. Japan and India have experienced a similar arc. Both countries not only increasingly use the term in official documents, but have clear Indo-Pacific strategies that go beyond their previous and more geographically restrictive regional constructs.

With President Donald Trump’s inaugural trip to the region in November 2017, the US vision was articulated as a “free and open Indo-Pacific”, a phrasing popularised by Japanese Prime Minister Abe Shinzo. The Indo-Pacific has now become the core conceptual device through which these governments approach regionalism in our part of the world.

In the face of such weighty questions, the Perth USAsia Centre hosted a closed-door conference in Perth in February 2018. Bringing together twenty-six distinguished experts from around the region – drawn from the academic, policy and think-tank worlds – the event asked participants to explore the prospects for cooperation in the new era of Indo-Pacific regionalism. Discussion was guided by the following questions:

1. What are the key policy challenges – across the security, economic and diplomatic domains – facing the newly emerging regional construct?
2. What objectives do governments wish to achieve, both individually and collectively, by adopting the Indo-Pacific as an organising device for their regional efforts?
3. What policies and strategies can we adopt to ensure these objectives are realised as the Indo-Pacific region takes form in coming years?
4. How can ASEAN’s, and Indonesia’s, position as the ‘fulcrum’ of the region be integrated with the emphasis on the ‘Quad’.

Over the course of a full-day workshop, the group had an extensive and in-depth discussion of these matters. This report provides a summary of these discussions, and recommendations to advance international cooperation within the emerging Indo-Pacific construct.
1. A broad consensus has now formed behind the Indo-Pacific concept. Extending the previous ‘Asia-Pacific’ concept westwards into the Indian Ocean, it reflects the economic, security and institutional interdependencies that characterise the contemporary region.

2. The recent adoption of the Indo-Pacific concept has two primary drivers. One is concern around increasing security contestation in the region, including but not limited to the South China Sea. A second is uncertainty regarding which major powers will maintain a leadership role in the region, and resulting efforts to reconceptualise the relationships and institutions between those powers.

3. India is now recognised as an integral part of the Indo-Pacific region. Its economic transformation, increasing capacity as a security actor, and longstanding engagement with international institutions mean it is unquestionably a regional power in its own right. However, some scholars believe that more efforts are required to better integrate India into both existing and emerging regional architectures.

4. The Indo-Pacific inverts the economic-security nexus underpinning Asian regionalism. Where the Asia-Pacific used economic cooperation as a foundation for broader security and diplomatic collaboration, in the case of the Indo-Pacific, a notional focus on security cooperation has preceded one on economics. Economic institutions reflecting the Indo-Pacific are yet to develop, and doing so is a priority if ambitions for a “free and open” region are to be fully realised.

5. There remain many open questions regarding how Indo-Pacific regionalism should now develop. Key issues include the appropriate membership for regional institutions; the balance between security and economic initiatives; and the renovation of multilateral architectures ‘inherited’ from the Asia-Pacific.
India’s role in an expanding region

India is an indispensable part of the Indo-Pacific. By extending the existing region westwards – to include India and the northern littoral of the Indian Ocean – one of the region’s defining features is the need to incorporate India into existing and new regional architectures. There are many concrete indicators that this is already beginning to develop:

- India’s past developmental successes, and expectations of future dynamism, have transformed it into the region’s most recent economic success story.
- India has become increasingly concerned with maritime security, and is joining new regional groupings (such as the recent “Quad 2.0”) with a view to cooperating with like-minded peers in the maritime space.
- India has also deepened its diplomatic engagement with Indian Ocean economies (such as the Seychelles and Oman), alongside major regional powers (particularly the US and Japan).
- The Japanese government – underpinned by the strong relationship between Prime Ministers Abe and Modi – has developed a dense range of new diplomatic ties with India.

Indeed, Indian involvement will be essential for the realisation of many shared goals in the Indo-Pacific. Ensuring security for the sea lanes of communication (SLOCs) which traverse the Indian and Pacific oceans will require maritime collaboration involving the Indian navy. As one of the region’s fastest growing economies, its inclusion in regional economic institutions may help foster genuine economic integration between Asia and the Indian Ocean region. And as a longstanding and consolidated democracy, India shares many of the values, principles and policy goals for a free and open Indo-Pacific with the US, Japan and Australia.

“ There can be no Indo-Pacific without India”

However, as a relatively recent entrant to Asian regionalism, a number of challenges will need to be confronted if India is to be fully included in emerging Indo-Pacific structures:

- Liberalising economic reforms have progressed more slowly than in its Asian peers, and political-economy headwinds on the domestic front will prove challenging for governments to manage. If India is unable to undertake a fresh round of reforms, its future growth – and position as a regional power – will be constrained.
- India’s longstanding commitment to non-alignment means its enmeshment in existing regional institutions is weak, and its network of diplomatic ties comparatively less-developed. A step-wise change in India’s foreign engagement will be required. This will place a burden not only on the Indian foreign service to rapidly increase its capacity, but also on its partners to act as a broker for its entry into important institutions.
- While India’s ties with Australia have grown in scope and density in recent years, they still remain less developed than those with Japan or the US. Maritime security cooperation is an obvious first step, but needs to be reinforced with economic efforts to augment the bilateral trade and investment relationships.
The recent reinvigoration of quadrilateral discussions among the United States, Australia, Japan, and India – colloquially labelled the “Quad 2.0” – is one of the first institutional manifestations of an Indo-Pacific architecture to emerge. Comprising Australia, India, Japan and the US, the Quad promises a minilateral mechanism for security cooperation amongst four of the region’s leading democracies. Initially pitched in 2007, but delayed due to perceived political sensitivities in India and Australia, its re-emergence in 2017 reflects a number of recent developments in regional security dynamics:

- A wider recognition of the Indo-Pacific as a meaningful concept for maritime linkages across the Pacific and Indian Oceans, and the incorporation of the term in official policy by all four governments.
- Ongoing and successful work in several security-focussed ‘trilaterals’ within the Quad, which have functioned as confidence- and capacity-building exercises.
- A Japanese desire to support, and in some instances lead, liberal internationalism; and corresponding diplomatic efforts toward regional institution-building.
- The increasing recognition of Japan and India – both within and without these countries – as key security players in the region.
- Growing anxieties over Chinese behaviour in the maritime space, particularly following island-building and militarisation efforts in the South China Sea.
- Suggestions that India should in some way be engaged with the existing network of US security relationships within the region, which are presently shifting from a ‘hub-and-spoke’ to ‘overlapping minilateral’ system.
- Since the election of the Trump Administration in late 2016, concerns regarding US withdrawal from the region, and a desire by its existing allies to maintain US security engagement.

There is considerable interest in, and support for, the Quad. However, the Quad remains an embryonic idea. Only re-launched in November 2017, it is yet to develop any informal or formal mechanisms; nor has a firm consensus regarding its agenda yet emerged amongst members. What functions the Quad should, and by extension should not, perform remain a matter of ongoing debate. The key axes of this debate include:

- **To what extent should Quad processes be formalised?** While ‘soft’ dialogues are easier to organise and cause less controversy, ‘harder’ forms of cooperation will have greater security impacts. How can expediency and impact be balanced, and a consensus on the right balance be negotiated amongst the members?
- **What kind of regional security architecture is most appropriate for the Indo-Pacific?** By design – and nomenclature – the Quad is a form of ‘closed’ regionalism, which only incorporates four countries. At present, this reflects their convergent values and security objectives, which facilitates cooperation. Would a more ‘open’ formulation, allowing the participation of other like-minded partners (including, but not limited to, Indonesia) be a better fit for a diverse and geographically expansive region?
- **Is the Quad designed to contain China’s maritime assertiveness?** While members have gone to considerable effort to disavow notions the Quad 2.0 is designed to contain China, the rationale behind its relaunch in 2017 was significantly driven by concerns over Chinese maritime behaviour in the South China Sea. There exists a risk that the Quad may be viewed as an anti-China bloc, both stoking already-tense relations with China and potentially alienating third parties.
- **What is the division of labour amongst the Quad members?** There are marked differences in naval and air resources between the four participants, as well as different geographical reach for their force projection capabilities. Some kind of division of labour must be negotiated amongst the members. Who will specialise in what areas and tasks? How can burdens be shared equitably?
Economic cooperation in the Indo-Pacific is presently under-developed. While the security domain has seen the emergence of a range of maritime cooperation initiatives (such as trilateral dialogues and the recent “Quad 2.0”), no comparable efforts have yet to take form in the economic space. This is an historically-unique inversion of the ‘economics-security nexus’ in the region. During the 1990s and 2000s, ‘Asia-Pacific’ regionalism was consistently built on economic foundations, where trade and investment cooperation was the starting point on which other efforts could be built. In contrast, it appears that Indo-Pacific regionalism is starting with security cooperation first, and economic institution building is yet to follow in its wake.

There are several reasons why an Indo-Pacific economic architecture is yet to take form. These include:

- The role of India. While significant progress in terms of economic reform has been achieved since the early 1990s, India’s economy remains at a much earlier stage of liberalisation than most Asian peers. This poses challenges for building trade and investment ties with the rest of the region; as well as including India in regional economic institutions such as APEC or the network of FTAs.

- A lack of US leadership in building multilateral economic architectures. Prior to the recently articulated – and still to be fully defined – “Free and Open Indo-Pacific” concept, US economic initiatives did not extend across the full geographic scope of the Indo-Pacific. The Obama Administration’s ‘Pivot to Asia’ policy’s primary economic component was the Trans-Pacific Partnership (TPP), which the Trump Administration withdrew from in 2017. The Administration’s current economic focus in the region is on individual issues within bilateral trade relationships, rather than building multilateral economic institutions.

- The ASEAN-centred Regional Comprehensive Economic Partnership (RCEP) agreement does offer a genuinely Indo-Pacific economic body, as it includes India. RCEP has far lower reform ambitions than the TPP, and is focussed primarily on traditional measures such as tariff reduction rather than the development of regulatory frameworks. However, negotiations have been stalled by a lack of clear leadership, and ongoing disagreements between India and China over the scope of tariff cuts.

- Emerging tensions in the infrastructure space, where many governments have launched competing infrastructure packages. China’s Belt and Road Initiative, Japan’s Partnership for Quality Infrastructure, the Master Plan for ASEAN Connectivity and dozens of minilateral initiatives all offer different approaches to infrastructure financing and governance.

“**There is not yet a compelling vision for economic cooperation, let alone integration, amongst the governments of the Indo-Pacific**”

Economics has frequently functioned as a cohering force for Asia, which enabled security differences to be put aside in order to cooperatively achieve shared goals for economic growth and industrialisation. This was especially important in allowing countries traditionally considered security rivals to be incorporated into a cooperative regional order. In the absence of such economic foundations, broader forms of cooperation amongst the Indo-Pacific group will prove much harder to achieve.
It is likely that cooperative efforts in the trade space will prove challenging in the short- to medium-term. While the TPP has been partially saved in the form of the recently announced ‘Comprehensive and Progressive Partnership for the TPP (CPTPP), the absence of the US – the world’s largest economy, and the region’s number one investment partner – leaves a large gap. The likelihood of US re-engagement with regional economic initiatives remains unclear in the current electoral cycle.

Infrastructure provides one space in which reform-minded partners could make a meaningful impact. As tariffs have fallen, the ‘infrastructure gaps’ which currently plague the region have now become the primary obstacle to economic integration. While national infrastructure programs have proliferated in response, there is presently a lack of linkage or alignment between them. There is also a pressing need to ensure good governance of infrastructure, to avoid the corruption, waste and debt traps that often accompany such large projects. Coordinated approaches to infrastructure financing would provide an opportunity to not only ‘get the connectivity right’, but also incorporate India into regional economic initiatives.
The recent emergence of the Indo-Pacific concept poses challenges for the existing system of multilateral institutions in Asia. Since the early 1990s, the regional architecture has been conceptualised as a series of progressively-widening concentric circles: with ASEAN and its attendant dialogue processes at the centre, then the ASEAN+3 coordination mechanisms, then the ASEAN+6 FTA network, then the 18-member East Asia Summit, and APEC (economics) and the ARF (security) as the outermost bodies. This institutional configuration reflects a long-standing – if sometimes critiqued – consensus behind the principle of ‘ASEAN Centrality’ in Asian regionalism.

However, as some governments have begun adopting the broader Indo-Pacific concept, questions have been raised as to whether this inter-locking and ASEAN-centric set of multilateral institutions remains suitable. Some of the challenges identified include:

• The inclusion of India in the regional architecture. It is a member of the ARF, EAS and ASEAN+6 FTA network; but not APEC or the ASEAN+3 mechanisms. While Indian membership in APEC has been proposed, there remain divergent views over its practicality given the current trajectory of economic reform in India.

• A shift away from a focus on large and inclusive multilateral institutions (like ASEAN and APEC), towards bi- or mini-lateral coalitions of likeminded states cooperating on specific issues. Trilateral maritime exercises, and the recent Quad 2.0, are examples of this in the security space. FTAs are an example in the economic space.

• The suitability of ASEAN Centrality in a geographically expanded region. Given the major powers in the Indo-Pacific – India, China, Japan and Korea – are all outside Southeast Asia, is it appropriate for ASEAN to be the building block on which all other regional initiatives are built?

• The effectiveness of the ‘ASEAN Way’ method of consensus decision-making in a more contested region. As the region expands geographically, and the range of issues on the agenda becomes more complex, consensus decision-making may lack the flexibility and responsiveness required to manage pressing problems.

• Cohesion within ASEAN itself, as some member states have in recent years either broken from the group, or vetoed important collective resolutions. There are concerns this may lead to ‘salami-slicing’ problems, where external powers may induce individual ASEAN members to stall institutional efforts.

These issues are problematic due to the importance of multilateralism for regional cooperation. Multilateral institutions provide a number of critically-important functions. These include facilitating dialogue between a diverse range of countries (some of whom may not otherwise engage in this way); fostering consensus behind shared principles and the promulgation and socialisation of norms; and potentially establishing rules for international conduct. Given that many of the issues on the Indo-Pacific agenda – from security matters concerning SLOCs, to economic issues surrounding trade reform – are by their nature multilateral, it is important to have a contemporary, well-functioning and responsive institutional architecture in the Indo-Pacific.

While there is a broad agreement that some form of institutional ‘renovation’ is required for the expanded Indo-Pacific region, two contrasting approaches to achieve this were suggested. Both respond to the increasingly difficulty of achieving consensus amongst an increasingly diverse region. One favours a ‘soft law’ approach based on dialogue activities, which obviates the need to achieve tight consensus before policy coordination can occur. A second approach based on dialogue activities, which obviates the need to achieve tight consensus before policymaking processes can occur. A second approach suggests the creation of minilateral groups within existing institutions, which could function as like-minded coalitions to press ahead with cooperative initiatives in the absence of broader consensus. It is possible that a mix of these two strategies could be used in different contexts and issue-areas.
The US has become the most recent country to adopt the Indo-Pacific concept. When President Trump endorsed the objective of securing a “Free and Open Indo-Pacific” in November 2017, the US joined Japan, India and Australia in formally articulating an Indo-Pacific understanding of the region. The concept was subsequently included in the US National Security Strategy of December 2017, formally incorporating it as a key plank of the Trump Administration’s foreign policy. But while some observers interpreted this move as signalling a renewed US commitment to a leadership role in the region, there remain questions over what role it will play as the new concept takes form.

Some of these questions relate to the failure of previous US attempts to expand its regional role beyond the traditional ‘Asia-Pacific’ theatre. The TPP, previously viewed as the economic pillar of the Obama Administration’s ‘Pivot to Asia’, has been abandoned by the Trump Administration. It is unclear how quickly the new emphasis on “free, fair and reciprocal trade,” possibly in a series of bilateral FTAs, will be implemented. The attention directed to North Korean nuclear threats has dominated ‘Asia policy’ in the early days of Trump’s Presidency. The Trump Administration’s transactional approach to trade relations, which has targeted allies as well as identified rivals, has generated questions in Japan and Australia about their economic partnership with the United States.

But despite these uncertainties, there is also evidence of a decided convergence of strategic interests amongst the four main proponents of the Indo-Pacific concept. The US, Japan, India and Australia all recognise that security interdependencies in the region now span across both the Pacific and Indian Ocean littorals. They all share an interest in securing this conjoined maritime space, and resisting the territorial ‘grabs’ recently occurring in the South China Sea. They all recognise Japan will have a greater role as a security actor than any time in its post-war history; and that India should now be considered a regional power in its own right. As consolidated democracies, they also share values emphasising an open and rules-based order for international relations within the Indo-Pacific.

Today, the central challenge facing the US and its regional partners is how to transform these shared interests and values into impactful and coordinated approaches to the region. Uncertainty regarding the direction of US policy means that concrete strategies are hard to articulate at present. However, some of the key questions that must inform this strategic decision-making include:

- **What kind of rules-based order?** While all parties have declaratively endorsed a rules-based approach to managing regional interactions, questions remain over whose rules should be adopted. If these rules are to have legitimacy and achieve consensus, they will need to reflect not only US preferences and values, but those of key regional partners as well.

- **Who comprises the different groupings of US allies and like-minded partners?** Initiatives like the Quad have initially defined that grouping as comprising Australia, India, Japan and the US. But in other issue areas, the membership group may well be different. Should the net be cast wider, to potentially include Korea, Indonesia, Singapore, or others? Which groupings fit best with particular issues of common concern? How can effective groupings be assembled?

- **What do partners want from the US in terms of regional leadership?** Is the primary desired role of the US to function as a security guarantor? Or is it expected to supply a wider array of leadership functions, potentially in the economic and institution-building spheres? Partners need to decide what kind of leadership they want from the US, and communicate this clearly to current and future administrations.

“Across the Indo-Pacific, governments are highly uncertain regarding the US commitment to the region, and its capacity for and intention to provide leadership.”
Recommendations for building the Indo-Pacific regional architecture

- **Putting the rules into a rules-based order**: There is a very strong consensus behind the need for a rules-based international order for the Indo-Pacific. While the “free and open” concept provides a broad indication of what this should look like, more detail is needed over precisely which rules are required to achieve this goal. This should consider the views of not only the four main proponents of the Indo-Pacific concept (Australia, India, the US and Japan), but also additional parties that could be attracted to the coalition.

- **Expectations for US regional leadership**: Despite uncertainty regarding the future of US policy towards the Indo-Pacific, there is no doubt it will continue to play some kind of leadership role. US partners in the region need to determine what kind of leadership functions – be they security, economic, and/or institutional – they wish the US to perform, and communicate this to current and future administrations.

- **India is not emerging; it has emerged**: Governments should recognise India as an integral component of the Indo-Pacific, and a regional power in its own right. In the future, India will be central to almost all the key developments emerging in the Indo-Pacific.

- **Brokering India’s engagement with regional fora**: India needs to be integrated within existing and developing institutions in the region. Its membership in the East Asia Summit is a good start, but is not enough to properly knit India into regional governance. This will require efforts from India to seek membership in a range of regional bodies, which in some cases – particularly the economic sphere – will necessitate a greater commitment to internal reforms. It will also be aided by US, Australian and Japanese support to help broker its entry.

- **A better-focus for maritime security cooperation**: A strategy needs to be developed for the “Quad 2.0”. While it is a welcome addition to the regional architecture, many questions remain regarding its preferred agenda, institutional architecture, and burden-sharing arrangements. A staged approach, which builds off existing trilateral activities and progressively adds additional functions, would allow progressive confidence-building.

- **Investing in an economic architecture**: A clear and coherent vision for economic integration in the Indo-Pacific is yet to be articulated. Absent an ‘economic foundation’ for cooperation, the new regional construct may struggle to fully realise its goals. ASEAN states, particularly Indonesia, may continue to view India more as an economic competitor rather than an engine for regional growth. Developing economic initiatives, particularly including India, should be a priority for advocates of the Indo-Pacific concept.

- **Reform of the region’s multilateral system**: The multilateral architecture for the region needs to be updated to reflect its expansion to the broader ‘Indo-Pacific’ space. One strategy is to create new ‘soft law’ dialogue mechanisms that reflect the new range of involved countries and issues. Another is to form minilateral groups of likeminded countries – both within, and across, existing institutions – which can function as coalitions to push ahead with cooperative initiatives.

- **Upgrading Australia-India ties**: Australia needs to substantially upgrade its engagement with India, to ensure bilateral ties are not out of step with those with the US and Japan. Tri-lateral dialogues – which leverage existing bilateral relationships as a foundation for growing Australia-India ties – provide a potentially effective mechanism in the security sphere.

- **Supporting connectivity through ‘good governance’**: Infrastructure cooperation is a domain in which Indo-Pacific economic cooperation could fruitfully begin. Existing national efforts should be accelerated and linked up, to ensure alignment and integration between stakeholders. A shared interest in good governance and sustainability provides a foundation for such an integrated approach to be built.
In partnership with the US Embassy in Canberra, the Perth USAsia Centre convened an Australia-US Indo-Pacific Strategy conference in February 2018. Held under the Centre’s *Australia-Indo-Pacific-US relations* program, the conference examined policy options for Australia, the United States and our partners to collectively face the diplomatic and security challenges emerging from the significant changes occurring in the region. It brought together scholars, policy makers, and defence and foreign policy thought leaders with expertise in the emerging Indo-Pacific regional construct.

The Perth USAsia Centre thanks those who generously gave their time and effort to participate in the meeting at the University of Western Australia on Monday 26 February 2018.

- **Alyssa Ayres**, Senior Fellow for India, Pakistan and South Asia, Council on Foreign Relations
- **Darshana Baruah**, Research Analyst, Carnegie India
- **Kim Beazley**, Distinguished Fellow, Perth USAsia Centre; former Australian Ambassador to the United States, former Deputy Prime Minister
- **Dan Blumenthal**, Director Asian Studies, American Enterprise Institute
- **Richard Court**, Australian Ambassador to Japan; former Premier of Western Australia
- **Wendy Cutler**, Vice President, Asia Society
- **Peter Dean**, Pro Vice-Chancellor (Education), University of Western Australia
- **Sadanand Dhume**, Resident Fellow, American Enterprise Institute
- **Gordon Flake**, CEO, Perth USAsia Centre
- **Michael Heath**, Acting Deputy Chief of Mission, U.S. Embassy Australia
- **Richard Heydarian**, Former policy advisor, Philippine House of Representatives
- **Dhruva Jaishankar**, Fellow in Foreign Policy, Brookings India
- **Ken Jimbo**, Keio University; Senior Research Fellow, Canon Institute for Global Studies
- **Rikki Kersten**, Dean of the School of Arts, Murdoch University
- **Bruce Miller**, Former Australian Ambassador to Japan
- **C. Raja Mohan**, Director, Carnegie India
- **Natalie Sambhi**, Research Fellow, Perth USAsia Centre; PhD Candidate, Australian National University
- **Shyam Saran**, National Security Advisory Board; Former Indian Foreign Secretary
- **Eric Sayers**, Vice President, Beacon Global Strategies; Former Special Assistant to the Commander, US Pacific Command
- **Stephen Smith**, Distinguished Fellow, Perth USAsia Centre; former Minister of Defence; former Minister for Foreign Affairs
- **Yuki Tatsumi**, Director, Japan Program, Stimson Center
- **Ashley Townshend**, Director, Foreign Policy, Defence and Strategy, United States Studies Centre
- **Chikako Kawakatsu Ueki**, Graduate School of Asia-Pacific Studies, Waseda University
- **Merredin Varrall**, Director, East Asia Program, Lowy Institute
- **Xenia Wickett**, Head, US and Americas Program, Chatham House
- **Jeffrey Wilson**, Head of Research, Perth USAsia Centre
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