

THE EU INDO-PACIFIC BID SAILING THROUGH ECONOMIC AND SECURITY COMPETITION

edited by **Filippo Fasulo**
introduction by **Paolo Magri**



ISPI

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Via Antonio Boselli, 10 – 20136 Milan – Italy
www.ledizioni.it
info@ledizioni.it

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Introduction

Despite the ongoing war in Ukraine, which has understandably dominated the European Union's political agenda, European governments are increasing their efforts to engage partners outside of the European continent once again. Of particular interest for the EU is the Indo-Pacific region, where the bloc is looking to expand trade and influence. Since the late 2010s, the term "Indo-Pacific", which encompasses the area between the Pacific and the Indian Ocean, has been widely used by the US and its allies as another way to emphasize the centrality of Asia in their strategic thinking, the need to develop a policy to prevent China from setting the rules in the region, and the growing role of India in this process.

As such, the region has already taken centre stage in the competition and confrontation between China and the United States. In recent years, the US has worked to boost partnerships with regional countries to counter China's rising influence. In turn, China, as the biggest regional power in Asia, has longstanding relations with countries in the Indo-Pacific – a term not used by Beijing due to its characterisation as a policy to contain China, instead preferring "Asia-Pacific", the term traditionally used to indicate that geographic area – and has responded to US-led efforts in the region with renewed economic and political engagement with countries in the region.

As Washington's and Beijing's ambitions in the region grow, many EU governments have realised it can no longer remain a

passive actor, and has therefore launched their own initiatives. Such initiatives have been driven particularly by France – the only European nation which controls territories in the Pacific –, Germany and the Netherlands, which published their own strategies for the region. As the term has acquired higher strategic meaning and relevance in recent times, “Indo-Pacific” now serves as an umbrella term for EU countries to justify a stronger engagement in the region. In this regard, the EU and some of its members are focusing on the Indo-Pacific not only to reaffirm their commitment to a rules-based order and to the freedom of navigation in the South China Sea as well as other regional hotspots, but also as a chance to boost economic and political partnerships with countries in the region. Indeed, almost half of all international seaborne trade passes through the region, and that most Indo-Pacific countries are emerging economies that, in the coming decades, will play an exponentially important international role, such as the Association of Southeast Asian Nations (ASEAN) bloc which includes Indonesia and Vietnam.

For this reason, it is paramount to consider the complexity of the economic and security dimensions of the Indo-Pacific. In the last few years, as competition has risen, international economic agreements and partnerships involving the countries in the region have flourished, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP). Numerous agreements have also been the result of China and US competition in the region, which sees the two superpowers trying to sway regional actors in their respective spheres of interest. One such example is the US-led Indo-Pacific Economic Framework (IPEF), which Washington sees as a major victory as it came after the Chinese side tried and failed to establish a similar partnership with Pacific countries. Likewise, the EU is seeking to increase trade and investment in the Indo-Pacific region, presenting itself as a trustworthy economic actor and an important partner to work with on innovation and sustainability.

To conclude, the Indo-Pacific region is also a hotspot in terms of security. The balance in the region is a delicate affair, with the tension in the Taiwan Strait between China and Taiwan, North Korea ramping up missile launches, disputes over islands in the South China Sea and the increased military spending of regional actors like China and Japan. In addition, there are various initiatives that have been adopted to establish security mechanisms in the Indo-Pacific, the most famous of which are the US-led Quadrilateral Security Dialogue (QUAD), with Australia, India and Japan, and AUKUS, with Australia, the United Kingdom and the United States. As expected, China has not taken a favourable view of Western military involvement, and has denounced the encroachment of the United States and its allies into what it perceives to be its own strategic space. An escalation of tensions in the Indo-Pacific is bound to affect the international status quo.

This Report untangles some of the key issues that characterise the Indo-Pacific region, and for which the European Union must be prepared if it plans to have a relevant political and economic role in the region. As the Indo-Pacific becomes increasingly important in international relations, it also becomes crucial for policymakers to understand its intricacies and dynamics, the objectives and priorities of regional actors and the extent to which the EU can present itself as an alternative to the US and China. This project aims to investigate the opportunities for the European Union, in the context of rising confrontation between great powers and the tense international environment after the outbreak of the Ukraine war.

As such, we begin this Report with an introduction to the concept of Indo-Pacific through the lens of the European Union. The EU's increasing interest in the region translated into the establishment of the European strategy for the Indo-Pacific in September 2021. This first chapter analyses how the strategy has developed since then, as well as the limits and opportunities for the EU in the region.

To better understand the economic and security scenarios the EU will have to navigate, the second chapter focuses on the security architecture in the Indo-Pacific, and in particular on the development of initiatives sponsored by the United States, and allies, such as the Quad and the AUKUS alliance. Jagannath Panda describes the complex balance of middle powers in the region, and how the EU's Union involvement in Indo-Pacific dynamics is playing out. The chapter explores how the EU can co-exist with and supplement the QUAD, areas for cooperation, and how European involvement could strengthen partnerships with other regional players.

In the third chapter, the focus shifts to the economic dimension. Aidan Arasingham analyses the Indo-Pacific Economic Framework, an ambitious US-led initiative focused on engaging partners in the region, and that is set to change the structure of regional trade. The author clearly describes the status of the IPEF – launched in May 2022 –, what it entails for the countries involved, and the initiative's potential to increase trade and integration. Indo-Pacific countries have mostly welcomed US involvement in the region through the IPEF, but US commitment to the region will be fundamental in determining how effective IPEF is and how long it lasts.

Delving deeper in selective topics, Joshua Meltzer unpacks the intricacies of the digital race in the Indo-Pacific, focusing his analysis on data and the regulatory frameworks set out for it. At the basis of the digital economy and trade, digital technologies and cross-border data flows have become increasingly important. This chapter explores how data flow regulations have developed in Indo-Pacific countries, the economic impact of restricting data flows and the limits of the legislative frameworks currently in force.

Along with the digital transition, the green transition (which is of particular importance in the Indo-Pacific as some countries are hit especially hard by climate change and others are among the world's largest polluters) will be another cross-cutting issue in this decade. Yves Tiberghien and Sun Ryung

Park explain how the current global green-tech race is not only instrumental in tackling climate change but is also shaping up to be a competition for leadership in green sectors, with nations actively supporting their own industries at the expense of market efficiency. The chapter analyses the energy mix used in the Indo-Pacific, and the actions and strategies put forward by regional actors, focusing namely on the policy shift in South Korea and Japan and the concept of a green entrepreneurial state.

To successfully engage the region, the EU should reflect on how local actors understand the Indo-Pacific. Thus, Rahul Mishra shifts the discussion to a key regional player: the bloc of the Association of Southeast Asian Nations. The author considers the perception and reception by ASEAN of the Indo-Pacific concept. Used by the United States and some allies as a term to isolate China, the concept of Indo-Pacific assumes a different strategic significance for ASEAN. The Southeast Asian bloc remains firm in its balancing act between the US and China, without wishing to alienate either. The analysis focuses on ASEAN's role amid growing interest in the Indo-Pacific region, and the bloc's participation in, and attitude towards, the numerous security and economic agreements in the region.

Dingding Chen, Yingfan Chen and You Wang present the Chinese understanding of the Indo-Pacific concept, and Beijing's response to global activism in the region. They describe how the US and its allies have used the term "Indo-Pacific" since the 2010s, as opposed to the Chinese government's preference for the term "Asia-Pacific". The analysis then focuses on the reasoning behind Beijing's critique of the Indo-Pacific concept, as well as on China's response to the various strategies for the region that have been announced in recent years.

Finally, Theresa Fallon focuses on the projection towards the Indo-Pacific of another regional relevant player: Russia. As the author reports, Moscow consistently rejects the term "Indo-Pacific", because from the Indo-Pacific perspective, centred on the two oceans, Russia will result as a marginal player and

because it perceives the Indo-Pacific concept as a tool to contain the large continental powers of the Eurasian landmass, China and Russia. For this reasons, Russia prefers to speak of Eurasia or of the Asia-Pacific instead.

Paolo Magri
Executive Vice-President, ISPI

1. The EU's Indo-Pacific Strategy: Where We Are

Filippo Fasulo

On 16 September 2021 the High Commissioner for Foreign Affairs Josep Borrell presented the EU's Strategy for the Indo-Pacific¹. At the time, the document was considered the natural continuation of a process started by France, Germany and the Netherlands, which had published their own strategies in the previous years. The EU's strategy was conceived as a middle ground between the different approaches of these national strategies: the French strategy focused more on military issues, as France has a relevant territorial presence in the region; on the other hand, the Netherlands and Germany are more interested in trade issues, being top trade economies.²

The EU Strategy focuses on seven main pillars and ten key actions. The pillars are 1) Sustainable and inclusive prosperity; 2) Green transition; 3) Ocean governance; 4) Digital governance and partnerships; 5) Connectivity; 6) Security and defence; 7) Human security. The key actions refer broadly to these seven pillars. The main action is to build more resilient value chains through diversification. The same goal should be pursued negotiating several free trade agreements (FTAs), economic

¹ Joint Communication of the European Commission and the High Representative to the European Council, *The EU strategy for cooperation in the Indo-Pacific*, 16 September 2021

² F. Heiduk and G. Wacker, *From Asia-Pacific to Indo-Pacific. Significance, Implementation and Challenges*, SWP Research Paper 9 July 2020, Berlin.

agreements or partnership agreements with countries in the region. Similar partnerships on green issues are indicated as possible solutions to engage with regional partners. The maritime dimension is explored as fisheries management, protection of sea lines of communication and freedom of navigation in the Indo-Pacific. In this context, boosting connectivity, both physical and digital, is a key measure. Finally, the EU's strategy stressed the importance of making Indo-Pacific countries eligible for the Horizon Europe research programme in research and innovation and in strengthening pandemic resilience.

In the 18 months since the publication of the EU's Indo-Pacific Strategy, the EU has struggled to complete all the actions that were deemed possible. However, progress has been made, in particular in security and connectivity. It should also be remembered that just after the EU's strategy was released Russia invaded Ukraine and so the EU's attention has been focused on this problem.

Political Initiatives on the Indo-Pacific

One of the most active countries in advancing the concept of the Indo-Pacific is France. This is due to its own specific interest as a "resident" country in the region. The fact that France held the rotating presidency of the Council of the European Union during the first half of 2022, the first semester after the strategy was published, represented a great opportunity for President Macron to position France once again at the vanguard of the EU's policy towards the Indo-Pacific. For this reason, the French presidency and the High Representative for Foreign Affairs and Security Policy and Vice-President of the European Commission co-organised a ministerial-level meeting to discuss cooperation between EU and Indo-Pacific countries. The *Ministerial Forum for Cooperation in the Indo-Pacific* gathered on 22 February 2022 with the participation of 53 countries and six international associations or organisations. Besides the co-organisers and the European Commission, the

other supranational entities were the European Investment Bank, the Indian Ocean Commission, the Indian Ocean Rim Commission, the Pacific Community and the Pacific Islands Forum. Among the countries, all the EU's 27 members were present, while the Indo-Pacific was represented by nine out of ten ASEAN (Association of Southeast Asian Nations) members (politically sensitive Myanmar was the missing country), two countries from the Gulf (Oman and the United Arab Emirates), four from Africa (Djibouti, Kenya, Madagascar, South Africa), two from Oceania (Australia, New Zealand), three from South Asia (Bangladesh, India, Sri Lanka), four island nations (Comoros, Maldives, Mauritius, Seychelles) and two from North East Asia (South Korea, Japan).

The participating countries reveal much about the EU's view of the region. Indeed, the Indo-Pacific is still a debated concept, and its extension is not settled. Analysing the participants, it shows that the EU's Indo-Pacific region stretches from the Pacific Islands to the eastern shores of Africa and the Gulf. The missing countries are also relevant as well. The United Kingdom was not invited, as well as the United States and China. While the absence of the former was a consequence of Brexit, the absence of the latter two can be read as an attempt to develop a strategy towards the Indo-Pacific that is not merely a reflection of the competition between the US and China. In this regard, the press release³ issued by the forum stresses cooperation more than competition. China is never mentioned directly, even if a few sentences might imply a reference to it. In particular, the Ministerial Forum is said to have highlighted a "shared ambition" to "reaffirm their commitment to a rules-based international order, democratic values and principles, as well as to the strengthening of multilateralism and the rule of law, respect for international law, and freedom of navigation, in accordance with the United Nations Convention on the

³ Ambassade de France en Indonésie, au Timor Oriental et Auprès de l'ASEAN, [Ministerial Forum for Cooperation in the Indo-Pacific: Press release and announcements](#), 22 February 2022.

Law of the Sea (UNCLOS).” This sentence is a clear reference to the South China Sea issue, a border dispute between China and other regional players over freedom of navigation and the sovereignty over some rocks and islands. In 2016 UNCLOS ruled in favour of the Philippines against China, but the Chinese government has always refused to accept the verdict. Similarly, the major emphasis on the Global Gateway connectivity project might be seen as having China in the background. However, in general, the forum placed greater emphasis on a positive approach towards the region rather than competition with China. The forum focused on three chapters: security and defence, connectivity and digital and global issues. When dealing with security and defence the EU’s wider view of the region is immediately clear. Indeed, the extension of the coordinated maritime presence in the north-west Indian Ocean, an area at the periphery of what is usually considered the Indo-Pacific, was announced. A similar claim can be made for the support that was announced for the EU regional programme for Maritime Security in the Red Sea. In addition, there was a commitment to strengthen existing programmes in South Asia, Southeast Asia and Indian Ocean regions, such as CRIMARIO II⁴ for maritime domain awareness, as well as in East Asia, with a focus on counter-terrorism, cybersecurity, maritime security and crisis management, such as Enhancing Security Cooperation in and with Asia (ESIWA).⁵

In terms of connectivity, the Global Gateway is presented as the cornerstone, especially thanks to its principles of good governance and green ambition. This is a veiled criticism of the Belt and Road Initiative, accused of a lack of transparency and of being unsustainable for the environment. If the Global Gateway is seen as relevant for the deployment of secure and sustainable quality infrastructure, the Comprehensive Air Transport Agreement (CATA) document between the EU

⁴ CRIMARIO II, [Maritime Security: The Eu Crimario II Initiative Is Starting](#), 11 June 2020.

⁵ “[Enhancing Security Cooperation in and with Asia](#)”, GIZ.

and ASEAN Member States represents an opportunity and an example for people-to-people connectivity. CATA, ultimately signed in October 2022,⁶ will allow airlines from the two regions to fly any number of services among them. Digital issues were also explored, with the focus on an open, safe, secure and human-centric internet. Finally, the forum provided an opportunity to share a commitment to global issues, such as climate change, fisheries and health cooperation.

While it might have had big ambitions, the forum was pushed to the side-lines by the start of the Russian invasion of Ukraine only two days later. The war in Ukraine was of course at the centre of European minds in the first semester of 2022, but attention on the Indo-Pacific has not waned. Indeed, the Czech Republic, which took the presidency after France in the following semester from 1 July, decided to kick-off its term by organising, on 13 and 14 June 2022, the *High-Level Dialogue on the Indo-Pacific (Prague Dialogue)*. The tone of this meeting – whose diplomatic rank was lower than the one in Paris – was slightly different from the one in Paris and security – as was obvious, due to the war – played a much more important role. While the forum organised by France prioritised engagement with Indo-Pacific countries, the Czech presidency placed security issues at the centre. They were to be understood “in the broader sense of the word”, encompassing territorial integrity, economic, climate, food, cyber and supply chain security. In the words of the Minister of Foreign Affairs Jan Lipavský, “The purpose of the Dialogue was to search for the ways to strengthen resilience against these global challenges”.⁷ During the two days of discussions, the key topics were to keep on developing partnerships and strengthening synergies with

⁶ European Council, ASEAN and the EU sign the world's first bloc-to-bloc Air Transport Agreement - joint press release, 17 October 2022; Association of Southeast Asian Nations (ASEAN), “Joint Press Release on the Signing of the ASEAN-EU Comprehensive Air Transport Agreement”, 17 October 2022.

⁷ Embassy of Czech Republic in Tokyo, “Prague Dialogue on the Indo-Pacific discussed one of the Czech EU Presidency priorities”, 16 June 2022.

like-minded partners and relevant organisations in security and defence – especially considering the subsequent NATO Summit in Madrid in September 2022 –, and to support diversification and the reduction of critical dependencies. The more security-oriented focus caused a second main difference with the forum in Paris to emerge: attendance. While in France the two great powers were not invited, in Prague all like-minded western countries were present. Officially, 170 participants from fifty countries were there, including political representatives from the United States, Canada and the United Kingdom. In addition, as the Dialogue was very much focused on security, NATO representatives were also there. The tone of the discussion, therefore, was much more critical of China than in Paris. This is also a consequence of the different approaches of the two governments, which were revealed in subsequent interviews or policy documents. Indeed, the French decision to position its presidency in the middle of the US-China competition and to advance an autonomous agenda⁸ is fully consistent with the declarations made by the French President Macron on his way back from a State visit to China in April 2023⁹ and with the fact that France is a resident country in the Indo-Pacific. On the contrary, when the Czech government published its Strategy for Cooperation With The Indo-Pacific¹⁰ in October 2022, it made clear that “[t]he dominant topic is [the Czech] response to China’s growing geopolitical and economic influence and its global ambitions”. This approach is not surprising since the Czech Republic has become increasingly critical of China in the last few years after having been a strong supporter of engagement with Beijing in the past. The political shift was

⁸ “Indo-Pacific watch: Lessons from Ukraine for the Indo-Pacific”, Mercator Institute for China Studies (MERICS), 15 May 2022.

⁹ J. Anderlini and C. Caulcutt, *Europe must resist pressure to become ‘America’s followers,’ says Macron*, POLITICO, April 9 2023.

¹⁰ Ministry of Foreign Affairs of Czech Republic, “The Czech Republic’s Strategy For Cooperation With The Indo-Pacific”, October 2022.

due to broken hopes of win-win cooperation,¹¹ the failure¹² of the 17+1 format of cooperation between China and Central and Eastern European countries and influence scandals.¹³ As a consequence, the Czech government promoted building ties with Taiwan and seeking cooperation with countries in the Indo-Pacific to diversify its economy.

The next country to hold the rotating presidency of the EU Council is Sweden, whose presidency started on 1 January 2023. The official programme¹⁴ for the semester mentions China only twice, primarily stating a commitment to support a “clear, united and effective EU policy on China”. The Indo-Pacific is mentioned twice as well. First, the Swedish government reinstated the will to implement the EU Strategy for Cooperation in the Indo-Pacific and the conclusion of the 2022 ministerial conference, with a specific focus on security and defence, value chains, climate and sustainability and trade relations. The Indo-Pacific is also mentioned in relation to the FTAs to be pursued. The decision to keep on with the ministerial debate is demonstrated by the organisation of the second edition of a forum of foreign ministers to be held in Stockholm on 13 May.¹⁵ As in the previous meetings in Paris and Prague, China was not invited while the US were present along with Canada and the UK.¹⁶ However, even if Sweden is continuing the Czech focus on the Indo-Pacific, their

¹¹ “Central and Eastern Europe and Joint European China Policy: Threat or Opportunity?”, Mercator Institute for China Studies (MERICS), 1 October 2020.

¹² Ibid.

¹³ L. Gragnani, “Understanding the Czech Approach Towards the Indo-Pacific”, China Observers in Central and Eastern Europe (CHOICE), 31 May 2022.

¹⁴ Swedish Presidency of the Council of the European Union – first semester 2023, Programme.

¹⁵ S. Lau and C. Cijis, “Sweden confirms Indo-Pacific ministerial meeting on May 13”, POLITICO, 9 March 2023.

¹⁶ European External Action Service (EEAS), EU Indo-Pacific Ministerial Forum: Co-Chairs’ press release. New political momentum to enhancing partnerships between the EU and the Indo-Pacific, 13 May 2023.

approaches are quite different¹⁷ in terms of the geographical focus, the detailed programme in the tech and digital spheres¹⁸ and the relationship with ASEAN. These divergences might be a consequence of different interests in the region. Sweden still has to present its own strategy towards the Indo-Pacific while for the Czech Republic to strengthen the Indo-Pacific was an opportunity to strengthen their attempt to divert economic and political ties away from China.

Security

Security has recently been a strong driver to forge new cooperation because it requires a quick answer to an urgent – or at least perceived as urgent – threat. This is the case for the QUAD (Quadrilateral Security Dialogue) resurgence in 2017 and the launch of AUKUS in 2021. Both these cases were an answer to the rise of China, which – along with Russian aggression in Ukraine – is seen as the main threat. On this basis, it is possible to determine that the EU has been quite productive, at least in terms of documents, since the EU Strategy was launched. The main texts are the EU Strategic Concept published in March 2022, the update of the Maritime Security Strategy (updated in March 2023) and the NATO Strategic Compass (June 2022), given that the vast majority of EU members are also part of NATO. The adoption of the Strategic Compass was preceded by a classified Threat Analysis¹⁹ that highlighted trends on a global and regional level and threats against the EU. The result, as evident from the approved document, is that we are facing a security landscape that has become more “volatile, complex and

¹⁷ A. Nordenstam, “Sweden’s Eu Presidency and the Indo-Pacific: A Letter from Stockholm”, *9Dashline*, 6 February 2023.

¹⁸ EU2022.CZ, *Europe as a Task: Rethink, Rebuild, Repower*, Programme of the Czech Presidency of the Council of the European Union.

¹⁹ EUDefence, “Towards a Strategic Compass”, 20 November 2022.

fragmented than ever due to multi-layered threats”.²⁰ In such a scenario the EU is committed to “effective multilateralism” and to “develop an open rules-based international order.” The truth is that the EU is facing “a competition of governance systems accompanied by a real battle of narratives”, a recurring theme for HR Borrell.²¹ In practical terms, Russia is indicated as the major source of direct threat to the European Union, but China comes second, being increasingly both involved and engaged in regional tensions. China is still seen through the lens of the tripartite definition of partner for cooperation, economic competitor and systemic rival,²² but it is directly blamed for asymmetry in the openness of market. The leading point, however, is the recognition that “China’s development and integration into its region, and the world at large, will mark the rest of this century”. In this regard, the Indo-Pacific is indicated as a new centre of global competition, “where geopolitical tensions endanger the rules-based order in the region, and put pressure on global supply chains”. Here, the EU needs to safeguard its own interests of stability and security in the region, partly by ensuring that international laws prevail in the maritime domain, a reference to the UNCLOS decision. According to the Compass, cooperation with ASEAN plays a central role, but the lens of the EU Indo-Pacific Strategy also creates the opportunity to strengthen bilateral relations, with security and defence consultations and cooperation with several countries either on the Pacific side, such as South Korea and Japan, or on the Indian side like India, Indonesia, Pakistan and Vietnam. The clearest examples of this cooperation are joint naval exercises and port calls, which the EU would like to make regular and standard practice.

²⁰ *European External Action Service (EEAS)*, “[A Strategic Compass for Security and Defence](#)”.

²¹ J. Borrell, *The Coronavirus pandemic and the new world it is creating*, EEAS, March 24 2020.

²² Joint Communication of the European Commission and the High Representative to the European Council, [EU-China Strategic Outlook](#), March 2019.

From NATO's point of view, the Strategic Compass approved in 2022 is a watershed moment because it mentions China for the first time in a document of this kind. China is not only presented as a challenge, but its rise is the real justification for a strategic shift from the Euro-Atlantic region to the Indo-Pacific. The leading consideration is that the Euro-Atlantic might already be a secondary theatre in world politics,²³ therefore a much broader geographic approach is needed. The main idea for the Indo-Pacific is that it is important for NATO, even if it is not close to the North Atlantic because "developments in that region can directly affect Euro-Atlantic security".

The update of the Maritime Security Strategy²⁴ also takes into consideration an evolving international scenario. According to it, the Indo-Pacific is crucial because tensions in the South China Sea not only affect global security but have a direct impact on European security and prosperity. Therefore, the "EU and its Member States need to expand their presence and action in these regions" to maintain stability and security along key shipping routes. These policy declarations in documents follow the reality of a growing naval presence of EU members in the region. Since 2021, the EU NAVFOR Atalanta has conducted three joint naval exercises in the Arabian Sea with the Japanese Maritime Self-Defence Force (JMSDF), along with joint naval exercises with South Korea, India and Indonesia.²⁵ In addition,

²³ L. Simón, "[The Madrid Strategic Concept and the future of NATO](#)", NATO Review, 2 June 2022.

²⁴ European Commission, Brussels, 10.3.2023 JOIN(2023) 8 final, Joint Communication to the European Parliament and the Council on the update of the EU Maritime Security Strategy and its Action Plan, "[An enhanced EU Maritime Security Strategy for evolving maritime threats](#)". L. Simón, "[The Madrid Strategic Concept and the future of NATO](#)", NATO Review, 2 June 2022; European Commission, Brussels, 10.3.2023 JOIN(2023) 8 final, Joint Communication to the European Parliament and the Council on the update of the EU Maritime Security Strategy and its Action Plan, "[An enhanced EU Maritime Security Strategy for evolving maritime threats](#)".

²⁵ E. Pejsova "[The EU's Maritime Ambitions in the Indo-Pacific](#)", *The Diplomat*, 14 March 2023.

many European countries, such as France, Germany and the Netherlands have deployed their ships in the Indo-Pacific and are planning to step up their presence in the coming years. In April, Italy also started a five-month mission in the region to conduct naval diplomacy and joint exercises.²⁶ Therefore, EU members have demonstrated the will to follow their own policy prescriptions on being present in the region, sending a message of concern about the deterioration of maritime security and of reassurance to the democracies in the region over European readiness to contribute in case of crisis.²⁷

Economic Security and Cooperation

On the economic side, the major concern is to build more resilient value chains through diversification. How sustainable such diversification is in terms of cost is not clear yet. Such a debate is behind the discussion over “de-coupling” versus “de-risking”.²⁸ While the former is increasingly seen as full disruption of trade relations, the latter is intended in a more nuanced way simply to reduce dependence on China. However, they might be seen as different degrees of the same concept, that is, diversification and securitisation of value chains. In this regard, the EU has been quite active in improving the toolkit it has for strengthening its industrial capacity, the supply of critical materials, technology cooperation with like-minded partners and EU interests in supporting infrastructure building.

Indeed, if we do see the Indo-Pacific as a strategy with China in mind, many recent EU policies might be seen as having been designed with China in mind, especially when considering

²⁶ E. Rossi, “*Così Nave Morosini porta il sistema-paese Italia nell’Indo Pacifico*”, *Formiche*, 7 April 2023.

²⁷ E. Pejova, *The EU’s Naval Presence in the Indo-Pacific. What Is It Worth?*, The Hague Centre for Strategic Studies, March 2023.

²⁸ [Speech by President von der Leyen on EU-China relations to the Mercator Institute for China Studies and the European Policy Centre](#), 30 March 2023.

the above-mentioned “diversification”. Among them, we can list the update of the EU Industrial Strategy, the Anti-Coercion Instrument, the European Critical Raw Materials act, the European Chips act, the establishment of a Trade and Technology Council (TTC) with the United States and with India and also the Digital Partnerships with Japan, South Korea and Singapore. In addition, the Global Gateway serves a similar purpose.

The EU Industrial Policy was launched in 2020 and updated in 2021 as a consequence of the pandemic and on the basis of in-depth reviews of strategic areas for Europe’s interests such as raw materials, active pharmaceutical ingredients, lithium batteries, hydrogen, semiconductors and cloud and edge computing.²⁹ The results of the reviews reveal how deep the dependencies on China are. According to the report, 52% of the EU’s dependencies on foreign suppliers originate in China, with at least a 23% more coming from the Indo-Pacific.³⁰ The Critical Materials act³¹ is relevant in this sense because it sets the target to “strengthening our cooperation with reliable trading partners globally to reduce the EU’s current dependencies on just one or a few countries”, as Von de Leyen put it. On the basis of this act, the EU is also aiming at creating a Critical Materials club to strengthen supply chains and diversify sourcing that will be open to all potential partners to set up this alliance. Countries from the Indo-Pacific like New Zealand and Australia might be among the first to join this club.³² The pathway to building more resilient value chains through diversification also includes other pivotal aspects, namely the European Chips act, which

²⁹ European Commission, “[In-depth reviews of strategic areas for Europe’s interests](#)”, Strategy and Policy Priorities 2019-2024.

³⁰ European Commission, “[European industrial strategy](#)”, Strategy and Policy Priorities 2019-2024.

³¹ European Commission, “[Questions and Answers on the European Critical Raw Materials Act](#)”, Brussels, 16 March 2023.

³² N. Flaherty, “[EU to form €20bn Critical Materials club](#)”, *Business news*, ee News Power, 17 March 2023.

is supposed to support the European semiconductor industry – a sector that suffers high competition from Asian suppliers and that is the main battleground for the US-China tech competition – with up to €43 billion, and the coming Anti-Coercion Instrument³³ – aimed at countering China's capability to apply political pressure. If technology matters in dealing with China, the Trade and Technology Councils established with the US³⁴ in June with 2021 before the launch of the EU Strategy and with India³⁵ after that in April 2022 represent important forums for discussion and diplomatic coordination on relevant issues for the Indo-Pacific, such as connectivity, green technologies and resilient supply chains. Indeed, when presenting the TTC with India, the press release³⁶ from the EU makes explicit reference to the EU Strategy and to the Digital Partnership agreed with Japan, South Korea and Singapore. These Digital Partnerships³⁷ are aimed at “creating unity and connection across the EU and the world”, a secure digital space and a set of standards that can be used globally, especially through collaboration with like-minded countries. The three partnerships focus on specific areas of cooperation that may differ according to each agreement. The partnership with Japan, signed in May 2022, focuses on 5G and beyond technologies, artificial intelligence and semiconductors; the one agreed with South Korea in November 2022 also adds cooperation in quantum and high-performance computing, cybersecurity and digital skills; the EU-Singapore Digital Partnership of February 2023 is about cooperation on

³³ M. Duchatel, “Effective Deterrence? The Coming European Anti-Coercion Instrument”, Institut Montaigne, 2 December 2022.

³⁴ European Commission, “EU-US launch Trade and Technology Council to lead values-based global digital transformation”, Press Release, Brussels, 15 June 2021.

³⁵ European Commission, “EU-India: Joint press release on launching the Trade and Technology Council”, Press Release, New Delhi, 25 April 2022.

³⁶ European Commission, “EU-India: new Trade and Technology Council to lead on digital transformation, green technologies and trade”, Press Release, Brussels, 6 February 2023.

³⁷ European Commission, Shaping Europe's digital future, “Digital Partnership”.

semiconductors, trusted data flows and data innovation, digital trust, standards, digital trade facilitation, digital skills for workers, the digital transformation of businesses and public service.

Moving on to infrastructure, the Global Gateway has been directly mentioned in the EU Strategy and at every stage of the ministerial forums on the Indo-Pacific as the most important source for funding. The Global Gateway³⁸ was launched in December 2021 as a European infrastructure plan that may offer an alternative to the Chinese Belt and Road Initiative. It pledges to invest up to €300 billion by 2027 with an approach based on six principles: democratic values and high standards, good governance and transparency, equal partnerships, green and clean, security focused and catalysing private sector investment. It is aimed at cooperation in five key areas of partnership: the digital sector, climate and energy, transport, health and education and research. On 14 December 2022, during the EU-ASEAN Commemorative Summit, it was announced that €10 billion was being made available as part of Global Gateway to accelerate infrastructure investments in ASEAN countries.³⁹ This funding is part of EU initiatives in green transition and sustainable connectivity. During the summit, the EU pledged to focus on the following:⁴⁰

- Policy dialogue on common priorities, including new EU-ASEAN dialogue on energy;
- Regional Team Europe Initiatives on the green transition and sustainable connectivity;
- Mobilisation of investments through the European Fund for Sustainable Development+ and the ASEAN Catalytic Green Finance Facility;

³⁸ European Commission, Strategy and Policy, *A stronger Europe in the World*, “Global Gateway”.

³⁹ European Commission, “Global Gateway: EU and its Member States to mobilise €10 billion for South-East Asia”, Press Release, Brussels, 14 December 2022.

⁴⁰ European Commission, “Factsheet - Global Gateway in ASEAN”, Brussels, 14 December 2022.

- Global Gateway flagship investments from EU Member States such as Hydro Mekong (France) and the Hydropower reservoir operation in the Red – Thai Binh river basin in Vietnam (Italy);
- Transnational research and innovation partnerships under Horizon Europe;
- Students and university exchanges through Erasmus scholarships and higher education programmes;
- Just Energy Transition Partnership with Indonesia and Vietnam;
- Bilateral and regional agreements, including the EU-ASEAN Comprehensive Air Transport Agreement and EU-Singapore Digital Partnership.

Finally, on the cooperation side, reaching FTAs with Indo-Pacific partners is one of the priorities. The joint communication of the EU Strategy explicitly mentioned a few trade agreements to be reached. Indeed, it listed among the proposed EU actions “completing EU trade negotiations with Australia, Indonesia and New Zealand; resuming trade negotiations and starting investment negotiations with India; completing an Economic Partnership Agreement with the East Africa Community; assessing the possible resumption of trade negotiations with Malaysia, the Philippines and Thailand, and the eventual negotiation of a region-to-region trade agreement with ASEAN.” There have been some improvements in these fields, but in general much is yet to be done. In particular, on 30 June 2022 the EU and New Zealand concluded their negotiations, and now the document needs to be ratified.⁴¹ However, the road to reach a consensus point with Australia⁴²

⁴¹ European Commission, Trade, Country and Region, “[EU-New Zealand Trade Agreement](#)”.

⁴² D. Hurst, “[Australia closer to a free trade pact with EU but minister warns there won’t be a deal ‘for the sake of it’](#)”, *The Guardian*, 15 February 2023; B. Moens and K. Mathiesen, “[EU-Australia deal will be hard to do, no matter what officials say](#)”, *POLITICO*, 20 July 2022.

and Indonesia⁴³ still seems complicated. Similar claims can be made about a possible EU-ASEAN trade deal too, even if the EU is not the only one to be blamed.⁴⁴ Partly for this reason the former European Commissioner for Trade Cecilia Malmström is suggesting the EU join the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP)⁴⁵ as the United Kingdom did on 31 March 2023.⁴⁶

Conclusion

18 months is always a very short time to evaluate the progress of a political initiative and the time since the launch of the EU Strategy has been very turbulent. The Russian invasion of Ukraine has not only absorbed most of the EU members' financial and political resources, but it also accelerated a polarisation process between the US and China, democracies and autocracies, Global North/West and Global South. Even in these conditions, it is fair to say that the effort made by the EU in advancing its Indo-Pacific Strategy has been remarkable. It is possible to agree that much more can and should be done, especially in the matter of coordination with regional partners and in term of practical outcomes,⁴⁷ but the production of documents has been substantial. This effort should not be underestimated, especially at a time of global uncertainty and of redefinition of the strategic landscape. Moreover, the

⁴³ D. Hutt, "Can the EU succeed on closing Indonesia trade deal?", DW, 8 February 2023.

⁴⁴ L. Hunt, "ASEAN-EU Trade Deal is Still a Distant Dream", *The Diplomat*, 29 December 2022.

⁴⁵ C. Malmström, "The EU should expand trade with the Indo-Pacific region", Peterson Institute for International Economics (PIIE), 7 November 2022.

⁴⁶ GOV.UK, *The UK and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)*, 31 March 2023.

⁴⁷ P. Kugiel, "Implementation of the EU Strategy for the Indo-Pacific is High on Ambition, Low on Outcomes", The Polish Institute of International Affairs (PISM), 23 December 2022.

Indo-Pacific Strategy has two different faces, as has emerged from the different approaches of the French and Czech rotating presidencies: on one side, tilting towards the Indo-Pacific means containing the assertiveness of Beijing or at least reducing dependence on China; on the other side, promoting an Indo-Pacific policy means striving to boost engagement with countries in South and Southeast Asia. Dealing with both faces at same time might be difficult, especially as regional countries are dubious about taking sides in the great power competition. In conclusion, considering recent activity in the field of regional agreements – such as RCEP, CPTPP and IPEF – the most urgent task seems to be to secure economic access for the EU's economies through bilateral or multilateral agreements.

2. QUAD Plus EU: A Viable Option for the Times?

Jagannath Panda

Undoubtedly, today the primary contest in the Indo-Pacific is not just about the China-US hegemony. It also involves a range of so-called “middle powers” – including Australia, France, Germany, India, Indonesia, Italy, Japan, the Netherlands and South Korea, among others – coming to terms with their own global ambitions and objectives, and being compelled to secure their economic concerns (e.g. maritime trade routes) in an unstable region. Therefore, it is as much about “preventing Chinese hegemony while avoiding catastrophic conflict”, as it is about forcing the US to reconfigure its alliances and partnerships in a region that is an economic and political hotspot.¹

Against this context, relationships between “like-minded” partners, whether through shared values or interests or narratives, become very important. Much has been written about the “rise of the minilaterals” in the Indo-Pacific in the era of multipolarity.² These largely “ad hoc” groupings between a limited number of states/entities without institutionalised ties are drawn from their strong bilateral ties. In an era of

¹ R. Medcalf, “The Season of Caucuses: QUAD, AUKUS, and the Exclusive-Inclusive Duality of Indo-Pacific Asia”, in S. Saran and A. Khanna (eds.), *Raisina Files 2022*, vol. 6, Observer Research Foundation (ORF), New Delhi, 25 April 2022.

² H. Haqqani and N. Janardhan, “The Minilateral Era”, *Foreign Policy*, 10 January 2023.

ineffective and inefficient multilateralism where the institutions are digging their own graves by refusing to reform or adapt to the current diverse milieu, smaller groups focus on national interests and attempt to avoid the complications inherent in a larger multilateral setup. Out of a number of still-emerging such mechanisms, two stand out: the Quadrilateral Security Dialogue (QUAD) comprising the democratic states of Australia, India, Japan and the United States; and the AUKUS defence pact between Australia, the United Kingdom, and the United States. Notably, both are US-led or US-centred.

However, as the debate around middle powers assuming greater responsibilities is gaining ground and the Indo-Pacific middle powers themselves are diversifying their own autonomous networks, the quest for balancing parties continues. European entities including the European Union, its members and the UK are being seen as important partners. According to the recently published *State of Southeast Asia 2023* survey report, the EU is the most preferred “third party” ahead of Japan and India and seen as a defender of free trade and international law, with trust in the EU as an economic and political actor increasing substantially.³

At the same time, although the EU and its member states have had long-standing ties in Asia – bilaterally with states like India and Japan, multilaterally through the Association of Southeast Asian Nations (ASEAN), and via a decade-long engagement in non-traditional security avenues like counter-piracy operations in the (primarily western) Indian Ocean – most Asian states see the EU as a non-player in the regional security architecture.⁴ Moreover, there is also concern that Europe’s lack of internal unity may hamper the efforts needed to counter the ill effects of US-Chinese competition.⁵

³ D. Hutt, “Survey: EU’s influence Surging in Southeast Asia”, *DW*, 10 February 2023.

⁴ E. Brattberg and P. Le Corre, “The Case for Transatlantic Cooperation in the Indo-Pacific”, Carnegie Endowment for International Peace, 18 December 2019.

⁵ J. Dempsey, “Can Europe Influence U.S.-China Rivalry?”, Carnegie Europe, 16

Hence, with the increasingly fraught equations between states globally, especially post Russia's invasion of Ukraine, will the EU remain a concerned spectator or shed inhibitions about its strategic intentions, even if they seem relatively confrontational, in the Indo-Pacific? Can Europe's favoured status among ASEAN states and its growing tilt towards QUAD inspire states like Indonesia and Vietnam – who are warming up to the Indo-Pacific construct due to increasing tensions with Beijing in the South China Sea – to consider becoming “QUAD Plus” partners?⁶

Wither the Indo-Pacific Congruence Between EU and QUAD?

The Indo-Pacific's rise and standing as the “economic engine of the world”; its critical dependence on regional maritime routes for trade (linking Europe to the Pacific Ocean, via the Indian Ocean and Southeast Asia); China's disruptive behaviour; and a fleet of stakeholders vying for strategic advantages have compelled European states to pivot towards this region. In fact, over the last five years, China's adventurism in the Indo-Pacific, as well as in Europe's own backyard of Central and Eastern Europe, has become a pressing concern for Europe.

In its 2019 “strategic outlook”, Brussels framed Beijing as a “partner, competitor and rival”. This has continued to hold true even as China's abysmal human rights' record in Tibet, Hong Kong, Xinjiang, and inner Mongolia; economic coercion and unfair trade practices; and stance on the war in Ukraine are deteriorating the relationship.⁷ In the last year, China's growing

February 2023.

⁶ Vietnam and Indonesia are two of the (at least) seven territorial claimants on the South China Sea – China, Brunei, Malaysia, the Philippines and Taiwan are the rest – even as Indonesia has often claimed not being a party to South China Sea disputes. See M. Yeo, “[How a New Vietnam-Indonesia Deal Will Affect South China Sea Disputes](#)”, *Defense News*, 13 February 2023.

⁷ European Union External Action, “[EU-China Relations Factsheet](#)”, 1 April

“no-limits” partnership with Russia – especially at a time when EU-Russia relations have brought into being new uncertainties, including a possible clash between nuclear powers, has made China a more immediate threat to EU member states, too, at least to a certain extent.

As a result, the EU and its members must look for, and if needed create, opportunities for a more formal, structural engagement with the Indo-Pacific security mechanisms. The still nascent “QUAD Plus” is the perfect beginning for the EU; the bloc would be hesitant to enter into more exclusively military clubs like AUKUS even if the Anglosphere alliance were keen to include others, which seems highly unlikely in the near future. Despite repeated assertions by commentators about the feasibility of Japan joining AUKUS (JAUkus), Tokyo and Washington have dismissed the AUKUS plus notion.⁸

It must be noted that while the UK looks to ensure an enhanced European security presence via the AUKUS, the rift caused between the EU and the UK due to Britain’s controversial exit from the bloc (“Brexit”) has ensured that the UK’s involvement does not necessarily imply greater European access or presence, and vice versa.⁹ Moreover, the unceremonious announcement of the Anglosphere pact in September 2021 overshadowed the release of the EU’s Indo-Pacific strategy document the same month, even as the cancellation of the US\$90 billion France-Australia submarine deal opened a great divide in the transatlantic relationship, now on the mend after the Ukraine invasion in 2022.¹⁰

However, the launch of AUKUS has not only shifted power dynamics in the Indo-Pacific but also necessitated

2022; European Commission, “[EU Refers China to the WTO following Its Trade Restrictions on Lithuania](#)”, 27 January 2022.

⁸ M. Auslin, “[Why AUKUS should really become JAUkus](#)”, *Financial Review*, 17 November 2022.

⁹ J. Panda, “[Between AUKUS and the Quad: Scaling European Interest in the Indo-Pacific](#)”, Hague Centre for Strategic Studies (HCSS), February 2022.

¹⁰ J. Panda, “[Is ‘AUKUS Plus’ a Viable Option?](#)”, *The Diplomat*, 26 January 2022.

greater strategic autonomy calls within the EU. The high-risk endeavour, which is expected to cost about US\$268-368 billion, has been called out by China as a “path of error and danger” for its potential to fuel an arms race.¹¹ In March 2023, the trilateral unveiled the roadmap to create a new fleet of nuclear-powered submarines (called the SSN-AUKUS), aimed at enhancing the partners’ “individual and collective ability to deter threats” from China in the Indo-Pacific.¹² Clearly, a “collective defence agreement” is not what the EU would desire at this juncture.¹³ This implies greater potential for an EU-QUAD narrative: both have thus far shied away from direct military involvement, but they seek to create a free, open, prosperous and secure landscape in the region.

The “collective diplomatic cooperative forum” of the QUAD finds its roots in the ravages of the 2004 Tsunami in the Indian Ocean, when the four democracies of the US, Australia, Japan and India joined forces for humanitarian purposes.¹⁴ Subsequently, its first version in 2007, which failed for multiple reasons including a lack of cohesive regional agenda and fear of Chinese reprisals, and successful revival in 2017 have nonetheless pushed forward the idea of the late Shinzo Abe’s “broader Asia” into a steadfast commitment to a “free and open Indo-Pacific that is inclusive and resilient”.¹⁵

It is during this period that European states began to take earnest notice of such collaborative developments in Asia. Amid the protectionist policies favoured by former US President Trump and the rise of an aggressive China, the EU and its member states began to strengthen their connections

¹¹ A. Hawkins and R. Kwan, “China Says Aukus Submarines Deal Embarks on Path of Error and Danger”, *The Guardian*, 14 March 2023.

¹² UK Ministry of Defence, “The AUKUS Nuclear Powered Submarine Pathway: A Partnership for the Future”, 14 March 2023.

¹³ J. Panda, “Between AUKUS and the Quad: Scaling European Interest in the Indo-Pacific”..., cit.

¹⁴ Ibid.

¹⁵ S. Abe, “Confluence of the Two Seas”, Speech at the Indian Parliament, 22 August 2007.

with Asia. However, it was only after the release of the 2021 EU Strategy for Cooperation in the Indo-Pacific that the rhetoric truly gained momentum.¹⁶ Earlier, France, Germany and the Netherlands had unrolled their respective strategies in 2018 and 2020 (the latter two within months, September and November), expecting the EU to follow shortly in order to highlight enhanced goals and presence in the Indo-Pacific.¹⁷

The EU's intent to pursue enhanced ("principled and long-term") engagement with the Indo-Pacific cannot be achieved without viable cooperation with partner states, including minilaterals such as the QUAD.¹⁸ One of the core EU goals in this context is maintaining Europe's prosperity as one of the world's largest trading powers, in addition to its other territorial and sovereign interests.¹⁹

The document reiterates the need for Europe to secure sea lanes of communication, because 90% of its external and 40% of its internal trade is seaborne. The QUAD as a primarily "security-orientated" strategic Indo-Pacific platform that upholds freedom of navigation and the rule of law thus becomes vital for the EU.²⁰ Importantly, the EU strategy document highlights deepening "engagement with partners that already

¹⁶ European Commission, "[Questions and Answers: EU Strategy for Cooperation in the Indo-Pacific](#)", 16 September 2021.

¹⁷ Ministry for Europe and Foreign Affairs, "[France's Indo-Pacific Strategy](#)", 2018; Federal Foreign Office, "[Germany-Europe-Asia: Shaping the 21st Century Together: The German Government adopts policy guidelines on the Indo-Pacific region](#)", 1 September 2020; Government of Netherlands, "[Indo-Pacific: Guidelines for Strengthening Dutch and EU Cooperation with Partners in Asia](#)", 13 November 2020.

¹⁸ European Commission, "[Joint Communication to the European Parliament and the Council: The EU Strategy for Cooperation in the Indo-Pacific](#)", 21 September 2021.

¹⁹ France is an Indo-Pacific resident power; the EU has Outermost Regions (Indian Ocean) and Overseas Countries and Territories (Pacific) in the Indo-Pacific. For details, refer European Commission, "[EU & Outermost Regions](#)" and "[Overseas Countries and Territories](#)".

²⁰ M. Reuter, "[Friends in Deed: How the EU and the Quad can Promote Security in the Indo-Pacific](#)", European Council on Foreign Relations (ECFR), 16 April 2021.

have Indo-Pacific approaches of their own” (all QUAD states do), in particular with the QUAD.²¹

Thus, the talk of the EU and the QUAD being “natural” strategic partners is inexorably linked to the EU’s focus on maritime security, which is vital for Europe’s own economic aims and the region’s stability. The intense geopolitical competition and instability due to military buildup (both Chinese and the US, as evidenced by AUKUS) have compelled the EU to enhance its maritime presence to secure key shipping routes. The EU’s Maritime Security Strategy (EUMSS) is also in line with its strategy for cooperation in the Indo-Pacific, in that both seek to develop international cooperation through bilateral dialogues, port calls, counter-piracy operations (Atalanta) and live exercises with countries such as Australia, Japan, India, Indonesia and South Korea, among others.²²

The EU’s comprehensive goals correspond to the QUAD’s “positive and practical” agenda, which looks to respond to the region’s developmental challenges in areas ranging from Covid-19 health concerns and humanitarian assistance to climate change and quality infrastructure connectivity.²³ That QUAD and the EU are steadfast, vocal supporters of ASEAN centrality, the ASEAN-led architecture and ASEAN’s Outlook on Indo-Pacific is an important binding factor.

Merits of the EU as a “QUAD Plus” Actor

Since 2020, when the QUAD states included three Indo-Pacific countries, namely New Zealand, South Korea and Vietnam, as well as Brazil and Israel for coordinating responses to the

²¹ European Commission, “[The EU Strategy for Cooperation in the Indo-Pacific](#)”..., cit.

²² The EUMSS, valid since 2014 and last revised in 2018, is in the process of being updated. See European Commission, *Maritime Security Strategy*, 10 March 2023.

²³ The White House, “[Quad Leaders’ Joint Statement: “The Spirit of the Quad”](#)”, 12 March 2021.

Covid-19 pandemic over regular telephonic consultations, the question of the QUAD expanding its outreach has been gaining ground.²⁴ Keeping in mind the QUAD's "humanitarian aid" origins, it is reasonable to expect that it would broaden its regional cooperation scope and involve other "like-minded" partners to share the responsibilities in the so-called (unofficially termed) grouping of the "QUAD Plus." The EU and its member states, with their strengthening bilateral ties with individual QUAD states and their growing bonhomie with ASEAN, provide the perfect background for potential inclusion into the extended grouping.

As the QUAD grows into its anticipated role as a major regional security mechanism, it has added more thrust into first developing multifaceted cooperation between members for securing the respective national interests and then looking for ways to expand cooperation via a broad range of issues. Notably, promoting direct security measures even for deterrence purposes is not yet an option, but tougher times may change the QUAD's current view – *à la* what AUKUS has done for Australia, a dramatic turn for a country that was largely held responsible for the QUAD 1.0 breaking up.²⁵

Nonetheless, the need for liaising with "like-minded" partners for ensuring inclusive regional development goals becomes imperative; such goals include maximising initiatives in technologies; harnessing innovation for climate action (clean energy); establishing quality infrastructure; pursuing fair (non-discriminatory) trade practices; helping establish relevant governance norms; and ensuring regional stability.

²⁴ J. Panda, "India and the 'Quad Plus' Dialogue", Royal United Services Institute for Defense and Security Studies (RUSI), 12 June 2020; Australian Department of Foreign Affairs and Trade (DFAT), "DFAT Secretary Discusses COVID-19 Response with Indo-Pacific Countries", 13 May 2020; Ministry of Foreign Affairs of Japan, "Meeting on the Novel Coronavirus Disease among Foreign Ministers of Interested Countries, Hosted by the United States", 11 May 2020.

²⁵ For revisiting other aspects, read D. Flitton, "Who Really Killed the Quad 1.0?", *The Interpreter*, 2 June 2020.

Embracing areas of cooperation?

In today's fast-evolving political landscape, power both during peacetime and war is greatly shaped by frontier technologies (e.g., artificial intelligence, nanotechnology, big data, Internet of Things and supercomputing) – from spreading chaos using disinformation (e.g., interfering in elections) to using unmanned aerial systems and the internet for financing and planning extremist activities. In an unstable region with multiple flashpoints such as Asia, technology can simultaneously provide states the means to improve the daily lives of ordinary citizens, such as by digitalisation of critical infrastructure and communication networks, while also potentially exploiting vulnerabilities (e.g., by disregarding privacy standards or infringing citizens' personal privacy for nefarious purposes).

The QUAD and the EU can come together via the QUAD (Plus) working groups to establish people-centric, responsible and safe mechanisms, processes or norms for using new technologies in developmental sectors – utilising the EU's strengths in creating high value-added products and services and leveraging its innovation capacity.²⁶ For example, the newly announced QUAD working group on counterterrorism, which will explore cooperation among Indo-Pacific partners, to counter the use of new and emerging technologies in terrorism is a good cooperation platform considering the EU's expertise in successful counter-piracy operations like Atalanta.²⁷

Another top global priority is fighting climate change and environmental degradation, which is reflected in both the QUAD's joint statements and in EU strategies such as “Global Gateway” and the “Strategy for Cooperation in the Indo-Pacific”, as well as through the “EU Climate Diplomacy”.

²⁶ J. Ringhof and J.I. Torreblanca, “The Geopolitics of Technology: How the EU Can Become a Global Player”, Policy Brief, European Council on Foreign Relations (ECFR), 17 May 2022.

²⁷ US Department of State, “Joint Statement of the Quad Ministerial Meeting in New Delhi”, 3 March 2023; EU Naval Force Operation Atalanta, “Mission”.

The International Solar Alliance (ISA), an Indo-French joint venture to deploy solar energy solutions in the fight against climate change, is an avenue for cooperation. Ninety-two countries have ratified the ISA framework agreement, including all QUAD states, the UK, and several EU member states, and 114 are signatories as of March 2023.²⁸ Another is the Quad Climate Change Adaptation and Mitigation Package (Q-CHAMP), which includes green shipping and ports; clean energy cooperation; developing an engagement strategy with Pacific island countries; climate-smart agriculture; and disaster and climate resilient infrastructure, including the efforts through the Coalition for Disaster Resilient Infrastructure (CDRI) – all areas that can benefit from European inputs, and vice versa.²⁹

The QUAD nations have increasingly highlighted that they are in the process of increasing multifaceted cooperation between one another bilaterally, trilaterally, and in other regional formats as well as with other like-minded nations to “drive forward coordinated responses to the most pressing challenges” – primarily referring to China’s aggression – in the Indo-Pacific.³⁰ In this context, France leading the QUAD navies during the three-day La Perouse exercise in the Bay of Bengal not only provided opportunities for these “high-end navies” to develop “closer links, sharpen their skills and promote maritime cooperation throughout a free and open Indo-Pacific” but also strengthened speculations about the “QUAD Plus” framework amid rising interest from external and regional stakeholders alike.³¹

²⁸ International Solar Alliance (ISA), “[Countries Who Have Signed and Ratified the ISA Framework Agreement](#)”.

²⁹ The White House, “[Quad Joint Leaders’ Statement](#)”, 24 May 2022.

³⁰ J. Panda, “[Making ‘Quad Plus’ a Reality](#)”, *The Diplomat*, 13 January 2022.

³¹ In March 2023, the multi-nation exercise started its third chapter, but it is the second QUAD plus France edition. K. Purohit, “[India Joins French-Led Naval Exercise, Revealing Clues about Quad’s Plans to Contain China in Indo-Pacific](#)”, *South China Morning Post*, 4 April 2021.

Such large-scale exercises among QUAD plus European states give impetus to “like-minded” Asian naval forces to become partners in spite of their wariness of China’s view of the QUAD as a US tool of containment. For example, in 2022, the participation of the EU members France, Germany, and the Netherlands along with the QUAD states and Southeast Asian partners Indonesia, Malaysia, the Philippines, Singapore and Thailand, among others, in the biennial “Pitch Black” exercises, highlighted the EU members’ intent to increase military presence in the Indo-Pacific and a provided a clear signal about solidarity between these “value” partners.³²

The EU can also contribute via support for maritime security under its development cooperation, humanitarian aid and foreign policy support measures or by participating in awareness-sharing multilateral mechanisms such as the Shared Awareness and Deconfliction (SHADE) Conferences, as outlined in its EUMSS vision.³³ The QUAD’s new initiative, the Indo-Pacific Partnership for Maritime Domain Awareness (IPMDA), is tailored for a partnership with the EU and its members with their operations in the Indian Ocean and Pacific Islands that centres on development, fisheries and climate change.

In addition, the EU could cooperate with the QUAD on building dialogue mechanisms, practical cooperation and capacity in areas such as counter-terrorism, cybersecurity, maritime security and crisis management via its co-financed project Enhancing Security Cooperation in and with Asia (ESIWA).³⁴

At a deeper level, the QUAD is also looking to frame “rules, norms, guidelines and principles” for sustainable/peaceful use of space, and so it will need to move beyond bilateral agreements

³² M. von Hein, “[German Military Ramps Up Indo-Pacific Presence](#)”, *DW*, 3 September 2022; S. Waters, “[Pitch Black 2022 concludes International Interoperability Exercise](#)”, 12 September 2022.

³³ Combined Maritime Forces, “[Shade Conference 2022](#)”; European Commission, *Maritime Security Strategy*, 10 March 2023.

³⁴ Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), “[Enhancing Security Cooperation in and with Asia](#)”.

among the core partners. As the EU approach also commits to a “safe, secure and sustainable” space (which it regards as a global commons), the two are natural partners to coalesce international efforts in areas such as space traffic management.³⁵ They could also create awareness through joint workshops in the Indo-Pacific with respect to the UN Committee on the “Peaceful Uses of Outer Space (COPUOS) Guidelines for the Long-Term Sustainability of Outer Space Activities”, in line with the QUAD’s vision.³⁶

Another critical area is infrastructure, where the immense gaps can be bridged only via collaborative efforts. The EU with its Global Gateway connectivity initiative – a scheme launched in 2021 to compete against China’s ambitious Belt and Road Initiative – would be vital in complementing the QUAD’s more than US\$50 billion of infrastructure assistance and investment in the Indo-Pacific over the next five years.³⁷ Besides, the Global Gateway’s quest for resilient supply chains should also take into account cooperation with the Supply Chain Resilience Initiative (SCRI, co-established by Australia, India and Japan).

The QUAD states have welcomed the EU’s reinvigorated focus on the Indo-Pacific in spite of the additional financial pressure on Europe’s limited resources triggered by the Ukraine war.³⁸ Nonetheless, some have highlighted the need for the EU to prioritise its economic and development agenda over security affairs, and in turn for excluding QUAD and AUKUS as potential partners.³⁹ However, as highlighted above, the “QUAD Plus” and AUKUS cannot be seen through the same lens; and the former offers myriad opportunities for complementing Europe’s “soft” approach.

³⁵ European Commission, “Factsheet on Space Traffic Management”, 2022; The White House, [Quad Joint Leaders’ Statement](#), 24 May 2022.

³⁶ *Ibid.*

³⁷ S. Lau and H. Cokelaere, “EU Launches ‘Global Gateway’ to Counter China’s Belt and Road”, *Politico*, 15 September 2021.

³⁸ R. Medcalf, “AUKUS, the QUAD and the EU: Inclusive and Exclusive Visions for the Indo-Pacific”, ISPI, 18 March 2022.

³⁹ F. Kliem, “How the EU Can Still Succeed in the Indo-Pacific Despite the War in Ukraine”, *The Diplomat*, 28 May 2022.

At the same time, completely dissociating from the Indo-Pacific security architecture may not be a future-oriented approach, if the intention is to avoid a Ukraine-like invasion in the Indo-Pacific region. On the contrary, the EU's participation in security affairs become necessary, especially with fears of multiple serious conflicts (in the Taiwan Strait, Himalayas, East and South China Seas) exacerbating the region's descent into the so-called Thucydides Trap post Xi Jinping's renewed (and unprecedented) third term as general secretary of the ruling Chinese Communist Party (CCP) and as China's President.⁴⁰

Unity where it matters?

The launch of several Indo-Pacific strategies by not just major EU members like France, Germany or Netherlands but also smaller nations like the Czech Republic indicates a strong desire to partake in Indo-Pacific politics, for primarily economic but also strategic reasons. No matter the ripples in the transatlantic relationship, Brussels is in the process of aligning its China policy somewhat closer to the more confrontational US approach, especially after China's continuing support for Russia during the Ukraine war.

On the other hand, Europe's divided stance over ties with China and the EU's Strategic Compass, released in March months before the NATO strategic document, dilly-dallying about China's future role in European affairs, both have strengthened the present cooperation-competition angle. However, the inclusion of China's "coercive" policies as well as its partnership with Russia as a strategic threat highlighted in the 2022 NATO Strategic Concept – which however does not go as far as calling China an adversary – highlights Europe's solidarity with the US to secure Western interests.⁴¹

⁴⁰ J. Panda, "Will India and China Escape the Thucydides Trap?", *The Diplomat*, 12 September 2022; "Xi Awarded 3rd Term as China's President, Extending Rule", *AP*, 10 March 2023.

⁴¹ "NATO Declares China A Security Challenge for the First Time", *Al Jazeera*, 30 June 2022.

The pooling of maritime resources between member states like Spain, Portugal, Germany, France and the Netherlands has been reiterated; some of these states have already increased their naval presence via joint exercises with the QUAD (as mentioned above) in the Indo-Pacific region.⁴² And despite the fracas with the UK over Brexit or AUKUS, the cooperation between France and UK in select areas such as maritime security or climate action is not unreasonable, especially considering they are both United Nations Security Council permanent members, NATO (founding) members and nuclear powers.⁴³ Hence, France, Germany, the UK (which is yet to publish an Indo-Pacific strategy, but whose “Integrated Review” tilts extensively to the region) and the Netherlands are well-equipped and ready to push for cooperation not only in non-traditional security areas such as climate change but also in critical technologies and maritime security via the respective QUAD working groups.

Apart from these, Italy, too, has seen a gradual shift in its engagement with the region.⁴⁴ Although it has been a dialogue partner of the Indian Ocean Rim Association (IORA) and an ASEAN development partner for a few years, its trilateral with India and Japan in 2021 thrust it toward the Indo-Pacific vision. Because of Italy’s extensive engagement in the western Indian Ocean, maritime cooperation with the QUAD is a logical extension, in addition to engagement with the SCRI. Reportedly, a flagship Italian aircraft carrier is being deployed in the Indo-Pacific, highlighting the country’s proactive intent in the region.⁴⁵

⁴² M. Reuter, “[Friends in deed](#)”, European Council on Foreign Relations (ECFR), 16 April 2021.

⁴³ A. Billon-Galland and H. Kundnani, “[The UK Must Cooperate with France in the Indo-Pacific](#)”, Chatham House, 23 September 2021.

⁴⁴ G. Abbondanza, “[Italian Interaction with Indo-Pacific: Slow but Steady](#)”, Institute for Security and Development Policy (ISDP), 13 March 2023.

⁴⁵ G. Carrer and E. Rossi, “[Italy looks to the Indo-Pacific by sending carrier, fostering defence ties](#)”, *Decode 39*, 15 March 2023.

The Czech Republic is one of the latest entrants with a separate Indo-Pacific strategy in 2022. It is also looking to exit China's "zombie" 16+1 framework, highlighting the growing distance from Beijing.⁴⁶ Its core goal of strengthening multilateral partnerships with the QUAD, apart from bilaterals with India, Japan, the Republic of Korea, Taiwan and other "like-minded" states makes it a likely partner for the security dialogue. The two could pursue engagement in various areas, ranging from counteracting hybrid threats to disaster risk reduction and support for regional security mechanisms, as outlined in the Czech strategy document.⁴⁷ On the other hand, countries like Sweden are focused on regional development cooperation, particularly in digitalisation and innovation, via its "Strategy for Sweden's regional development cooperation with Asia and the Pacific Region in 2022-2026".⁴⁸

Overall, while engaging with the QUAD presents some challenges to being seen as part of a US security network in Asia, engagement with the QUAD Plus with its wide-ranging ambit would be a middle-ground approach. In any case, members like France and Germany have already been part of naval exercises or port calls in the Indo-Pacific, while maintaining their outreach successfully with China. At the same time, any European cooperation with the QUAD will not be above reproach for Beijing.

⁴⁶ T. Gosling, "Czech Republic Eyes Exit from China's 16+1 Investment Club", *Al Jazeera*, 8 June 2022.

⁴⁷ Ministry of Foreign Affairs of the Czech Republic, "The Czech Republic's Strategy for Cooperation with the Indo-Pacific: Closer than We Think", October 2022.

⁴⁸ Swedish Ministry of Foreign Affairs, "Strategy for Sweden's regional Development Cooperation with Asia and the Pacific Region in 2022-2026", 17 May 2022.

Taking Advantage of the Narrative: Implications for EU's Bilaterals with India, Japan and Australia

The criticism of QUAD Plus as only a temporary arrangement of select nations coordinating an infrequent developmental concern such as the Covid-19 pandemic finds some resonance largely because of a lack of concrete official meetings/announcements to that effect. However, the promise the format holds cannot be negated. If the EU is included in the QUAD Plus, it would not only be great optics – representing an “amalgamation of the Eastern and Western ‘like-minded’ countries” – but also a common platform for cooperation with wide-ranging relevant powers committed to a free and open Indo-Pacific, as well as one that reflects democratic solidarity while including all states with shared interests.⁴⁹

Naturally, the EU's inclusion into the QUAD Plus will imply the EU's strengthening of its strategic intent – a goal which both India and Japan (as also Australia with its strong regional commitment) have been keen for the EU to prioritise.⁵⁰ To that effect, not only would strong bilaterals impact EU's entry into the QUAD Plus, the reverse would be true as well.

For India, ties with the EU have been looking up since the first India-EU summit in 2020. However, 2022 was a remarkable year of growth for India-EU ties; for example, they relaunched negotiations for a free trade agreement (FTA) in June and established an India-EU Trade and Technology Council, in addition to frequent ministerial-level meetings at various forums the world over. They have over the years also institutionalised political dialogues on counter-terrorism,

⁴⁹ University of Warsaw, “[Quad Plus: Is There a Space for Europe?](#)”, Seminar, June 2022.

⁵⁰ “[Strategic Conversation on EU-India Relations](#)”, Centre for European Policy Studies (CEPS), 18 November 2020; Ministry of Foreign Affairs of Japan, “[Foreign Minister Motegi's Attendance at the EU Foreign Affairs Council \(Virtual Format\)](#)”, 25 January 2021.

cybersecurity, migration and mobility, maritime security, human rights, non-proliferation and disarmament, which highlights the convergence with the wide-ranging QUAD agenda, as well as India-EU increasing appetite for strategic concerns besides the economic ties.⁵¹ Importantly, the much-anticipated India-EU-Japan trilateral could either be an offshoot of the QUAD Plus collaboration or enhance it.

For Japan and the EU, since 2018 – which marks the beginning of the Economic Partnership Agreement (EPA) and the Strategic Partnership Agreement (SPA) – bilateral cooperation in several areas has pushed the envelope against protectionist measures. It has also resulted in the two sides consolidating their shared values on fundamental principles such as democracy, human rights and the rule of law; strengthening the multilateral trading system; shaping digital developments, transforming climate action and enhancing connectivity in the Indo-Pacific.⁵² The EU's connect with QUAD (Plus) will only enhance these shared core values, apart from boosting sectoral cooperation (e.g. space, information and communication technologies, energy, research and innovation) covered by their SPA.⁵³

Similarly, the EU's engagement with Australia, which has taken a regional priority with the 2018 Framework Agreement (came into effect in October 2022), is finding new grounds.⁵⁴ As with the EU's multifaceted cooperation agenda with India and Japan, this too has a broad strategic scope including foreign policy and security, humanitarian aid, research and innovation, sustainable development and energy, health, fisheries and maritime affairs – thus providing multiple opportunities for

⁵¹ Indian Embassy in Brussels, “[India-European Union Bilateral Relations](#)”, 2 December 2022.

⁵² Ministry of Foreign Affairs of Japan (2021).

⁵³ European Union External Action, *EU-Japan Strategic Partnership Agreement (SPA)*, 1 February 2019.

⁵⁴ P. Murray and M. Matera, “[EU and Australia: From Conflict to Cooperation](#)”, Australian Institute of International Affairs, 29 May 2018.

engagement with QUAD Plus initiatives.⁵⁵ Notably, there are renewed, if still unsteady, prospects for the FTA, which is under negotiation and seems to have overcome the AUKUS-related tensions with France.⁵⁶

Against a weakened multilateral system, broader cooperation via minilaterals like the QUAD Plus will naturally help the bilaterals that the EU is reconfiguring with these Indo-Pacific QUAD partners.

Summing Up: QUAD + EU = Promising but Fantastical?

The Indo-Pacific is integral to the future of the international order and the longevity of norms and institutions that the EU is intent on protecting, and thus it must strengthen its role in multilateral and minilateral fora to achieve this.⁵⁷ The EU has expressed interest in engaging with the QUAD on “issues of common interests” and the bloc has the most potential as an Indo-Pacific actor through non-military contributions.⁵⁸ Areas of cooperation should capitalise on the market and regulatory power of Brussels and target connectivity, infrastructure, supply chains, critical technology and climate change.⁵⁹ Working within the QUAD Plus, the EU would be able to jointly deliver on trans-national issues and provide public goods, whilst also promoting a stable security order that involves the US and China.⁶⁰ Centring the QUAD Plus around these regional issues

⁵⁵ European Council, “EU-Australia Relations: Framework Agreement Enters Into Force Today”, 21 October 2022.

⁵⁶ D. Hurst, “Australia Closer to a Free Trade Pact with EU but Minister Warns There Won’t Be a Deal ‘for the Sake of it’”, *The Guardian*, 15 February 2023.

⁵⁷ D. Fiott and L. Simón (eds.), *Centre of Gravity: Security and Defence in the Indo-Pacific – What Role for the European Union*, Brussels School of Governance, December 2022.

⁵⁸ R. Medcalf, “AUKUS, the QUAD and the EU: Inclusive and Exclusive Visions for the Indo-Pacific”..., cit.

⁵⁹ Kliem (2022).

⁶⁰ Ibid.

would be an effective way for the EU to engage in the region and build on the partnerships that it already has.

Although not currently the EU's greatest asset, military contributions could also be an area of cooperation within the QUAD Plus. The EU has extended its Coordinated Maritime Presence into the Indo-Pacific and several of its member states already have significant naval experience and resources within the region. France, for example, has been a long-term participant in the QUAD's Bay of Bengal naval exercises and has strong maritime cooperation with the QUAD members such as India. Of course, any impactful association between the EU and the QUAD Plus will depend on coordination and agreement between its member states, which could be challenging given their range of interests.

Several key member states like France and Germany introduced Indo-Pacific strategies before the EU, meaning that they had recognised the importance of the region first. It could make them keen to bolster their presence through individual membership to the QUAD Plus rather than under the bloc. Nevertheless, pooling resources would be more effective, and enable the EU to be an attractive partner for the QUAD Plus, given that nations with a strong Indo-Pacific presence like the UK are also looking to strengthen their regional role. At the same time, it will be a challenge for Europe to send resources to Asia given the current European security issues and future rebuilding of post-war Ukraine.

Regarding the QUAD, as the grouping grows towards greater goals, including the hard security aspects, questions about its institutionalisation are bound to continually resurface. However, the QUAD's increasing relevance means that the mechanism will need figure out ways to include other partners like the EU and its member states or South Korea under the Yoon government with shared narratives and needs, without disturbing the present quadrangular bonhomie.

Importantly, for the EU, participating in the QUAD Plus as a dialogue partner or through the working groups will give the

bloc leverage in negotiating with China as a trade partner. On the other hand, the inclusion of the pluralistic EU in the QUAD Plus, with members such as France and Germany still tilting towards China and EU members divided over a confrontational stance against China, will help give the mechanism a nuanced perception, to mitigate the unprecedented tensions fuelled by its perception (and to an extent rightly so) as an exclusive counter-China club.⁶¹ Above all, the EU-QUAD Plus collaboration also has the potential to grant middle powers greater leeway in shaping the economic and geopolitical contours to spearhead largely non-confrontational, if not all-inclusive, geopolitics in the Indo-Pacific.

⁶¹ Germany favours “substantive and reciprocal” relations between the EU and China, as well as increased EU unity towards China. Read, Federal Foreign Office, “[Germany and China: Bilateral Relations](#)”, 27 October 2022.

3. The US' Regional Economic Pillar: The Current State of IPEF

Aidan Arasasingham

The Biden administration's Indo-Pacific Economic Framework for Prosperity (IPEF)¹ is the United States' flagship initiative for economic engagement in the Indo-Pacific. Since it was announced in October 2021, IPEF has attracted 13 nations to join the United States in negotiations covering a variety of trade and economic disciplines. With parties to IPEF negotiations representing nearly 40% of global GDP,² IPEF has the potential to reshape the rules and norms of economics in one of the world's most vibrant regions.

Introduced nearly five years after the United States withdrew from the Trans-Pacific Partnership (TPP), IPEF is meant to reassert US economic engagement in the region. While the United States and its partners have gone to lengths to avoid a strategic framing of IPEF, an increasingly competitive US-China relationship has led some to view IPEF as a strategic US-led alternative to compete with Chinese economic statecraft in the region. As a result, IPEF could have both economic and strategic implications for Indo-Pacific stakeholders.

¹ Office of the United States Trade Representative, "[Indo-Pacific Economic Framework for Prosperity](#)".

² Office of the United States Trade Representative, "[United States and Indo-Pacific Economic Framework Partners Announce Negotiation Objectives](#)", 9 September 2022.

This chapter examines the origins of IPEF, its objectives and structure, the reactions it has received from regional stakeholders, the status of its ongoing negotiations, and its potential results and implications for economic integration in the Indo-Pacific. This chapter suggests that for IPEF to succeed in boosting economic growth and advancing US strategy in the region, the framework must be a credible initiative that delivers tangible benefits for regional partners and can be built upon in future comprehensive trade negotiations.

Origins

IPEF may be a new US economic initiative in the Indo-Pacific, but the forces that shaped its origin have existed for generations. Since its founding, the United States has arguably been an economic player in the Indo-Pacific.³ US economic strategy in the Indo-Pacific entered its modern era with the formation of the Asia-Pacific Economic Cooperation (APEC) grouping in 1989, and US trade and economic engagement in the region has steadily grown since. US withdrawal from the TPP in 2017 paused efforts at further formal integration, but the development of IPEF offers a strong signal that the United States is back in the Indo-Pacific economic game.

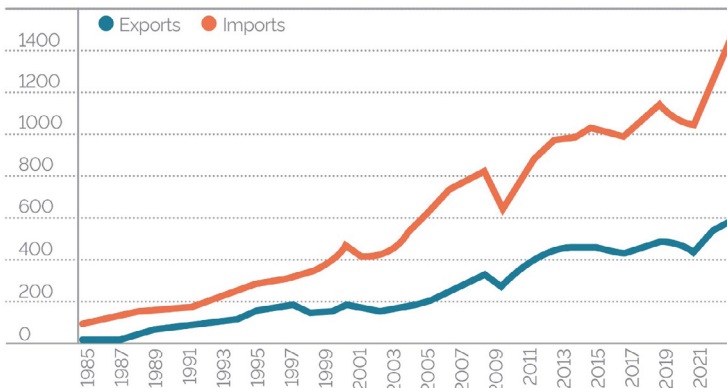
As early as 1784, US trading vessels serviced Chinese markets – with maritime trading ties between the United States and other Indo-Pacific parties growing in the centuries since.⁴

³ This chapter uses the United States Indo-Pacific Command (INDOPACOM) definition for the Indo-Pacific, which includes the following countries: Australia, Bangladesh, Bhutan, Brunei, Burma (Myanmar), Cambodia, China, Federated States of Micronesia, Fiji, India, Indonesia, Japan, Kiribati, Laos, Malaysia, Maldives, Marshall Islands, Mongolia, Nauru, Nepal, New Zealand, North Korea, Palau, Papua New Guinea, Philippines, Samoa, Singapore, Solomon Islands, South Korea, Sri Lanka, Thailand, Timor-Leste, Tonga, Tuvalu, Vanuatu, and Vietnam.

⁴ C.L. Kolakowski, “A Short History of U.S. Involvement in the Indo-Pacific”, *Journal of Indo-Pacific Affairs*, Fall 2018, pp. 14–20.

During the XX century, US defence interests became central to US posture in the Indo-Pacific as the United States was drawn into the Second World War, the Korean War, and the Vietnam War. The US formalised ties to Thailand in 1833 and currently has, including Thailand, five treaty allies in the Indo-Pacific – Australia, Japan, the Philippines, and South Korea. US economic ties in the Indo-Pacific would only continue to grow, with US goods trade with Asia increasing between 1985 and 2022 (see Figure 3.1). The United States retains strong economic ties to the Indo-Pacific, with US foreign direct investment in the region totalling nearly US\$1 trillion in 2020.⁵

FIG. 3.1 - US GOODS TRADE WITH ASIA, 1985-2022
(US\$, BILLIONS)⁶



The United States has increased its trade and economic integration with Indo-Pacific partners through a variety of international policy instruments and venues: trade and investment framework agreements (TIFAs), double taxation

⁵ The White House, “[FACT SHEET. In Asia, President Biden and a Dozen Indo-Pacific Partners Launch the Indo-Pacific Economic Framework for Prosperity](#)”, 23 May 2022.

⁶ United States Census Bureau, “[US trade in good with Asia, 1895: US trade in goods with Asia](#)”.

agreements (DTAs) or tax treaties, free trade agreements (FTAs), and the APEC forum:⁷

- **TIFAs** provide the foundation for bilateral trade and investment with the United States, offering partners a mechanism to consult on trade and investment expansion and resolve disputes. The United States has bilateral TIFAs with 16 Indo-Pacific partners and the Association of Southeast Asian Nations (ASEAN).⁸ With the exceptions of China and India, Indo-Pacific countries lacking TIFAs with the United States are limited to small economies largely in the Pacific and Australia, Japan, and South Korea, which maintain more comprehensive agreements with the United States.
- **DTAs**, also known as tax treaties, help alleviate double taxation in the United States and a foreign country, enhancing cross-border trade and tax efficiency. The United States has only 8 DTAs with Indo-Pacific partners: New Zealand, South Korea, Japan, Indonesia, Australia, the Philippines, Bangladesh, and India.
- **FTAs** are the most comprehensive of these three types of agreements. FTAs focus on liberalising trade through the lowering of tariff and non-tariff barriers to trade and investment. The United States has only four FTAs with partners in the region: Singapore, South Korea, Japan, and Australia.
- **APEC** functions as an intergovernmental forum of 21 Pacific Rim member economies, including Central and

⁷ M. Goodman and A. Arasasingham, *Regional Perspectives on the Indo-Pacific Economic Framework*, Washington DC, Center for Strategic and International Studies (CSIS), 11 April 2022.

⁸ The United States maintains bilateral TIFAs with the following partners: Bangladesh, Brunei, Cambodia, Fiji, Indonesia, Laos, Malaysia, the Maldives, Mongolia, Nepal, New Zealand, Philippines, Sri Lanka, Taiwan, Thailand, and Vietnam. Office of the United States Trade Representative, *Trade & Investment Framework Agreements*; A. Ashton, “ASPI Note: What To Expect From the U.S.-Taiwan 21st Century Trade Initiative”, Washington DC, Asia Society Policy Institute, 8 June 2022.

South America, that promotes trade and investment, economic growth, and regional cooperation.⁹ Though broadly inclusive of the largest Pacific Rim economies, APEC today is largely a discussion-based forum, and it serves an important role as a forum for incubating innovative trade and investment approaches. The concept of a trans-Pacific Free Trade Area of the Asia-Pacific (FTAAP) was first advanced in APEC.

Early in the XXI century, growing regional interest in a trans-Pacific FTA catalysed the development of the TPP. In 2008, US President George W. Bush entered the United States into negotiations with a small group of Pacific Rim countries – Brunei, Chile, New Zealand, Singapore, Australia, Vietnam, and Peru – on a comprehensive trans-Pacific FTA. During the Obama administration, negotiations would expand to include Canada, Japan, Malaysia, and Mexico. During the 2010s, TPP negotiations became the centrepiece of the United States' "pivot to Asia".¹⁰ In 2015, the 12 Pacific Rim parties to the TPP reached an agreement, which was concluded in 2016. At the time, the TPP broke new ground on common approaches to e-commerce, intellectual property, state-owned enterprise, and investor-state dispute regulation.¹¹

Though the United States led the creation of the TPP, it would eventually pull out of the agreement. In the mid-2010s, concerns about trade's effect on manufacturing job loss and economic inequality drove an increase in domestic political opposition to trade generally and the TPP in particular. These concerns – shared to an extent by both the political far left and far right – led both major 2016 presidential candidates,

⁹ Office of the United States Trade Representative, *Asia-Pacific Economic Cooperation (APEC)*.

¹⁰ H. Clinton, "America's Pacific Century", *Foreign Policy*, 11 October 2011.

¹¹ Obama White House Archives, "FACT SHEET: How the Trans-Pacific Partnership (TPP) Boosts Made in America Exports, Supports Higher-Paying American Jobs, and Protects American Workers", 5 October 2015.

Donald Trump and Hillary Clinton, to oppose TPP approval.¹² Ten days after taking office in 2017, President Trump formally withdrew the United States from the TPP.¹³ Though the other 11 TPP signatories would eventually re-sign a revised FTA, the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), the damage was already done to US leadership in the Indo-Pacific and regional economic integration.

Since 2017, the United States has been on the side-lines of regional economic integration. The CPTPP went into effect in 2018, reshaping trade and investment flows in the region.¹⁴ Regional trade agreements and institutions involving China but not the United States, such as the Regional Comprehensive Economic Partnership (RCEP), as well as financing mechanisms such as China's Belt and Road Initiative (BRI) and the Asian Infrastructure Investment Bank (AIIB), launched between 2012 and 2013, were stood up to offer Indo-Pacific countries a variety of options for their trade, supply chain, infrastructure, clean energy, and economic integration needs. Even outside these larger agreements, smaller groupings of countries negotiated and adopted several new digital trade agreements, including the Digital Economy Partnership Agreement (DEPA), the Singapore-Australia Digital Economy Agreement (SADEA), and the Korea-Singapore Digital Partnership Agreement (KSDPA). The economic landscape in the Indo-Pacific today is far more sprawling than when the US withdrew from the TPP (see Figure 3.2).

¹² D. Palmer, "[Clinton raved about Trans-Pacific Partnership before she rejected it](#)", *Politico*, 8 October 2016.

¹³ Office of the United States Trade Representative, "[The United States Officially Withdraws from the Trans-Pacific Partnership](#)", January 2017.

¹⁴ K. Suominen, "[Two Years into CPTPP](#)", Washington DC, Center for Strategic and International Studies (CSIS), 9 August 2021.

FIG. 3.2 - OVERLAPPING ECONOMIC ARCHITECTURE OF THE INDO-PACIFIC

Country	CPTPP Member	RCEP Member	DEPA Member	BRI Partner	U.S. FTA	U.S. TIFA	U.S. DTA
Singapore	Yes	Yes	Yes	Yes	Yes	Yes	No
New Zealand	Yes	Yes	Yes	Yes	No	Yes	Yes
Republic of Korea	Interested	Yes	Interested	Yes	Yes	No	Yes
Japan	Yes	Yes	Interested	No	Yes	No	Yes
China	Interested	Yes	Interested	Yes	No	No	No
Vietnam	Yes	Yes	No	Yes	No	Yes	No
Indonesia	Interested	Yes	No	Yes	Interested	Yes	Yes
Brunei	Yes	Yes	No	Yes	No	Yes	No
Australia	Yes	Yes	No	No	Yes	No	Yes
Malaysia	Yes	Yes	No	Yes	No	Yes	No
Philippines	Interested	Yes	No	Yes	Interested	Yes	Yes
Thailand	Interested	Yes	No	Yes	Interested	Yes	No
Cambodia	No	Yes	No	Yes	No	Yes	No
Laos	No	Yes	No	Yes	No	Yes	No
Myanmar	No	Yes	No	Yes	No	Suspended	No
Bangladesh	No	Interested	No	Yes	No	Yes	Yes
Fiji	No	No	No	Yes	No	Yes	No
Maldives	No	No	No	Yes	No	Yes	No
Nepal	No	No	No	Yes	No	Yes	No
Papua New Guinea	No	No	No	Yes	No	No	No
Timor-Leste	No	No	No	Yes	No	No	No
Sri Lanka	No	No	No	Yes	No	Yes	No
India	No	Interested	No	No	Interested	No	Yes
Bhutan	No	No	No	No	No	No	No
Taiwan	Interested	No	No	No	Interested	Yes	No

Source: Author's compilation based on multiple sources, from Goodman and Arasasingham, *Regional Perspectives*, CSIS, 2022

Though the Trump administration did not put forth a new economic engagement strategy for the Indo-Pacific, it did enact two significant new FTAs, the US-Mexico-Canada Agreement (USMCA) and US-Japan Digital Trade Agreement (USJDTA).

Despite both agreements intersecting with the Indo-Pacific, they fell short of demand from the region for multilateral US economic engagement.

The Biden administration entered office hoping to reassert US economic engagement in the Indo-Pacific as a means to compete with China. On 26 October 2021, President Biden announced¹⁵ virtually at the annual East Asia Summit that:

The United States will explore with partners the development of an Indo-Pacific economic framework that will define our shared objectives around trade facilitation, standards for the digital economy and technology, supply chain resiliency, decarbonization and clean energy, infrastructure, worker standards, and other areas of shared interest.

Seven months later in Tokyo, the United States officially launched IPEF on 23 May 2022. Flanked by Prime Ministers Fumio Kishida of Japan and Narendra Modi of India, as well as the leaders of ten other nations virtually, President Biden claimed “we’re writing the new rules for the XXI century economy that are going to help all of our countries’ economies grow faster and fairer”.¹⁶ Though details were scarce at these two initial announcements, the objectives, structure, and membership of IPEF has further come into focus after a Ministerial Summit in September 2022 and two successive negotiating rounds.

Objectives

IPEF has dual economic and strategic objectives. At the September 2022 IPEF Ministerial Summit in Los Angeles, negotiating parties defined IPEF’s objective as to “advance resilience, sustainability, inclusiveness, economic growth,

¹⁵ The White House, “[Readout of President Biden’s Participation in the East Asia Summit](#)”, 27 October 2021.

¹⁶ The White House, “[Remarks by President Biden at Indo-Pacific Economic Framework For Prosperity Launch Event](#)”, 23 May 2022.

fairness, and competitiveness” for member economies “to contribute to cooperation, stability, prosperity, development, and peace within the region”.¹⁷ This ministerial statement touches at both economic and strategic themes, emphasising the mutually reinforcing themes of resilience, inclusivity, and sustainability in both regional economic and strategic terms.

IPEF’s core economic objectives are self-evident. Economic agreements are meant to increase economic cooperation and growth among partners. IPEF’s objective to advance economic growth in the Indo-Pacific is broadly aligned with the objectives of other multilateral trade and economic agreements in the region. Additionally, IPEF emphasises resilience, sustainability, and inclusivity – all aspects prioritised by the Biden administration’s approach to international economic policy.¹⁸

Arguably, resilience, sustainability, and inclusivity have all been a part of past US-led economic agreements in the Indo-Pacific. For example, while the top-line US objectives of the TPP were to “open markets, set high-standard trade rules, and address XXI-century issues in the global economy”, resilience, sustainability, and inclusivity objectives were woven into sub-chapter objectives to varying degrees.¹⁹ That said, many key officials in the Biden administration disagree with that notion. In the words of US national security adviser Jake Sullivan, “the fact is that past models did not address these challenges – or did not address them fully and take them head on – leaving our workers, businesses, and consumers more vulnerable”.²⁰ Together with IPEF’s objective for economic growth, these themes of resilience, sustainability, and inclusivity are being

¹⁷ The White House, “[Statement on Indo-Pacific Economic Framework for Prosperity](#)”, 23 May 2022.

¹⁸ “[White House Laying Foundation for Permanent Shift in U.S. Trade Policy](#)”, Sandler, Travis & Rosenberg, P.A., 1 February 2023.

¹⁹ Office of the United States Trade Representative, “[Trans-Pacific Partnership: Summary of U.S. Objectives](#)”.

²⁰ The White House, “[On-the-Record Press Call on the Launch of the Indo-Pacific Economic Framework](#)”, 23 May 2022.

prioritised in the Biden administration's construction of IPEF.

In the context of an increasingly assertive China, advancing US strategic objectives in the region is also an objective for IPEF. As China has risen as a global economic power, it has challenged the rules-based economic order through a variety of assertive behaviours including economic coercion, intellectual property theft, and unfair trade practices.²¹ Together with other political, security, and human rights concerns, China's increasingly assertive behaviour has prompted a decline in US-China relations and a shift in US strategy towards China. This new strategy towards China is best encapsulated by US secretary of state Anthony Blinken, "we will shape the strategic environment around Beijing to advance our vision for an open, inclusive international system ... we'll compete with confidence; we'll cooperate wherever we can; we'll contest where we must".²²

US government officials view IPEF as a key part of its Indo-Pacific strategy and approach to US-China competition. Though IPEF is not actively messaged as a strategic initiative to partners in the region, the Biden administration's National Security Strategy mentions IPEF as a priority five times.²³ IPEF was initially constructed and coordinated at the White House by National Security Council (NSC) and National Economic Council (NEC) staff, reflecting the dual strategic and economic objectives of the framework; now framework negotiations and initiatives are being implemented by the Department of Commerce and the US Trade Representative. Already, specific workstreams related to supply chains critical to national security have been launched in IPEF negotiations. In

²¹ B. Scott et al., "[China and the Rules-Based Order](#)", Sydney, The Lowy Institute, 24 September 2021.

²² US Department of State, A. Blinken, "[The Administration's Approach to the People's Republic of China](#)", transcript of speech delivered at the George Washington University, Washington DC, 26 May 2022.

²³ The White House, "[FACT SHEET: The Biden-Harris Administration's National Security Strategy](#)", 12 October 2022.

a broader sense, IPEF also offers the opportunity to shape the strategic environment around China by reshaping trade flows and economic relations in Asia to advantage US interests.

The extent to which economic versus strategic interests are driving IPEF's development is up for debate. Some analysts view the United States' national security interests, not economic interests, in the Indo-Pacific as the driving force for IPEF's development.²⁴ Strategy has long been an objective for deepening US trade relations in Asia – former US Secretary of Defence Ash Carter even quipped “passing TPP is as important to me as another aircraft carrier”. However, other analysts note that the real promise of IPEF is in shaping a new economic paradigm for US engagement in the Indo-Pacific.²⁵ This aligns with public messaging from several senior officials in the Biden administration. What is clear is that the evolution of these dual economic and strategic objectives has yielded a structure for IPEF that diverges from past models.

Structure

IPEF is unlike any US trade agreement that has come before. In fact, IPEF is not even a trade agreement by traditional definitions, with US Trade Representative Katherine Tai going as far as saying “the fact that [IPEF] is not a traditional trade agreement is a feature of IPEF not a bug”.²⁶ Rather, IPEF is a new kind of trade and economic instrument with several key characteristics: a decentralised form; *à la carte* participation; two lead negotiating agencies; and non-statutory negotiating authority; and a lack of market access provisions.

²⁴ G.C. Hufbauer and M. Hogan “Security not economics is likely to drive US trade engagement in Asia”, Canberra, East Asia Forum, 9 January 2022.

²⁵ R.D. Atkinson, “Biden's Indo-Pacific Economic Framework Is a Paradigm Shift”, *Foreign Policy*, 1 July 2022.

²⁶ The White House, “On-the-Record Press Call”..., cit.

IPEF has a decentralised form consisting of four policy pillars: (1) trade, (2) supply chains, (3) clean economy (e.g., clean energy, decarbonisation, and infrastructure), and (4) fair economy (e.g., tax and anticorruption). Traditional multilateral FTAs feature negotiations towards one comprehensive agreement made up of several issue-specific chapters. IPEF is instead a collection of four different agreements negotiated separately:

- **Pillar I (Trade):** This pillar covers nine key areas that are a mixture of traditional and new trade issues: (1) labour, (2) environment, (3) digital economy, (4) agriculture, (5) transparency and good regulatory practices, (6) competition policy, (7) trade facilitation, (8) inclusivity, and (9) technical assistance and cooperation.²⁷ This pillar covers many of the areas found in traditional FTAs, though without market access.
- **Pillar II (Supply Chains):** This pillar aims to bring countries together to “anticipate, withstand, or rapidly recover from shocks” by focusing on six key areas: (1) establishing criteria for critical sectors and goods, (2) increasing resiliency and investment in critical sectors and goods, (3) establishing an information sharing and crisis response mechanism, (4) strengthening supply chain logistics, (5) enhancing the role of workers, and (6) improving supply chain transparency.²⁸ The supply chain pillar aims to help build resilience and mitigate the risk of the types of supply chain shocks experienced at the start of the Covid-19 pandemic. Supply chain shocks resulting from Russia’s invasion of Ukraine have increased the urgency of this pillar’s work.²⁹

²⁷ Office of the United States Trade Representative, “[Ministerial Text for Trade Pillar of The Indo-Pacific Economic Framework for Prosperity](#)”, 9 September 2022.

²⁸ US Department of Commerce, “[Ministerial Statement for Pillar II of The Indo-Pacific Economic Framework for Prosperity](#)”, 9 September 2022.

²⁹ K. Pitakdumrongkit, “[The Indo-Pacific Economic Framework: Can the US](#)

- **Pillar III (Clean Economy):** This pillar aims to support decarbonisation, the clean energy transition, and infrastructure development in the Indo-Pacific by focusing on five key areas: (1) energy security and transition, (2) greenhouse gas, (GHG) emissions reductions in priority sectors, (3) sustainable land, water, and ocean solutions, (4) innovative technologies for GHG removal, and (5) incentives to enable the clean economy transition.³⁰
- **Pillar IV (Fair Economy):** This pillar covers (1) tax, (2) anticorruption, (3) capacity building, and (4) transparency issues.³¹ This could include work to strengthen adoption of the UN Convention Against Corruption or the OECD (Organisation for Economic Co-operation and Development) Anti-Bribery Convention principles.

IPEF adopts an *à la carte* participation approach among negotiating parties. Countries can join any number of pillars based on their interests and negotiating capacity. This lowers the bar for IPEF entry for countries and gives them greater choice to join which pillars most interest them. So far, interest in joining pillars has been strong – 13 of 14 countries have joined all pillars, with India joining all pillars except for Pillar I (Trade).³² The Biden administration has left the door open to other countries joining one or more IPEF pillars.

Unlike prior free trade agreements, two US agencies lead negotiations for IPEF, the Office of the US Trade Representative (USTR) and the US Department of Commerce.

Pull It Off?”, S. Rajaratnam School of International Studies, 1 June 2022.

³⁰ US Department of Commerce, “Ministerial Statement for Pillar III of The Indo-Pacific Economic Framework for Prosperity”, 9 September 2022.

³¹ US Department of Commerce, “Ministerial Statement for Pillar IV of The Indo-Pacific Economic Framework for Prosperity”, 9 September 2022.

³² S. Sinha, “India stays out of Indo-Pacific trade pillar”, *The Times of India*, 10 September 2022.

USTR leads negotiations for Pillar I (Trade), in line with its role as the primary negotiator with foreign governments on trade agreements. The Commerce Department plays a new role in leading negotiations for Pillar II (Supply Chains), Pillar III (Clean Economy), and Pillar IV (Fair Economy). While this new co-chaired approach to IPEF helps bring in the technical knowledge of the Commerce Department on Pillars II-IV, it also helps balance divergent political approaches within the administration. Reports of internal administration deliberations paint US Commerce Secretary Gina Raimondo as pro-business and pro-trade in the mould of many moderate Democrats and US Trade Representative Katherine Tai as pro-labour and sceptical of free trade in the mould of many progressive Democrats.³³ While empowering both senior US officials as leads for IPEF is without precedent and may increase negotiating complexity, it could be a savvy political move that helps diffuse intraparty tension over IPEF. That said, both pro-trade and trade-sceptical Democrats are not fully satisfied with IPEF.

Reflecting the fact that it is not intended to be a traditional trade agreement, IPEF is not following the normal path, which includes legislative negotiating authority with Congressionally agreed-upon objectives and expedited Congressional consideration of the finished product, including any changes in US law required by the agreement. Haunted by the intraparty fight within the Democratic Party in advance of the TPP's Congressional consideration – and the eventual failure of the United States to enter the agreement due to domestic political backlash – officials in the Biden administration want to avoid bringing IPEF to Congress. As a result, the Biden administration is developing IPEF as a set of executive agreements that do not require Congressional approval. While senior members of Congress dispute that IPEF does not require

³³ A. Thompson et al., “[The roots of a Tai-Rahm confrontation](#)”, *Politico*, 28 February 2022.

Congressional approval,³⁴ the Biden administration has kept to course, arguing that IPEF negotiations “do not trigger any need for congressional legislation”.³⁵

Perhaps the most controversial aspect of IPEF is that it does not aim to seek or offer market access for US and foreign firms through tariff reductions. Market access negotiations, typically predicated on the reduction of tariffs or non-tariff barriers to trade, are central to traditional trade agreements. Market access provisions are a powerful incentive for foreign exporting partners to join US-led agreements, given the depth of the consumer-driven US domestic market. However, granting access to the US market requires changes to US law. The United States has been explicit that it does *not* seek nor offer market access through tariff reductions in IPEF, leading sceptics of IPEF to wonder what concessions the United States is prepared to offer, if any.

Despite these lingering concerns, IPEF has still been able to draw a broad range of Indo-Pacific governments into negotiations. How the reception IPEF has received and membership IPEF has attracted will evolve in the months ahead will determine IPEF's success.

Reception and Membership

Indo-Pacific countries clearly demand US economic engagement in the region and are interested in IPEF. However, while regional governments continue to view IPEF with cautious optimism, they harbour doubts about IPEF's still ambiguous form and function, tangible benefits, and durability.³⁶

³⁴ United States Senate Committee on Finance, R. Wyden et al. to J. Biden, Letter to Potus on IPEF Authority Final, 1 December 2022.

³⁵ M. Spiegelman, “Senior administration officials: U.S. to table text on a host of issues during IPEF round”, *Inside Trade*, 8 December 2022.

³⁶ Goodman and Arasasingham (2022).

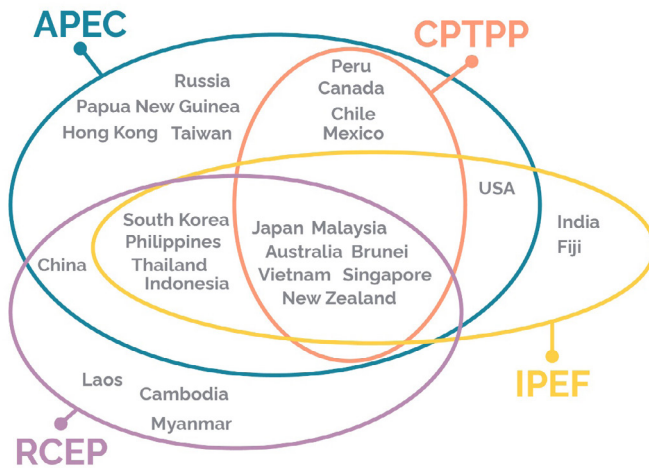
Regional partners broadly welcome US economic engagement through IPEF. Though many Indo-Pacific countries, particularly CPTPP members, view IPEF as a second-best option to the United States joining the CPTPP or a similar comprehensive, high-standard regional trade agreement like the TPP, regional partners still nonetheless welcome IPEF. So far, 14 countries – Australia, Brunei, Fiji, India, Indonesia, Japan, South Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand, the United States, and Vietnam – have joined IPEF, demonstrating a vote of confidence, or at least a show of support for the United States’ efforts in embracing economic engagement in the region. This is a significant achievement, given that 12 countries were a part of the original TPP negotiations, and some analysts predicted a far narrower³⁷ grouping of countries interested in IPEF. Since IPEF’s launch in Tokyo with 12 other countries, more Indo-Pacific governments have sought to join. Fiji joined a few days after IPEF’s formal launch in Tokyo.³⁸ Canada has also expressed its desire to join IPEF, a position that has garnered the support of all IPEF parties in principle, though it has not officially joined negotiations.³⁹ Other Pacific Rim parties to the CPTPP or RCEP – Cambodia, Laos, Mexico, Peru, and Chile – also have a likely interest in joining IPEF in the future (see Figure 3.3). That said, specific technical capacity or political barriers may prevent Cambodia, Laos, and Myanmar from joining in the near-term.

³⁷ M. Merino, “Which countries will join which IPEF pillars? Asia Group analysts weigh in”, *Inside Trade*, 6 September 2022.

³⁸ The White House, “Statement by National Security Advisor Jake Sullivan on Fiji Joining the Indo-Pacific Economic Framework for Prosperity”, May 2022.

³⁹ T. Oshikiri, “Canada’s IPEF bid has support from all members: trade minister”, *NIKKEI Asian Review*, 6 December 2022.

FIG. 3.3 - VARIABLE GEOMETRY OF MULTILATERAL TRADE ARRANGEMENTS IN THE INDO-PACIFIC



Source: Author's analysis of trade arrangement membership from Goodman and Arasasingham, *Regional Perspectives*, CSIS, 2022.

Regional governments still view IPEF's form and function with a level of ambiguity. Though more details continue to be fleshed out in negotiations, questions remain in regional capitals about IPEF's objectives and structure. As detailed earlier, the United States has dual economic and strategic objectives for IPEF. In public messaging to regional partners, the United States has framed IPEF as an affirmative economic engagement initiative not meant to single out China. At the same time, the Biden administration has portrayed IPEF to domestic stakeholders as a framework that will allow the United States to better compete with China in the Indo-Pacific. As a result, some Indo-Pacific countries remain concerned that IPEF is primarily a political framework to counter China. To an extent, this has chilled enthusiasm for IPEF among certain Indo-Pacific participants aiming to deepen economic relationships with both China and the United States. Though doubts about IPEF's structure have diminished since formal pillar negotiations started, lingering

questions remain about the structure of the final executive agreements and whether or not “early harvest” agreements on pillar sub-topics are possible.

Indo-Pacific partners also remain frustrated by the many asks and limited offers from the United States government in IPEF. In past trade negotiations, parties have prepared “offers” and “requests”. During such a negotiation, offers, such as for greater market access, attract target countries to agree to requests, such as binding commitments to lower trade barriers or raise standards. This process helps drive compromise among parties. While IPEF is not a traditional trade agreement, this model continues to colour the views of negotiating parties, particularly in pillars where enforceable, concrete outcomes are sought. This leads regional governments to characterise IPEF negotiations as many US requests, limited US offers, and a variety of credible regional alternatives to the framework. Frustration with the United States is most acutely felt on the issue of market access.

Finally, regional governments question whether IPEF will be durable. Indo-Pacific partners remain concerned about IPEF’s staying power, especially given the current volatility of US domestic politics in the run-up to a presidential election in 2024. US withdrawal from the TPP still haunts many IPEF negotiators in the region. The Biden administration’s continuation of some protectionist Trump-era trade policies, such as tariffs and export controls, has also frustrated IPEF partners. Regional governments also fear that the United States will repeat a familiar pattern of announcing new regional initiatives but not following through in the long run. The lack of a single senior official in the Biden administration leading this framework heightens this concern, as do fears of Donald Trump’s potential election in 2024.

Together, these regional concerns add pressure to the United States to deliver on a robust set of IPEF agreements in the next year.

Negotiating Timeline

Unlike prior regional trade negotiations where negotiations have been multi-year marathons, IPEF negotiations are proceeding relatively faster. The United States and its partners are pursuing an ambitious timeline for negotiations that aims to conclude agreements within roughly 18 months of IPEF's launch event in Tokyo (see Figure 3.4). This is in comparison to the nearly six years it took to negotiate the TPP⁴⁰ and 10 years to negotiate RCEP.⁴¹ So far, the Biden administration has signalled that it aims to secure agreements across the four IPEF pillars by late 2023, ahead of the US-hosted APEC leaders' meeting in San Francisco in November 2023.

⁴⁰ Government of Canada, "[Timeline of the CPTPP](#)", updated 17 December 2018.

⁴¹ Australian Government Department of Foreign Affairs and Trade, *Regional Comprehensive Economic Partnership Agreement (RCEP)*.

FIG. 3.4 - IPEF NEGOTIATING TIMELINE AND DELIVERABLES

Date	Event	Deliverables
27 October 2021	East Asia Summit IPEF Announcement (Washington, D.C.)	<ul style="list-style-type: none"> -Announced IPEF at US-ASEAN East Asia Summit. -United States would explore interest in agreements on trade facilitation, digital economy and technology standards, supply chain resilience, decarbonization and clean energy, infrastructure, worker standards, and other areas of shared interest.
23 May 2022	IPEF Launch Event (Tokyo)	<ul style="list-style-type: none"> -Launched IPEF on margins of the Quad leaders' meeting with 12 initial partners. -Defined four pillars of work: Connected Economy (Trade), Resilient Economy (Supply Chains), Clean Economy (Clean Energy, Decarbonization, and Infrastructure), and Fair Economy (Tax and Anticorruption).
8-9 September 2022	IPEF Ministerial Meeting (Los Angeles)	<ul style="list-style-type: none"> -Kicked off formal negotiations among 14 countries. -Reached agreement on negotiating objectives for the Pillar I (Trade), Pillar II (Supply Chain), and Pillar IV (Fair Economy). -Commerce and USTR, together with 14 US companies and the Asia Foundation, unveiled a new IPEF Upskilling Initiative that consolidated private sector commitments to provide digital skills training to seven million women and girls in the Indo-Pacific over the next decade.
10-15 December 2022	IPEF Pillars I-IV Negotiating Round (Brisbane)	<ul style="list-style-type: none"> -Text-based negotiations on the trade facilitation, agriculture, services domestic regulation, and transparency and good regulatory practices subtopics of Pillar I (Trade), Pillar II (Supply Chains), and Pillar IV (Fair Economy). -Detailed conceptual discussions about the environment, labor, digital economy, competition policy, and inclusivity subtopics of Pillar I (Trade) and Pillar III (Clean Economy).
8-11 February 2023	IPEF Pillar II-IV Negotiating Round (New Delhi)	<ul style="list-style-type: none"> -Text-based negotiations Pillar II (Supply Chains), Pillar III (Clean Economy), and Pillar IV (Fair Economy).
13-18 March 2023	IPEF Pillar I-IV Negotiating Round (Bali)	<ul style="list-style-type: none"> -Continued text-based negotiations on Pillars I-IV, with the potential for conceptual discussions on Pillar I sub-topics to become text-based negotiations.
TBD	Monthly or Bimonthly Negotiating Rounds	<ul style="list-style-type: none"> -Continued text-based negotiations on Pillars I-IV, with the potential for concluding agreements.
November 2023	APEC Leaders' Meeting (San Francisco)	<ul style="list-style-type: none"> -Ideally, USTR and Commerce have signaled that agreements across all four pillars will be reached by this time. -Whether USTR and Commerce will meet this deadline remains unclear.

For Pillar I (Trade), the text that has been tabled so far by US negotiators has largely drawn from previous US FTAs – particularly the USMCA. On non-controversial sub-topics such as trade facilitation, existing language from the USMCA will likely be acceptable to partners. The sub-topics in Pillar I (Trade) where text has yet to be tabled by US negotiators include tougher areas such as the digital economy, environment, labour, and competition where US positions are evolving, and regional partners have a variety of differing interests and proposals. These negotiations will likely take longer than other trade sub-topics. For the Commerce-led Pillars II-IV, no prior models exist. It is hard to imagine that these three pillar topics – supply chains; clean energy, decarbonisation, and infrastructure; and tax and anticorruption – will be easy to negotiate.

The Biden administration initially hoped to conclude negotiations within 18 months, an ambitious timeline. However, administration officials have more recently deferred on precise timelines. Some partners, such as South Korea and

Malaysia,⁴² have signalled interest in reaching an early harvest digital economy agreement under a trade pillar agreement. US negotiators do not view an early harvest digital agreement as likely, though early harvest agreements on other sub-topics or pillars may be possible. Whether IPEF agreements conclude by November 2023 is largely dependent on swift progress in negotiations over summer 2023.

Implications

Agreements on IPEF's four pillars have yet to be reached, so forecasting precise impacts for the framework is difficult. However, analysing the existing objectives and design of IPEF yields several broad implications for economics and strategy in the Indo-Pacific:

1. **IPEF has the potential to further integrate regional economies in line with US-preferred norms, rules, and values.** IPEF seeks to promote economic prosperity in the Indo-Pacific – the world's engine of economic growth as IPEF negotiating parties make up 40% of the world economy. Though existing multilateral agreements (e.g., the CPTPP and RCEP) in the region include a similar number of countries, IPEF is the only potential agreement that would bring together established East Asian advanced economies, Southeast Asian emerging economies, the United States, and India. If this grouping of countries is able to reach binding, high-standard agreements on the issues under IPEF's four pillars, this would establish a significant economic bloc aligned with US-preferred norms, rules, and values. The extent to which this happens is largely dependent on whether the United States can offer enough non-market access tangible benefits to the

⁴² B. Fortnam, "Could digital trade be an IPEF 'early harvest'? For USTR, it's complicated", *Inside Trade*, 22 September 2022.

13 other IPEF parties to elicit binding, high-standard commitments to US requests.

2. **IPEF also has the potential to strengthen the foundations of US strategic posture in the Indo-Pacific as the United States competes with China.** If the United States is able to further integrate Indo-Pacific economies in line with US-preferred norms, rules, and values, this kind of economic bloc would serve as a counterweight to further Chinese economic integration in the region. Deeper US engagement to the level IPEF calls for would also deepen ties between the United States and key nations surrounding China. IPEF could also reshape supply chains critical to US national security by “friend shoring” production steps out of China and into IPEF partners. In the context of an increasingly assertive China challenging the status quo on the South China Sea and Taiwan, closer economic ties between the United States and East Asian, Southeast Asian, and South Asian governments would strengthen the United States’ overall Indo-Pacific strategy: deepening alliances and partnerships to promote a free and open Indo-Pacific and deter Chinese revisionism. The extent to which US strategy in the Indo-Pacific is enhanced is dependent on whether the incentives and mechanisms included in IPEF will actually reshape supply chains in the region and earn the US closer ties with IPEF governments.
3. **IPEF’s implications for the rules-based international order are difficult to ascertain.** On the one hand, proponents of IPEF see the international trading system struggling to meet global challenges related to climate change, inequality, and growing protectionism. These proponents view IPEF as a step in the right direction – albeit a small one – towards strengthening the rules-based international order and in pursuit of economic integration. On the other hand, some sceptics of IPEF

see the framework as a degradation of the rules-based international order due to its skew against China and potential to fragment existing supply chains running through China.⁴³ The extent to which IPEF affirms or detracts from the rules-based international order will depend on IPEF's execution and China's reaction to the finalised agreements.

Indo-Pacific partners have long called for further US economic engagement in the region, and IPEF seeks to deliver that. With IPEF, the United States is crafting a new model for an Indo-Pacific economic agreement through the lens of both economic and strategic objectives. Though IPEF diverges from traditional FTAs of years past, its four pillars still offer significant potential for promoting economic growth and US strategy in the region. Whether US negotiators can convert this potential to progress remains one of IPEF's largest open questions.

⁴³ M.E. Lovely, "The Trouble With 'Trans-Pacific Trade'", *Foreign Affairs*, 23 January 2023.

4. The Rush To Regulate Data in the Indo-Pacific

Joshua P. Meltzer

The development of digital technologies and use of data has led to a focus amongst governments in the Indo-Pacific on digital regulation. The importance of cross-border data flows for innovation, economic growth and trade has spurred both competition and various forms of cooperation. Trade agreements such as Free Trade Agreements (FTAs), but also Digital Economy Agreements (DEAs) such as Digital Economy Partnership Agreements (DEPAs), are where the most cutting-edge forms of international regulatory cooperation and competition are playing out in the Indo-Pacific. This chapter will:

1. Outline the economic importance of data and its implications for international trade;
2. Describe growth in data regulation and the key drivers;
3. Analyse the key areas where governments in the Indo-Pacific are regulating data flows and digital trade in FTAs and DEAs, including with respect to interoperability mechanisms;
4. Conclude with observations about expected developments in digital regulation in the Indo-Pacific.

Data and Economic Growth

Data is foundational for digital economies and for engaging in digital trade. The value of data as a source of economically valuable insights arises from the enormous growth in data that is now being generated online. According to one estimate, by 2020 there were 40 times more bytes of data worldwide, about 44 zettabytes, than the number of stars in the observable universe. By 2025, data generation could reach 463 exabytes each day. Big data combined with significant growth in computing capacity has enabled the extraction of insights from this data. Recent developments with large language models such as Chat GPT 4 underscore the importance of large data and computers in making progress on AI.¹

The OECD notes that the creation of economic and social value increasingly depends on the ability to move and aggregate data across a number of locations scattered around the globe. According to the McKinsey Global Institute, global data flows grew at nearly 50% per annum between 2010 and 2019 and around 40% annually between 2019 and 2021.² The ability to exchange data across borders is also a key enabler of international trade. For example, to engage in cross-border e-commerce, businesses must collect customer data, and fast and cost-effective digital payments are needed to complete cross-border e-commerce transactions. In addition, efficient customs and delivery services rely on cross-border data flows to track and trace goods to their destination.

Work by the World Bank has highlighted the role of data flows along supply chains to manage production schedules, respond to changes in consumer demands and track and trace products across global production networks. Data is also being

¹ B. Martens, “[The impact of data access regimes on artificial intelligence and machine learning](#)”, JRC Digital Economy Working Paper 2018-19, EU Science Hub.

² McKinsey Global Institute, “[Global flows: The ties that bind in an interconnected world](#)”, Discussion Paper, 15 November 2022

increasingly used to support research and development globally. For example, sharing data sets and results, including the use of cloud-based artificial intelligence amongst researchers globally, enabled rapid development of vaccines for Covid-19.³ Access to large data sets remains a key input to developing AI systems, further highlighting the importance of cross-border data flows.

Collecting data about business operations, customer trends, or suppliers can also yield insights and improve business outcomes. The oil and gas sector is now collecting more data than ever before. Large data sets combined with powerful algorithms are opening new opportunities for this sector. For example, remote oil and gas operations can be directed from teams located in safe, centralised locations using real-time operational data.⁴ Such data-driven insights that use AI-enabled predictions can also reduce operational downtime. Data is also an increasingly key input into manufacturing operations. Data-driven manufacturing opportunities include using data and machine learning to train robots, using data to deepen insights into operations, and increasing efficiencies from the factory floor to warehousing and distribution. Data is also being used to anticipate customer demands more effectively and to deliver data-driven digital services that add value to traditional goods-only strategies.⁵ Where operations or customers are global, then cross-border data flows will be needed to ensure that these opportunities are applied across the business.

While access to data and global data flows are important for large multinational companies (MNCs), data is also important for small businesses. In fact, many of the opportunities for cross-border data flows are particularly pronounced for small businesses, and the costs of restricting access to data

³ L. Dron et al, “Data capture and sharing in the COVID-19 pandemic: a cause for concern”, *The Lancet*, October 2022

⁴ “How AI Can Pump New Life into Oilfields,” Expert Insights, IBM, February 2020.

⁵ M. Fendri, F. Bezamat, and R. Behaeghe, “The Future of Manufacturing Is Powered by Data and Analytics. Here’s Why”, World Economic Forum, 9 September 2022.

are potentially most impactful on small businesses.⁶ For instance, global data flows allow small businesses access to a global market. This includes access to global business services inputs that increasingly reside in the cloud, including business software and professional services platforms that provide small businesses with global access to talent.

From a development perspective, access to data and cross-border data flows are also significant. According to the World Bank, “platform-based business models are increasingly important in low- and middle-income countries”.⁷ This includes allowing businesses in developing countries to benefit from the services offered on the global market and to provide data-intensive services in return. For example, Bangladeshi firm Augmedix offers remote assistance to medical doctors in the United States. The doctors wear smart glasses that allow their Bangladesh-based assistants to “witness” patient consultations and create associated medical records. This two-way exchange of data, and the high value-added services it entails, is only possible because both countries – the United States and Bangladesh – allow such sensitive data to move across borders.

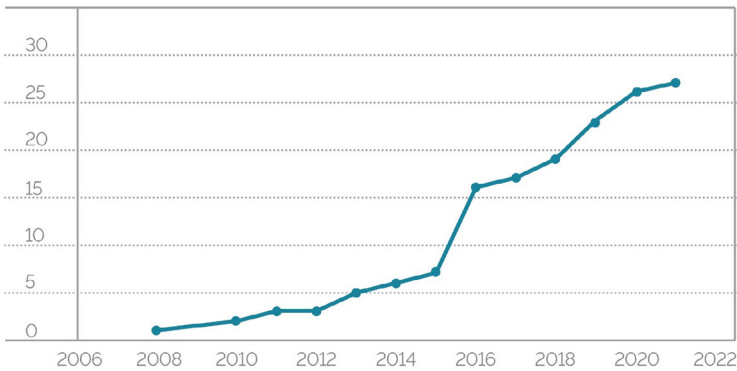
Growth in Data Regulation in the Indo-Pacific

As the opportunities presented by global data flows and digital technologies grow, governments are increasingly regulating in ways which restrict global data flows. Figure 4.1 shows the cumulative growth in data flow restrictions for seven countries in the Indo-Pacific. As can be seen, data flow restrictions have grown from 1 such regulation in 2008 to 27 in 2022. There was a particularly large increase in the number of regulations over the 2013-19 period, from four data flow regulations in 2013 to 24 such regulations in 2019, an increase of 600%.

⁶ *Small Online Business Growth Report*, ebay, 2016.

⁷ World Bank, *World Development Report 2021: Data for Better Lives*, The World Bank, 2021.

FIG. 4.1 - CUMULATIVE DATA FLOW RESTRICTIONS

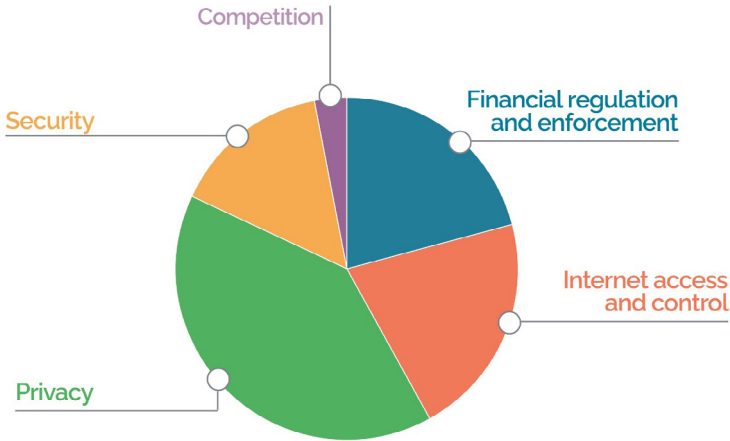


Data for: Vietnam, Malaysia, Singapore, The Philippines, Indonesia, Thailand, Brunei

Data flow restrictions are in pursuit of various goals

Regulation that restricts cross-border data flows is in pursuit of a range of regulatory goals. As can be seen in Figure 4.2 the key regulatory goals driving data flow restrictions in these countries in the Indo-Pacific are privacy, security, internet access and control, and financial regulation and enforcement. Privacy is by far the main reason for data flow restrictions, accounting for over 34% of regulation. Financial regulation is the second most salient reason for restricting data flows, accounting for 24%, followed closely by internet access and control at 23%, then security at 17% and competition at 2%.

FIG. 4.2 - THE REGULATORY OBJECTIVES OF CROSS-BORDER DATA FLOW RESTRICTIONS



There are three key drivers of data flow regulations

The need to regulate cross-border data flows to achieve a range of regulatory goals has three underlying drivers. One is the regulatory concern that allowing data to be transferred to a third economy will undermine domestic regulatory standards. This is a key rationale for privacy law restrictions on transfers of personal data and is at play for various security focused regulations. A second driver is regulatory concern that allowing data to reside in a third economy will negatively affect the ability of regulators to do their job. A third driver is the impact of access to information on political and social stability. This is at play for those restrictions aimed at internet access and control, and partly for those addressing security concerns.

Data flow restrictions are increasingly restrictive

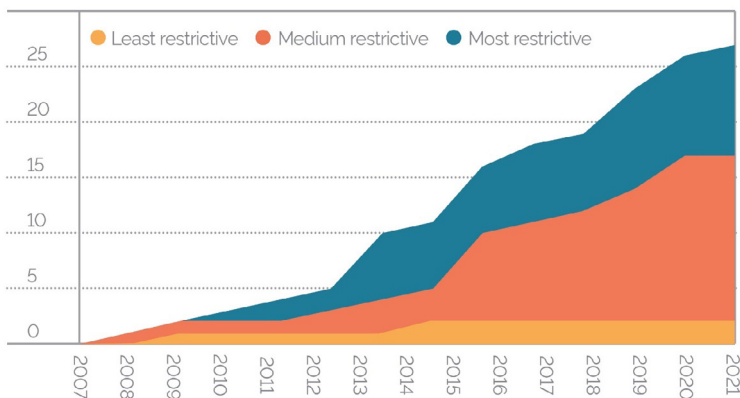
This range of regulation restricting cross-border data flows also shows varying levels of restrictiveness. The World Bank taxonomy of data flow models provides a basis for this assessment. These are the Limited Transfers Model, the Conditional Transfers Model and the Open Transfers Model.

TAB. 4.1 - DATA FLOW RESTRICTIONS FROM MOST TO LEAST RESTRICTIVE

	Most Restrictive - Limited Transfer Models			Medium Restrictive Conditional Transfer Model	Least Restrictive Open Transfer Model
Regulatory options	Local Storage	Domestic Processing	Government Approval	Regulatory Safeguards	Regulatory Safeguards
Key features	Broad requirements to use domestic servers for data storage	Broad requirements to use domestic servers for data processing	Prior approval required for data transfers	Consent Adequacy findings Private sector assessment	•No a priori mandatory requirements •Private sector accountability based on voluntary standards
	More data closure			Less data closure	

These seven Indo-Pacific regulatory impacts on cross-border data flows ranges from least to most restrictive. As can be seen in Figure 4.3, most of the growth in data flow regulation has been in medium to most restrictive data regulation.

FIG. 4.3 – CUMULATIVE RESTRICTIONS BY LEVELS OF RESTRICTIVENESS



The Costs of Limits to Cross-Border Data Flows

In order to understand what is at stake when it comes to data regulations affecting digital trade, the following provides an overview of the costs of data flow restrictions. Restrictions on data flows affect macroeconomic outcomes and, like tariffs, raise costs and create a deadweight loss for the economy. In 2014, the United States International Trade Commission estimated that the GDP of the United States would be 0.1% to 0.3% higher if data flow restrictions were removed. Similarly, for the European Union, barriers to transborder data flows are estimated to reduce GDP by 0.4% to 1.1%, depending on the strength of data localisation requirements.⁸ Another study suggests that EU data regulations have reduced real GDP in the European Union by 0.48%.⁹

⁸ E. van der Marel, H. Lee-Makiyama, and M. Bauer, “The Costs of Data Localisation: A Friendly Fire on Economic Recovery,” ECIPE, May 2014.

⁹ M. Bauer, M.F. Ferracane, and E. van der Marel, “Tracing the Economic Impact of Regulations on the Free Flow of Data and Data Localization”, Centre for

The negative impact of restrictions on cross-border data flows has been modelled. According to one economic model, increases in data restrictiveness negatively impact a country's domestic and international economies by decreasing trade volume and productivity while increasing prices. In the model, a one-unit increase in a country's Data Restrictiveness Index (calculated using data from the OECD Product Market Regulation database) was associated with a 7% decrease in gross output traded, a 2.9% decrease in the productivity of downstream industries, and a 1.5% increase in the price of goods and services from these industries, such as finance and insurance, petroleum, computers and electrical equipment, and chemicals.¹⁰ These conclusions were bolstered with case studies in China, Indonesia, Russia and South Africa, which showed that increases in data restrictiveness over a period of five years (2013 to 2018) led to losses in trade and productivity.¹¹ Another study assessed the GDP impact of removing restrictions on cross-border data flows in 25 countries and found that, on average, service imports would increase by 5%, benefitting domestic companies and consumers through access to cheaper and better international services.¹² A follow-up study, which measured potential gains for productivity concluded that lifting restrictions on data flows could lead to an average increase in Total Factor Productivity of 4.5%.¹³

There is also evidence of the impact of data localisation measures on economic growth. In a study of five African countries, data localisation was found to particularly increase costs for financial services and undermine productivity growth

International Governance Innovation, 10 May 2016.

¹⁰ N. Corey and L. Dascoli, "[How Barriers to Cross-Border Data Flows Are Spreading Globally, What They Cost, and How to Address Them](#)", Information Technology & Innovation Foundation, 19 July 2021.

¹¹ Ibid.

¹² M.F. Ferracane and E. van der Marel, "[The Cost of Data Protectionism](#)", ECIPE, October 2018.

¹³ Ibid.

in manufacturing. One study found that South Africa's GDP would grow by 2.6% and investment by 7% due to IoT deployment. However, data localisation would undermine these gains, shrinking GDP growth from IoT to 1.1% and investment gains to a mere 1.9%. Trade, consumption, and employment gains would also shrink.¹⁴

Another approach to understanding the costs of data localisation or data flow restrictions is to look at the potential benefits of reducing policy uncertainty regarding international data transfers and data localisation. This was done by the United States International Trade Commission (USITC) when it assessed the economic impact of the United States-Mexico-Canada Agreement (USMCA). The USMCA chapter on digital trade was one of the main 'new' elements of the old North American Free Trade Agreement (NAFTA). The USITC estimated that the commitments in that chapter to supporting cross-border data flows and avoiding data localisation, subject to suitable exceptions, would have a significant, positive impact on industries that rely on cross-border data flows. The USITC found that the provisions related to international data transfers are crosscutting in nature and apply broadly to US firms across the economy.¹⁵ These provisions matter for traditional data-intensive internet firms as well as to broader services, manufacturing and agricultural industries that rely on data and information flows in their business models, supply chains and international trade.

Limits on cross-border data flows can also increase the cost to businesses of access to key digital technologies that can negatively impact the ability to innovate and be competitive.

¹⁴ H. Lee-Makiyama, B. Narayanan, and S. Lacey, *Cross-Border Data Flows: The Impact of Data Localisation on IoT*, GSMA, Working Paper, January 2021; K. Suominen and E. Vambell, "Toward an African Data Transfer Regime to Enable MSMEs' Cross-Border E-Commerce", *eTrade Alliance*.

¹⁵ United States International Trade Commissions, "U.S.-Mexico-Canada Trade Agreement: Likely Impact on the U.S. Economy and on Specific Industry Sectors", April 2019, pub. no. 4889.

One report found that “efficiency losses from data localization measures can increase data hosting costs by 30-60%”.¹⁶ Limits on access to data raise costs for firms and hinder firms’ capacity to increase their efficiency. As noted, developing large data sets is increasingly a building block for R&D. Limiting access to and use of data across borders is likely to affect opportunities for global collaboration and innovation negatively. Data restrictions can also limit access to capital and investment if, say, this means that a lender cannot access financial records. Restrictions on global data flows can also burden the production of goods and the productivity of local companies using digital technologies, particularly in the context of global value chains. A Swedish manufacturing firm recently reported that data localisation requirements and restrictions on cross-border data flow, including for outward transfers of data, adversely affected the setup and operation of global production networks.¹⁷

While data flow restrictions have costs associated with them, having no data restrictions is also not optimal. As mentioned, data governance regulation is needed to ensure privacy and consumer protection, and to protect national security. The G20 concept of Data Free Flow with Trust speaks directly to the need for regulation. Indeed, data flow restrictions should be understood as a means of achieving a particular policy goal rather than as an end in itself. From this perspective, the challenge is how best to achieve legitimate domestic goals while limiting the impact on cross-border data flows and access to data. Different countries will balance these goals differently; therefore, there is no one-size-fits-all approach.

¹⁶ [Quantifying the Cost of Forced Localization](#), Leviathan Security Group, accessed 16 December 2022.

¹⁷ World Bank, *World Development Report 2021: Data for Better Lives*..., cit.

Enabling Cross-Border Data Flows and Digital Trade

The G20 and data flows

As noted, a key enabler of the digital economy will be appropriate regulation coupled with cross-border data flows. There is already high-level recognition amongst many governments of the importance of cross-border data flows. During Japan's hosting of the G20 in 2019, leaders recognised that “data free flow with trust will harness the opportunities of the digital economy”. The following year, in Saudi Arabia, G20 Leaders noted “the importance of data free flow with trust and cross-border data flows”, a formulation also repeated by leaders during the Italian G20 in 2021 and Indonesian G20 in 2022.

The G7 has also provided guidance on how to support data flows and digital trade. In 2021 the G7 released the G7 Digital Trade Principles, which state that “data should be able to flow freely across borders with trust” and elaborate on how to balance opportunities from data flows with the need for domestic regulation that might restrict cross-border data flows. For instance, there is recognition of the need to “address unjustified obstacles to cross-border data flows, while continuing to address privacy, data protection, the protection of intellectual property rights, and security”.¹⁸

Developments in free trade agreements and digital economy agreements

The impact of restrictions on data flows in international trade has made trade agreements a key area for developing new rules to support cross-border data flows and reduce data localisation requirements. The regulatory challenge for all governments is how to commit to cross-border data flows and no data localisation while also preserving the regulatory space to restrict data flows if this is necessary to achieve a

¹⁸ GOV.UK, [G7 Digital Trade Principles](#), 2021.

legitimate public policy objective such as privacy protection or security.

Many FTAs now include commitments to cross-border data flows and to no data localisation, alongside exception provisions. For example, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the United States-Mexico-Canada Agreement (USMCA), the US-Japan Digital Trade Agreement and the Singapore-Chile-NZ DEPA include commitments not to restrict cross-border transfers of information, including personal information, by electronic means. These FTAs also include a commitment not to require the domestic location of computing facilities as a condition for doing business. These commitments are also subject to similar exception provisions.

China has also agreed to commitments to data flows and no data localisation. In the Regional Comprehensive Economic Partnership (RCEP) – a 15 nation trade agreement amongst ASEAN, China, Japan, Australia, New Zealand and South Korea – there is a commitment by the parties not to “prevent cross-border transfer of information by electronic means”. The RCEP also includes a commitment to no data localisation, similar to that in the USMCA.

The EU has also agreed to commitments on data flows in its agreement with the UK on economic relations. The structure however differs from the abovementioned FTAs that combine a commitment to data flows with an exceptions provision. Instead, the EU has agreed not to engage in a number of specific activities, including requiring data localisation for storage or processing, prohibiting storage or processing in another Party’s territory, and making cross-border transfers of data contingent upon the use of computing facilities in the Party’s territory.

The following table outlines key commitments to digital trade in various trade agreements and digital economy agreements in the Indo-Pacific.

		RCEP (2021)	CPTPP (2018)	Singapore Australia DEA (2020)	DEPA (2020)	USMCA (2019)	EU JAPAN (2019)
● Required ● Best endeavours ● None							
Trade facilitation	Paperless trading						
	E-invoicing						
	Electronic authentication and signatures						
	Digital ID						
	No customs duties on transmissions	1					
	Non-discrimination between digital products						
	Access to and use of the internet, services, and applications						
	Digital payments						
Building Trust	Protection of online personal information						
	Cybersecurity						
	Consumer protection						
	International standards			2	3		
	Address unsolicited commercial messages						
Data Flows	Cross-border transfers of information	4	5	5	5	5	
	Avoid data localization	4	5	5	5	5	
	Not require source code		5	5		5	5
Emerging tech	Digital Technologies, i.e., AI, Blockchain						

KEY:

1 Consistent w/ WTO moratorium; 2 Mix of binding & best endeavours; 3 E-invoicing; 4 With expanded exception; 5 With GATS-style exceptions

RCEP (2020) Regional Comprehensive Economic Partnership. Participants: Australia, New Zealand, Brunei, Cambodia, China, Japan, Laos, Singapore, Thailand and Vietnam

CPTPP (2018) Comprehensive and Progressive Agreement for Trans-Pacific Partnership. Participants: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam

Singapore-Australia DEA (2020) Singapore-Australia Digital Economy Agreement

DEPA (2020) Digital Economy Partnership Agreement. Participants: Chile, New Zealand and Singapore

USMCA (2019) United States-Mexico-Canada Agreement

EU-Japan EPA (2019) EU-Japan Economic Partnership Agreement

As can be seen, commitments to cross-border data flows subject to suitable exceptions are now common across many trade agreements in the Indo-Pacific, including the RCEP, CPTPP, DEPA and the Australia-Singapore Digital Economy Agreement. Notably, the EU has yet to make this commitment in trade

agreements in the Indo-Pacific. It is also increasingly common to find commitments to avoid data localisation as a requirement for doing business, again subject to suitable exceptions based on the WTO General Agreement on Trade in Services (GATS). This includes commitments in regional trade agreements such as the CPTPP, USMCA and DEPA, and bilaterally between Australia and Singapore. The role of the exceptions provision in trade agreements is to provide regulatory space to restrict data flows in order to achieve legitimate public policy goals but also to require that restrictions must be “necessary.” What is meant by “necessary” has been interpreted by the World Trade Organization (WTO) Appellate Body as requiring that it is no more trade-restrictive than necessary. This means that in these trade agreements, governments have agreed that restricting data flows to achieve a legitimate public policy objective such as privacy must be the least restrictive of data flows.¹⁹

It is worth noting here that while the RCEP includes commitments to data flows and no data localisation, the exceptions provision is considerably broader than those of other trade agreements where the exceptions are based on the WTO GATS exception provision. In the RCEP the determination as to whether a measure is “necessary” is up to the party enacting the measure to decide, whereas under the GATS Article XIV-style exceptions, it is an objective assessment of fact as to whether the measure is necessary, i.e., least restrictive of data flows. The effect of this difference is that the parties to the RCEP are allowed much greater scope to restrict data flows compared with under the CPTPP or the USMCA.

¹⁹ WTO Appellate Body Report, *Brazil – Measures Affecting Imports of Retreaded Tyres* (hereinafter *Brazil-Retreaded Tyres*), WT/DS33/December 2007; Appellate Body Report, *US-Measures Affecting the Cross-Border Supply of Gambling and Betting Services* (hereinafter *US-Gambling*), WT/DS285/AB/R, 7 April 2005, paras. 306-308.

Cross-Border Data Flows and Interoperability Mechanisms

Developing interoperability mechanisms to enable cross-border data flows while respecting differences in data governance regulation is increasingly central to digital cooperation. In this respect, interoperability mechanisms enable Data Free Flow with Trust. The importance of developing interoperability mechanisms to enable cross-border data flows is reflected in Leaders' statements at the G20 and G7 and in various bilateral and regional digital economy agreements. For instance, the 2019 Osaka G20 Leaders' Declaration states: "we will cooperate to encourage the interoperability of different frameworks, and we affirm the role of data for development".²⁰ At the Rome G20 in 2020, Leaders identified the need to "work towards identifying commonalities, complementarities, and elements of convergence between existing regulatory approaches and instruments enabling data to flow with trust, in order to foster future interoperability".²¹ In 2021, the G7 recognised the need to "cooperate to explore commonalities in [their] regulatory approaches and promote interoperability between G7 members".²² Interoperability is also a subject of bilateral discussion and negotiation, as well as discussion in international economic forums such as APEC, ASEAN and the OECD.

Interoperability is not premised on the harmonisation of data governance regulation. Instead, interoperability focuses on ends or goals and seeks to avoid data flow restrictions based merely on different approaches or means. Interoperability is helped by convergence towards similar or closely related goals, particularly when it comes to government-permissioned data flows. In other cases, where industry or individuals are able to decide where data flows and assume responsibility for that data's protection, there is more scope for data flows even where

²⁰ MOFA, [Osaka G20 Leader's Declaration](#), 2019.

²¹ European Council, [G20 Rome Leaders' Declaration](#), 31 October 2021.

²² GOV.UK, [G7 Trade Ministers' Digital Trade Principles](#), 22 October 2021.

the countries to which the data is flowing might protect data differently from the home or exporting country.

This potential flexibility of interoperability mechanisms reflects the reality that alignment on data governance laws and regulations, such as privacy, financial regulation and national security, is unlikely. Moreover, the pursuit of interoperability underscores that lack of regulatory alignment should not be a barrier to cross-border data flows.

Existing Privacy Interoperability Mechanisms

There are several interoperability mechanisms being developed that enable cross-border transfers of personal data. Key privacy interoperability mechanisms are those under the General Data Protection Regulation (GDPR) – specifically adequacy findings, binding corporate rules (BCR), and standard contractual clauses (SCC). The APEC Cross-Border Privacy Rules (CBPR) system is another interoperability mechanism, as is the ASEAN Model Contractual Clauses (MCCs) and the US-EU Privacy Shield 2.0. Each interoperability mechanism demonstrates different potential approaches and scope to accommodate divergent domestic privacy rules.

- **The EU General Data Privacy Regulation:** Under the GDPR, data can be transferred outside the EU only if specific conditions are fulfilled. The main one is where the European Commission has found that the third country receiving personal data provides adequate protection.²³ In the absence of an adequacy decision, the GDPR allows data to be transferred outside the EU pursuant to various safeguards or derogations.²⁴ According to the Court of Justice of the European Union (CJEU), a finding of adequacy requires other countries to have in place a privacy regime that is “essentially equivalent” to

²³ EU General Data Protection Regulation (GDPR), 2016, 679, Art. 45.

²⁴ *Ibid.*, Art. 44.

that of the EU.²⁵ In the absence of an adequacy finding, the GDPR provides several mechanisms for transferring personal data to another jurisdiction.²⁶ Each mechanism needs approval by either the European Commission or a Member State's privacy authority. The main ones are binding corporate rules (BCRs), standard contractual clauses (SCCs), an approved code of conduct, or an approved certification mechanism. The latter two options remain underdeveloped in the EU, so the focus here is on BCRs and SCCs. As discussed, BCRs allow multinational companies to move EU personal data globally within the conglomerate. BCRs must be legally applied and confer enforceable rights on data subjects.²⁷ In addition, to establish a BCR the GDPR requires a controller or processor who can be held liable for breach to be established in a Member State.²⁸ SCCs allow for transfers of personal data outside the EU to third parties. Such contracts require the same levels of protection, oversight and access for individuals as would be the case with an adequacy decision. Data transfers to third countries are also allowed based on so-called derogations from the GDPR. The main ones are explicit consent by the data subject, transfers necessary for the performance of a contract between the data subject and the controller, or transfers necessary for the purposes of a legitimate interest pursued by the controller, which cannot be qualified as frequent or massive.²⁹ These derogations are not suitable for large-scale regular transfers of data and are, therefore, not a

²⁵ Schrems v Data Protection Commissioner (2014) I.E.H.C. 310, para 73.

²⁶ EU General Data Protection Regulation (GDPR), 2016, 679, Art. 46.

²⁷ *Ibid.*, Art. 47.2.

²⁸ EU General Data Protection Regulation (GDPR), 2016, 679, Art. 47.2(f).

²⁹ European Parliament and the Council of the EU, Directive 95/46/EC, 1995, Article 7(f); EU General Data Protection Regulation (GDPR), 2016, 679, Art. 49.1(h).

- foundation for building an interoperability mechanism.
- **Asia-Pacific Economic Cooperation (APEC) Cross-Border Privacy Rules System:** Building on the APEC Privacy Principles – last updated in 2015 and which are themselves based on the OECD Privacy Principles – APEC Cross-Border Privacy Rules (CBPRs) facilitate the transfer of personal information among APEC Members. The CBPR System requires businesses to develop privacy policies based on the APEC privacy principles which meet the CBPR program requirements. APEC Accountability Agents, independent third parties certified domestically, are tasked with assessing the consistency of businesses’ privacy policy and practice with the APEC CBPR requirements. Businesses that meet the CBPR requirements and are subject to the laws of an APEC CBPR participating economy can be certified as compliant. Currently, the USA, Mexico, Japan, Canada, Singapore, Korea, Australia and Chinese Taipei are participating in APEC CBPRs. APEC Accountability Agents and Privacy Enforcement Authorities enforce compliance by businesses with APEC CBPR requirements.³⁰ The ability for countries outside APEC to participate in APEC CBPRs is being pursued following the launch of the Global CBPR Forum.³¹
 - **US-EU Privacy Shield 2.0:** Under the Privacy Shield 2.0, US companies, through an industry body or individually, self-certify to the US Department of Commerce that they will protect the personal data of EU citizens consistently with the Privacy Framework, which includes the Privacy Shield Principles.³² The

³⁰ Asia-Pacific Economic Cooperation (APEC), *Cross-Border Privacy Rules System: Policies, Rules and Guidelines*, 2011, at 10.

³¹ US Department of Commerce, *Global Cross-Border Privacy Rules Declaration*.

³² The White House, *President Biden Signs Executive Order to Implement the European Union-U.S. Data Privacy Framework*, 7 October 2022.

process to develop Privacy Shield 2.0, also known as the Trans-Atlantic Data Privacy Framework, became a necessity in 2020, when – for the second time – the Court of Justice of the European Union (CJEU) struck down the European Commission’s finding that the previous Privacy Shield was “adequate”.³³ According to the CJEU, US Executive Order 12333 and FAA 702 do not meet the necessity and proportionality standards in Article 52 of the EU Charter on Human Rights or the requirement for actionable judicial redress for EU citizens in the charter.³⁴ After nearly two years of negotiations, the United States and the European Commission announced in March 2022 that they had agreed in principle on a new Trans-Atlantic Data Privacy Framework that addresses the concerns raised by the CJEU in *Schrems II*. In October 2022, President Biden signed an Executive Order on Enhancing Safeguards for United States Signals Intelligence Activities, implementing the EU-US Data Privacy Framework (EU-US DPF) agreed upon in March. Among other steps, the Executive Order adds further safeguards to US signals intelligence activities, mandates requirements for the handling of personal information gathered through signals intelligence, and creates a new mechanism for EU individuals to seek redress if they believe that their personal information is unlawfully collected or handled by the United States.³⁵ The European Commission describes this new redress mechanism, which would replace the current

³³ Case C-311/18, *Data Protection Commissioner v. Facebook Ireland Limited and Maximilian Schrems*, judgment of 16 July 2020 (Grand Chamber) (ECLI:EU:C:2020:559) (*Schrems II*).

³⁴ R. Wakeman, “Privacy Shield 2.0 – Third Time’s the Charm?”, *Lawfare*, 19 May 2022.

³⁵ The White House, *President Biden Signs Executive Order to Implement the European Union-U.S. Data Privacy Framework...*, cit.

Privacy Shield Ombudsperson, as a “two-layer” redress mechanism with “independent and binding authority”. The first layer would give EU individuals the ability to file a complaint with a Civil Liberties Protection Officer representing the US Intelligence Community. The second layer would facilitate appeals to the decisions of the Civil Liberties Protection Officer through a newly formed Data Protection Review Court, which would be composed of members from outside the US government. The Court will be empowered – where the Ombudsperson was not – to investigate the complaints of EU individuals, including through the ability to obtain relevant information from the intelligence community and the power to hand down binding remedial decisions. Moreover, in reviewing each case, the Court will appoint a special advocate to ensure that the complainant’s interests are equitably represented.³⁶

- **ASEAN Model Contractual Clauses (MCCs):** The ASEAN MCCs are contractual terms and conditions that may be included in legal agreements between parties transferring personal data to each other across borders.³⁷ MCCs help parties ensure that the transfer of personal data is done in a manner that complies with ASEAN Member States’ legal and regulatory requirements and protects personal data consistently with the principles of the ASEAN Framework on Personal Data Protection (2016). The ASEAN Privacy Framework on Personal Data Protection (The Framework) is a non-binding statement of principles to guide the protection of personal data and the rights of the data subject. The Framework aims to promote electronic commerce

³⁶ European Commission, “[Questions & Answers: EU-US. Data Privacy Framework](#)”, 7 October 2022.

³⁷ [ASEAN Model Contractual Clauses for Cross Border Data Flows](#), Final Copy Endorsed by the 2nd ASEAN Digital Senior Officials’ Meeting (ADGSO), January 2021.

throughout the Asia Pacific region and is consistent with the core values of the OECD's Guidelines on the Protection of Privacy and Transborder Flows of Personal Data (OECD Guidelines).

The MCCs are templates that set out the responsibilities, personal data protection measures and related obligations of the parties. The MCCs were created to enable personal data flow amongst countries with significantly different levels of development. Private sector parties in ASEAN Member States may voluntarily adopt the MCCs to support the transfer of personal data to parties in other ASEAN Member States. While the MCCs are primarily designed for intra-ASEAN flow of personal data, parties may adapt these clauses with appropriate modifications at their discretion for transfers to countries outside ASEAN, particularly those with legal regimes based upon the principles of the APEC Privacy Framework or OECD Privacy Guidelines.³⁸

The following table outlines these main privacy interoperability mechanisms as well as their main points of similarity and difference.

³⁸ Ibid.

TABLE 4.2 - INTEROPERABILITY MECHANISMS TO ENABLE FLOWS OF PERSONAL DATA

	GDPR Adequacy, BCR & SCC	US-EU Privacy Shield 2.0	APEC CBPR	ASEAN Model Contractual Clauses
Legal Force	Binding	Binding	Voluntary	Voluntary
Grounds for cross-border data transfer	The receiving country has: An adequacy decision where the privacy regime is essentially equivalent to BCRs and SCCs	Opt-in mechanism. No changes to US privacy law with additional safeguards for EU personal data.	Certification that the receiving entity's privacy policies provide protection consistent with APEC Privacy Rules	Template terms to include in contracts between entities in ASEAN Member States to ensure data flows are protected consistently with ASEAN Privacy Framework.
Oversight body	The EU Commission assesses and grants adequacy. EU Data Protection Authorities approve BCRs and SCCs.	Oversight and enforcement by the United States Federal Trade Commission.	Domestic Accountability agents certify compliance by businesses with privacy policies. APEC Cross-border Privacy Enforcement Arrangement (CPEA) creates a framework for regional cooperation in the enforcement of Privacy Laws.	None
The role of Industry in allowing data to flow	None for adequacy Responsible for ensuring compliance with SCCs or BCRs.	Responsible for ensuring compliance with privacy policies.	Responsible for ensuring compliance with privacy policies.	Ensuring compliance of MCC terms in the contract.

Conclusion

The regulation of cross-border data flows is a key enabler of digital trade. At the same time data flow regulations have grown, restricting data flows, requiring data localisation and limiting the opportunities of digital trade. These developments have focused trade policy in the Indo-Pacific on how to balance commitments to cross-border data flows while retaining appropriate policy space to regulate data in order to achieve legitimate public policy objectives. A growing number of governments in the Indo-Pacific have undertaken commitments to cross-border data flows in various FTAs and DEAs. The differences in approach to this balance has then fallen to the exceptions provision. In the FTAs to which China is a party the

exceptions provision is broad, similar to the national security exceptions provision in the GATS Article XIV *bis*. In contrast, the FTAs to which the US was a party (CPTPP) as well as the USMCA and DEPA include exceptions provisions more closely modelled on the GATS Article XIV general exception. The net result is that the China style FTAs include far more (almost unfettered) policy space to restrict cross-border data flows.

Going forward, the attention in FTAs and digital trade agreements in the Indo-Pacific is turning to a new range of cutting-edge digital issues. These include AI – where there are nascent commitments –, but more is needed, fintech and cooperation on digital standards to name a few.

5. The Green Tech Race Is a Story for the Entrepreneurial State

Sun Ryung Park, Yves Tiberghien

When US President Joe Biden signed the Inflation Reduction Act (IRA) – the biggest climate spending package in US history – into law, it immediately sparked a heated debate on whether the US, the premier capitalist powerhouse, had decided to take the path of state intervention through subsidisation and industrial policy, under the guise of fiscal policy.¹ The IRA will invest at least US\$369 billion (and up to US\$1 trillion if all matching programmes are used to their full extent) into clean energy to build a domestic clean tech manufacturing sector designed to displace China as the key supplier of critical equipment for solar, wind and batteries.² Given its size and impact, the US' IRA triggered a series of competitive and protectionist measures from the other major trading nations. On 1 February 2023, the European Commission proposed a *European Union Green Deal Industrial Plan for the Net-Zero Age*, pushed by France and Germany to loosen the EU's tight restrictions on state aid, so that member states can match the tax credits and subsidies in the IRA.³ China was the initial first

¹ M. Elkerbout, “[In green subsidy race, EU should not imitate US](#)”, *EUobserver*, 1 December 2022.

² K. Mathiesen and Z. Colman, “[Newest cause for climate optimism? The U.S. rivalry with China](#)”, *Politico*, 20 August 2022.

³ European Commission, “[A Green Deal Industrial Plan for the Net-Zero Age](#)”, 1 February 2023.

mover, with a series of massive measures in support of green technology that have been ramped up since the mid-2010s. In 2021, China poured US\$381 billion of public and private investment into clean energy, outstripping North America by US\$146 billion.⁴ It does give us a sense of *deja vu* of Trump's trade war but what is different this time is that climate change policy, rather than traditional trade policy, provoked this ever-intensifying competition between the two countries.

This acceleration in the green tech race is “not just a collective race against the climate emergency”.⁵ It is a race to invent, produce and deploy green technologies on a massive scale. It is a “green industrial revolution” in which all stakeholders compete against each other for leadership in green technologies and future industries.⁶ The use of classical industrial policy to facilitate economic growth is often seen in emerging countries; however, proactive government support to stimulate green growth is also witnessed in countries with established technology industries in order to give domestic manufacturers an edge over foreign competition.⁷ Now all countries seem to be rushing into a green tech race.

The Indo-Pacific region is the centre of gravity in this race to “go green”. China played a key role in triggering the race through its post-2012 subsidies and industrial policy that aimed to leapfrog other countries. In addition, the Covid-19 pandemic, the US-China trade war and the Russian Federation's invasion of Ukraine have created concerns about the securitisation of technology and the dependence on concentrated global supply chains, often located in rival economies. Governments and analysts highlighted the potential for renewable energy to

⁴ International Energy Agency (IEA), [World Energy Investment 2022 Datafile](#), June 2022.

⁵ S.R. Park and Y. Tiberghien, “[The Indo Pacific's Green Industrial Policy Race](#)”, *East Asia Forum*, 1 November 2022.

⁶ *Ibid.*

⁷ L.C. Stokes, “[The Politics of Renewable Energy Policies: The Case of Feed-in Tariffs in Ontario, Canada](#)”, *Energy Policy*, vol. 56, 2013, pp. 490-500.

stabilise power prices and thus ensure energy security. The US only recently entered the fray with a large industrial policy response such as the IRA bill and the *CHIPS and Science Act*. Both the US and China serve as framers in this green tech race in the Indo-Pacific region. Yet, other East Asian countries like South Korea and Japan have been particularly active. In Southeast Asia, Vietnam and Indonesia are entering the green race with their own strategic plans; while India is starting to approach the domain strategically, with a longer way to go. The choices of these players in the region will have a large impact on the greater dynamic that is unfolding. They are not just balancers or rule-takers, but entrepreneurial innovators in their own right.

This chapter aims to answer the following questions: what explains the rapid acceleration of green technologies in the region? How to assess the developing mix of integration (with China) and decoupling (from China)? What are the actions of key countries and what is driving them?

We argue that the “race to go green” has spurred a reaffirmation of proactive *green entrepreneurial states* and the development of green industrial policies. It is no longer a world dominated simply by the liberal market. Conceptually, the race has set in motion a paradigm shift from market fundamentalism to state activism, challenging the long-standing primacy of the *laissez-faire* economic model.⁸ Market fundamentalism is no longer seen as capable of delivering a green transition in time to avoid the current climate emergency and to one up in the time-sensitive technology race.⁹ The notion is that the nation that wins this competition will be the nation that leads the global economy in the 21st century;¹⁰ in other words, once a country has fallen behind its foreign competition, the odds of reclaiming

⁸ A. Capri, “[Techno-nationalism: The US-China tech innovation race](#)”, Hinrich Foundation, 3 August 2020.

⁹ Park and Tiberghien (2022).

¹⁰ J. Nahm, *Collaborative Advantage: Forging Green Industries in the New Global Economy*, Oxford University Press, 2021.

a leading position are vanishingly small.¹¹ This dire situation shows that it is not just a question of inventing new technology to tackle the climate breakdown, rather it is also a way to attract manufacturers and their supporting industries back home. This new way of thinking is now tilting countries toward state activism by rejuvenating old and new tools of industrial policy to speed up innovation in renewable energy and manufacturing products using such technologies. In the Indo-Pacific region, the green tech race is now seen as a new industrial revolution and as a competition for jobs and economic positions in the next two decades. No one wants to fall behind.

With this overarching scheme, the remainder of this paper will proceed as follow. Part I examines trends in the region's renewable energy mix and green technologies, focusing in particular on the period since 2010. It provides cross-country comparison on renewable electricity generated by solar and wind, and electric vehicles. Part II surveys policy trends in the region and discusses the emergence of the new green entrepreneurial state by analysing the structure, obstacles, and drivers of climate policy in the region, with a strong focus on two leading players, South Korea and Japan. The conclusion offers a brief summary and a future agenda.

Key Green Tech Data And Trends – Exponential Growth and China's Massive Lead

Carbon neutrality and renewables

We have witnessed a clear acceleration of commitments and policy actions in the green energy space since 2015, and especially over the last three years. As noted by the International Energy Agency (IEA), the world's greenhouse gas emissions almost

¹¹ B. Davis, "Did Biden Just Boost U.S. Tech - or Fund a Bunch of Solyndras?", *Politico*, 1 August 2022.

stayed flat at the global level in 2022 (experiencing a mere increase of 0.9%). This is the result of accelerated deployment of green technologies. Of course, such progress is late, and our core share of fossil fuel starts from a very high level. This section presents key energy and emission reference points.

In the Conference of the Parties (COP26) of the United Nations Framework Convention on Climate Change (UNFCCC) in Glasgow in 2021, countries representing more than 80% of the world's GDP announced targets of climate neutrality by 2050-60.¹² The European Commission raised its 2030 target for renewables in the total final energy consumption (TFEC) first to 40% in 2021, then to 45% in early 2022.¹³ Moreover, 151 countries submitted new or updated nationally determined contributions (NDCs) toward reducing their greenhouse gas (GHG) emissions.¹⁴

Although emissions growth has recently slowed down, the world still emits over 34 billion tonnes each year.¹⁵ According to Our World in Data, despite the worldwide commitment to reduce GHG emissions, the world still witnessed an increase in annual CO₂ emissions, with Asia – notably China and India – leading the surge in the past two decades. China's overall GHG emissions increased by 220% between 2000 and 2021, while India's grew by 180%.¹⁶ The world average increased by almost 50% during the same period, while the OECD countries (including the US, the EU and Japan, but not Korea) all peaked in the early 2010s and decreased slowly thereafter. This last data is encouraging, even if the decrease is still too slow.

¹² Organisation for Economic Co-operation and Development (OECD), “Driving Low-Carbon Innovations for Climate Neutrality”, OECD Science, Technology and Industry papers No. 143, Paris, OECD Publishing, March 2023.

¹³ European Commission, *REPowerEU Plan*, 18 May 2022; REN21 Renewables Now, *Renewables 2022 Global Status Report*, Paris, REN21 Secretariat, 2022a.

¹⁴ REN2021 (2022a).

¹⁵ Our World in Data, <https://ourworldindata.org/co2-emissions>

¹⁶ Our World in Data, *CO₂ and Greenhouse Gas Emissions*, August 2022.

Continued increases in GHG emissions can be explained by the fact that fossil-fuel sources (i.e., oil, natural gas, and coal) are still dominant in the US and in the Indo-Pacific countries. Table 5.1 shows the respective shares of fossil fuels, nuclear, and renewables in the overall energy consumption of selected countries.

TAB. 5.1 - BREAKDOWN OF SOURCES OF ENERGY CONSUMED (PRIMARY ENERGY) IN SELECTED COUNTRIES (2021)

COMPARATORS	Fossil Fuels (coal)	Nuclear	Renewables (including Hydro)
US	81% (11%)	8%	11%
Canada	64% (3%)	6%	30%
EU	71% (12%)	10%	20%
INDO-PACIFIC			
China	83% (55%)	2%	15%
Japan	85% (27%)	3%	12%
Korea	85% (24%)	11%	4%
Taiwan	92% (34%)	5%	3%
Indonesia	90% (39%)	0%	10%
Vietnam	78% (50%)	0%	23%
Australia	87% (28%)	0%	13%
India	90% (57%)	1%	9%

Note: "Fossil Fuels" include oil, natural gas, and coal. "Renewables" include hydro.

Source: *bp Statistical Review of World Energy 2022*, Author's Calculations

Table 5.1 shows that fossil fuels are still embedded as the baseload fuel for all advanced industrial economies. Only three places show fossil-fuel shares below 80%: Canada (64%, due to large hydro resources), the EU (71%, due to both nuclear and high usage of renewables), and Vietnam (78%, due to a very rapid increase in renewables).¹⁷ All emerging industrial

¹⁷ The absolute use of renewable energy in Vietnam remains modest despite its rapid increase, with only 0.27 Exajoules consumed in 2021, in contrast to China (11.32 Exajoules), the US (7.58 Exajoules), and Japan (1.32 Exajoules).

economies are still highly dependent on coal: India (57%), China (55%), Vietnam (50%). Additionally, Taiwan, Japan, Korea, and Australia all have coal dependence ratios above 24%.

As for renewables including hydro, the 2021 data listed in Table 5.1 shows that Canada is high at 30% and that Vietnam has reached a remarkable 23% share. China reached 15% in 2021 and will easily pass 20% by 2030. Japan has experienced fast increases, but is only reaching 12% so far, while Korea's share is extremely low at 4%, along with Taiwan's at just 3%. India is coming up fast, currently at 9%. The OECD 2023 report noted that the pace of green technology innovation must accelerate to meet carbon neutrality goals.

In terms of electricity generation (which represents roughly 40% of all energy consumption in most advanced economies), there has been progress away from fossil fuel. Canada scores the best results with only 18% dependence (2021), the EU is down to 35%, and the OECD average stands at 52%. By contrast, the US remains high at 61%, although utilities have switched rapidly from coal to LNG.¹⁸

However, the Russian invasion of Ukraine on 24 February 2022 has generated the greatest modern energy shock on the world economy, according to Dr. Fatih Birol, Executive Director of the International Energy Agency. In a speech delivered in Paris on 5 April 2023, Birol argued that Russia in early 2022 was the No. 1 oil exporter, No. 1 gas exporter, and a major coal and uranium exporter. The series of embargos and sanctions delivered a massive shock to all energy markets, leading to extremely rapid and powerful adjustments.

This shock, in addition to post-Covid inflation and supply chain concerns, dramatically incentivized governments to accelerate the deployment of renewable energy around the world. As of late 2021, solar and wind power provided more than 10% of the world's electricity.¹⁹ In Birol's words, "the

¹⁸ *bp Statistical Review of World Energy 2022.*

¹⁹ REN21 (2022a).

energy crisis turbo-charged the energy transition”.²⁰ He adds: “Before 24 February 2022, the main reason for countries to push green energy was due to climate concerns. Now, there is another strong driver, namely energy security. Many people believe that clean energy is the lasting solution to our energy security problems”. Birol added that industrial policy competition is increasingly providing a third driver as well.

In 2022 alone, renewable energy increased by 25% and global EV sales increased by a staggering 60%.²¹ European reliance on Russian gas collapsed from 40% in February 2022 to 5% today. The EU responded with a mix of energy saving measures and a massive increase of 41% in solar and wind energy within 2022. Electric vehicle sales increased by 15% in the EU in 2022. And contrary to all expectations, the shift away from Russian gas was not accompanied by an increased in emissions. Instead, EU emissions decreased by -2.5% in 2022.

In terms of TFEC, the share of renewables has grown significantly in the past decade. The share of wind, solar, biomass, geothermal, and ocean power has ramped up from almost 0% in 2009 to 2.8% in 2020. During the same period, the share of fossil fuels has slightly decreased from 80.7% in 2009 to 78.5% in 2020. Strengthened political commitments to achieve net-zero targets and rapid growth in electric vehicle sales also indicate increased renewable electricity use in these sectors.²²

The renewable energy sector has continued to enjoy policy support, mainly in the form of targets, incentives, and Covid-19 recovery funding since 2021 – mostly targeting renewable power and transport. While recovery spending on renewables nearly doubled between April and December 2021 reaching US\$677

²⁰ F. Birol, “Tackling the Twin Energy and Climate Crises: An exchange with Fatih Birol, Executive Director of the International Energy Agency”, Paris, Sciences Po, 5 April 2023.

²¹ Ibid.

²² REN21 (2022a); International Energy Agency (IEA), “[World Energy Balances Highlights](#)”, October 2022.

billion, this figure remained well below the annual support that fossil fuels receive in subsidies.²³ Many international organisations have warned that policy support to achieve net-zero targets by the globally committed deadline is insufficient.²⁴ Given the urgency of achieving carbon neutrality, identifying where we are standing now and understanding which country runs faster is a crucial step for policy implications.

Most of our discussion focuses on renewable power and renewable transport, given that these sectors have shown the biggest growth. Remarkably, the renewable share in electricity generation increased from 20% to 28% between 2011 and 2021. All of this increase came from solar and wind power (which went from 2% to 10%); differently, the share of fossil fuels went down 6% during the decade, while nuclear decreased by 2%. All the while the green tech acceleration is expected to continue at an even faster pace over the current decade.²⁵

Cross-country comparison: power generation, solar PV and wind capacity

Renewable power generation recorded 3,657 Terawatt hours (TWh) in 2021, up from 217 TWh in 2000.²⁶ The Indo-Pacific region experienced the greatest surge, particularly in China. As shown in Table 5.2, China represents 32% of global green power generation, followed by the EU (26%), the US (17%), India (5%), and Japan (4%).

²³ Organisation for Economic Co-operation and Development (OECD), “[Key Findings from the Update of the OECD Green Recovery Database](#)”, Tackling Coronavirus (Covid-19): Contributing to a Global Effort, 30 September 2021.

²⁴ OECD (2023); REN21 (2022a).

²⁵ REN21 (2022a).

²⁶ *bp Statistical Review of World Energy 2022*.

Tab. 5.2 - GROWTH AND SHARE OF RENEWABLE ENERGY
IN SELECTED COUNTRIES (2021)

COMPARATORS	Share of World Renewable Generation, 2021	Growth Rates of Renewables in 2011-21 (average per year)
US	17%	12%
Canada	1.5%	9%
EU	26%	10%
INDO-PACIFIC		
China	32%	27%
Japan	4%	15%
Korea	1%	18%
Taiwan	0.3%	14%
Indonesia	1%	13%
Vietnam	1%	73%
Australia	2%	19%
India	5%	15%

Note: "Renewables" include solar, wind, geothermal, and biomass and waste (does not include hydro or nuclear). Authors' calculation.

Source: bp Statistical Review of World Energy 2022.

As of 2021, renewable power capacity grew by 11% to reach a new high of 3,146 GW, driven by the record expansion in solar photovoltaic (PV) and wind power (Table 5.3). Most of the global power capacity newly installed in 2021 was renewable, reaching a record 84%;²⁷ in 2011, the figure was only 43%.

Among green technologies, solar PV and wind power comprised the bulk of new renewable power additions. These markets saw significant growth in 2021, after staying resilient in 2020, with solar PV up by 26% and wind power increasing by 7% (Table 5.3). A record of 175 GW of solar PV was added, accounting for more than a half of the renewable additions.

²⁷ REN21 (2022a).

Wind power propelled the renewable market with overall an addition of 102 GW, representing 32% of the renewable energy total.

TAB. 5.3 - RENEWABLE ENERGY INDICATORS, 2020-21

INVESTMENT	Unit	2020	2021
New annual investment in renewable power and fuels	billion \$	342.7	365.9
POWER			
Renewable power capacity (including hydropower)	GW	2,840	3,146
Renewable power capacity (not including hydropower)	GW	1,672	1,945
Hydropower capacity	GW	1,168	1,195
Solar PV capacity	GW	767	942
Wind power capacity	GW	745	845
Bio- power capacity	GW	133	143
Geothermal power capacity	GW	14.2	14.5
Concentrating solar thermal power (CSP) capacity	GW	6.2	6
Ocean power capacity	GW	0.5	0.5

Source: REN21, Renewable 2022 Global Status Report.

The breakdown of these data by country clearly demonstrates China's dominance in renewables energy capacity, with the Indo-Pacific region following. As of the end of 2021, renewable power capacity – either including or excluding hydropower – was led by China followed by the US, with Germany, India, and Japan ranking in the top five countries. During 2021, China became the first country to exceed 1 terawatt (TW) of installed renewable energy capacity. The country's total installed capacity increased by 136 GW, thus accounting for 43% of the total global capacity additions.²⁸

²⁸ REN21 (2022a).

At the end of 2021, China's total installed capacity (1,032 GW) comprised 355 GW of hydropower, 338 GW of wind power, 309 GW of solar PV, and 30 GW of biopower.²⁹ Countries outside of China added about 179 GW of new renewable capacity, up 29% from 2020 levels and led by the US (42.9 GW), India (15.4 GW), Brazil (10.2 GW), Germany (7.3 GW), and Japan (7.2 GW).³⁰

In term of deployed solar PV capacity, we observe a similar pattern: China holds a massive lead, followed by the EU and the US. As of 2021, China represented 36.3% of deployed global solar capacity, followed by the US (11.1%), Japan (8.8%), India (5.9%), and South Korea (2.2%).³¹ When it comes to actual production of solar panels, China's presence is even more massive. According to the IEA Executive Director Fatih Birol, China's domination of solar panel production in 2022 is as high as 80% of global production. And the entire world production of some crucial modules used in all solar panels is concentrated in just two factories in one single province of China.³² Additionally, 75% of all lithium batteries produced in the world are made in China in 2022.

This stands in great contrast to the situation twenty years ago. In the early 2000s, the global solar industry was dominated by the US, Japan, and Germany, and China barely figured as a player.³³ In the 2000s, Japan enjoyed leadership in the sector until Germany took over the position. From 2005 and 2010, Germany accounted for a stable 45% of global solar capacity, while Japan's share sharply decreased from 31% in 2005 to 9% in 2010. It was only in the late 2010s that China claimed the crown in the solar sector.

²⁹ REN21 (2022a); *bp Statistical Review of World Energy 2022*.

³⁰ REN21, *Renewable Energy Data In Perspective*, Paris, REN21 Secretariat, 2022b.

³¹ REN21 (2022a); REN21 (2022b).

³² Birol (2023).

³³ G.F. Nemet, *How Solar Energy Became Cheap*, London and New York, Routledge, 2019.

Wind turbine capacity is also dominated by China. As in the solar sector, Germany was a traditional wind powerhouse until the mid-2010s;³⁴ the country's share of global wind capacity accounted for 36% in 2000 and 31% in 2005.³⁵ As of 2015, China reached 31% of total wind power production and this figure went up to 40% in 2021, recording 17% annual growth rates. The US had around 16% of global wind capacity in 2021. No other Asia-Pacific countries have a noticeable record in the wind power sector – for example, Japan and Korea have less than 1% of wind capacity each.

China's massive lead in green technologies is not confined to solar and wind power (Table A.3 in the Appendix); the country accounted for 80% of global hydropower additions and an estimated 14.5 GW of offshore wind power additions – more than half of its total previously installed offshore wind capacity.³⁶ Yet, measured at renewable power capacity per capita, China's dominance is dwarfed by European countries: Iceland ranked first, followed by Denmark, Germany, Sweden, and Australia. However, cross-sectoral comparison in hydropower, geothermal and bio shows that China took the initial lead in the green tech race; but the US, Japan, Korea, India, and Vietnam are now intense participants in the competition.

Electric Vehicles³⁷

Along with solar PV and wind production, the electric vehicle (EV) market saw a huge burgeoning since about early 2021. Figure 5.1 shows that global passenger EV sales doubled from

³⁴ K. Hochstetler. "Wind and solar power in Brazil and China: Interests, state-business relations, and policy outcomes", *Global Environmental Politics*, vol. 15, no. 3, 2015, pp. 74-94.

³⁵ *bp Statistical Review of World Energy 2022*.

³⁶ REN21 (2022a).

³⁷ In this chapter, electric vehicles (EVs) include battery electric vehicles (BEV) and plug-in hybrid electric vehicles (PHEV), following BloombergNEF (2022)'s categorisation. BloombergNEF, *Zero-Emission Vehicles Factbook*, A BloombergNEF special report prepared for COP27, November 2022.

the previous year to reach a new record of 6.6 million. The EV surge has continued into 2022: in the first six months of 2022, nearly 4.3 million EVs were sold global.³⁸ In 2012, only 120,000 EVs were sold worldwide, while in 2021, more than that many were sold each week. In 2015, EV sales represented 0.55 million units, but by the end of 2020, that number reached 3.1 million;³⁹ then, sales more than doubled in 2021 to 6.6 million total EVs. Nearly 10% of global car sales were electric in 2021, four times the market share in 2019.⁴⁰ The IEA estimated that there were 16.5 million EVs in circulation at that time.⁴¹ The estimate for 2022 is 10.6 million EVs sold, representing 13% of total car sales.

Both in 2021 and 2022, over 50% of that increase took place in China.⁴² In 2018, the country represented 53.4% of the world EV sales, an increase from 38.3% in 2015. The percentage dropped to 39% 2020, likely due to sluggish demand caused by the Covid-19 crisis. However, it bounced back to 50% in 2021 and 2022.

Outside China, the US has been the next largest market, accounting for 20% of global EV sales in 2015; however, its share has since declined, representing 15.6% in 2019, and 9.5% in 2021. The US' share of global EV sales saw a slight increase in the first half of 2022, reaching 11%.⁴³ Europe was also responsible for 36% of global EV sales in 2021 and 28% in the first half of 2022. Japan and South Korea are actively participating in the global EV game, but their share is still relatively unnoticeable.

³⁸ BloombergNEF (2022).

³⁹ Ibid.

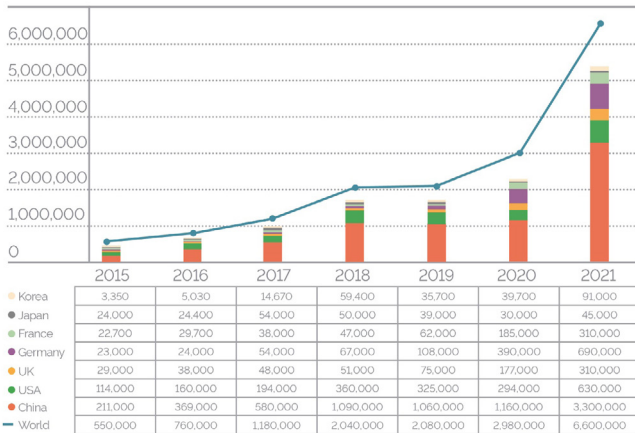
⁴⁰ International Energy Agency (IEA), “[Global EV Outlook 2022 Securing supplies for an electric future](#)”, 2022.

⁴¹ International Energy Agency (IEA), “[Electric Vehicles](#)”, September 2022.

⁴² BloombergNEF (2022); IEA (2022).

⁴³ BloombergNEF (2022).

FIG. 5.1 – EV SALES IN TOP COUNTRIES, 2015-2021



Note: EV car sales include BEV + PHEV. Other types of vehicles such as vans, trucks, and buses are not included

Source: International Energy Agency (IEA), [IEA Global EV Data Explorer](#), Authors' calculation

Multiple factors have driven the success of EVs. Sustained policy support is the main pillar: public spending on subsidies and incentives for EVs nearly doubled in 2021 to almost US\$30 billion.⁴⁴ Countries have increasingly pledged to phase out internal combustion engines to achieve net-zero targets.

New Green Entrepreneurial States: Policy Shifts with Empirical Cases of South Korea and Japan

This section elaborates on the concept of green entrepreneurial state and applies it to East Asian countries, particularly South Korea and Japan, for their active involvement in the green transition. Although the current green tech race is mostly driven

⁴⁴ International Energy Agency (IEA), “[Global EV Data Explorer](#)”.

by China's aggressive lead and a strong response from the US and/or Europe, both Korea and Japan have become extremely active participants since 2020 in the renewables market and related investments. These two countries are placed in the top 10 players for investments in the green transition: according to BloombergNEF, following key European countries, Japan ranks sixth and Korea seventh for investments in the sector in 2022 (US\$23 billion for Japan and US\$19 billion for Korea). These investments are still dwarfed by first mover China (at US\$546 billion) and by the US (at US\$141 billion) but are rising fast. Both are particularly active in renewable energy. EV investments are coming fast as well, as we go forward.

Given their proactive lead in the Asia-Pacific region, identifying the key features of government support for the green transition will yield broader implications for the region.

Green entrepreneurial state

Transition to a low-carbon economy is not just about renewable energy. It is about a new type of industrial strategy for not only tackling climate breakdown but also claiming leadership in future industries. The nature of emerging green technologies – characterised by high risk and high uncertainty – makes the role of governments more crucial than any time before. Unlike the neo-liberalist perspective on the state-market relationship, governments are the only actors capable of underwriting the scale of investments required, of coordinating multiple actors around the common goal of decarbonisation, and of ensuring the costs and benefits of a green transition are distributed equitably across society.⁴⁵ If governments leave the market to sort out problems and abstain from assuming their *entrepreneurial* role in society, it will inevitably lead to a lethargic green transition pace.

⁴⁵ M. Mazzucato, *Public Purpose: Industrial Policy's Comeback and Government's Role in Shared Prosperity*, MIT Press, 2021.

The “entrepreneurial” governments are needed to fund and support early-stage, high-risk research and development (R&D) for which uncertainty discourages corporates; governments can “intervene” with the state by acting as *an investor of first resort* (rather than lender of last resort) and as *a risk-taker* with a clear direction to where the economy is heading.⁴⁶ With the use of dynamic procurement policies to incentivise private sectors to invest in green technologies and to secure demand for the products using such technologies, governments can take on risk and uncertainty.⁴⁷ By doing so, for new innovative products or services, markets can be created and shaped by the “visible hand” of the state.

Indeed, IEA Executive Director Fatih Birol acknowledged this new dynamic in remarks made in Paris on April 5, 2023. He acknowledged that industrial policy is one of the three drivers (along with climate concerns and energy security concerns) that explain why the clean technology transition is going much faster than expected. He noted:

Today, every second EV car in the world is made China ... China does this due to industrial policy. Many countries see this and don't want to fall behind. In the US, the IRA is pushed as a climate driven policy but also to compete with China. Therefore, there will be a competition between China, the US, Japan, and India. I hope that it will be fair, will bring the cost of green energy down, and will help climate change fight.⁴⁸

⁴⁶ M. Mazzucato, [The Green Entrepreneurial State](#), Science Policy Research Unit (SPRU), 2015.

⁴⁷ M. Mazzucato, *Mission Economy A Moonshot Guide to Changing Capitalism*, HarperCollins Publishers, 2021.

⁴⁸ Birol (2023).

Korea's energy transition and the green New Deal

Korea's energy sector is characterised by the dominance of fossil fuels, which in 2018 accounted for around 85% of total primary energy supply (TPES), showing a strong dependence on energy imports at 84% of TPES, and the dominance of industrial energy use at 55% of total final consumption. As noted above, Korea had the lowest share of energy from renewable sources in energy supply among IEA countries.⁴⁹

The Korean government is committed to advancing the country's energy transition by increasing the share of renewable electricity to 20% by 2030 and to 30-35% by 2040. Under the *Paris Agreement*, Korea is committed to limit its emissions to 536 million tonnes of carbon dioxide equivalent (Mt CO₂-eq) in 2030. GHG emissions were 709 Mt CO₂-eq in 2018 and 586 Mt CO₂-eq in 2019, accounting for 2% of global annual emissions.⁵⁰ Achieving these ambitious targets to reach economy-wide net zero by 2050 requires significant changes in the Korean economy, including strong support measures and incentives to encourage renewable energy sources and interventions to rein in GHG in all sectors of the economy – especially in the power sector where emissions have doubled since 2000. Its power and industrial sectors are major contributors to annual emissions at 37% and 36%, respectively.⁵¹ By fuel, coal is the largest source of energy-related emissions, representing 52% of total emissions in 2018.⁵²

On 14 July 2020, the Moon Jae-in administration announced the *Korean New Deal* (“*K-New Deal 1.0*”), launched in response to economic stagnation caused by the Covid-19 crisis. The *K-New Deal* comprises US\$135 billion (160 trillion Korean Won) in investments in both green and digital technologies,

⁴⁹ International Energy Agency (IEA), “[Korea 2020](#)”, *Energy Policy Review*, 2020.

⁵⁰ International Energy Agency (IEA), “[Reforming Korea's Electricity Market for Net Zero](#)”, 2021.

⁵¹ *Ibid.*

⁵² IEA (2020)

including US\$96.3 billion from the Korean Treasury, US\$21.2 billion from local government, and US\$7.3 billion from the private sector.⁵³ The *K-New Deal* is expected to create 890,000 jobs by 2022 and 1,901,000 jobs by 2050.⁵⁴ As a new development strategy, the Deal aims to transform the economy to make it greener, with more digital services, stronger safety nets, and more robust job markets, through massive fiscal support and improved regulations to promote the private sector.⁵⁵ On the same day, Moon made a speech that “the K-New Deal is a declaration for the country’s ‘transformation’ toward a leading country in the global economy. ... The Deal is the reaffirmation of the government’s strong determination to transform the country to a leader in the new technology-intensive, low-carbon economy.”⁵⁶ He added, “It is a new, centennial strategy for the country’s future”.

The K-New Deal 1.0 comprises of two pillars – the Green New Deal and the Digital New Deal. On the green transition side, the Green New Deal (GND) allocated US\$61.9 billion (73.4 trillion KRW) to green initiatives with a strong focus on green infrastructure, renewable energy, and fostering green industry.⁵⁷ As a techno-industrial transformation strategy, Moon’s GND puts its dual emphasis on the creation of a clean energy industry and on a fossil-fuel industry phase-out with ambitious interim targets for 2025 across power, building, industry, and transport sectors.⁵⁸

⁵³ IEA (2020); E. Thurbon, S.-Y. Kim, H. Tan, and J. Mathews, “South Korea’s Green New Deal: A Very Big Deal for Australia”, *Australia*, 15 June 2022.

⁵⁴ International Energy Agency (IEA), “Korean New Deal - Digital New Deal, Green New Deal and Stronger Safety Net”, 16 July 2021.

⁵⁵ Government of Korea, “Korean New Deal”, 30 September 2021 (available at: <https://www.korea.kr/special/policyCurationView.do?newsId=148874860#L5>) (orig. in Korean).

⁵⁶ Government of Korea, “President Moon: The Korean New Deal is the design of a new 100 years for the Republic of Korea”, 14 July 2020 (available at: <https://www.korea.kr/news/policyNewsView.do?newsId=148874662>) (orig. in Korean).

⁵⁷ Government of Korea, “Korean New Deal”, 30 September 2021..., cit.

⁵⁸ Thurbon, Kim, Tan, and Mathews (2022).

First, in promoting the renewable energy industry, the GND aims to expand local solar panel and wind turbine capacity to 42.7 GW by 2025, up from 12.7 GW in 2019. One of the key ideas of the GND is to use digital technology – another pillar of the K-New Deal – to facilitate communication between an energy utility and its customers. For example, the installation of “smart grids” and/or “smart meters” is planned to promptly respond to energy consumption and eventually ensure energy security by making an accurate forecast on energy supply and demand. Second, the GNP plans to have 1.13 million EVs and 200,000 hydrogen-powered fuel-cell EVs (HPEVs) on the roads by 2025. The government aims to roll out 45,000 EV charging stations and 450 hydrogen refuelling units, benefiting homegrown firms such as EM Korea. It is not only to help reduce GHG emissions but to create a domestic market for Korean carmakers such as Hyundai. For buildings, the green transition of infrastructure involves installing solar panels on 225,000 public buildings and schools.

Second, alongside the efforts to create a green industry, the Moon administration introduced measures to expedite the dismantling of the fossil-fuel industry and the nuclear phase-out. The GND reaffirms a 100% renewable energy future, including 20% renewable energy production by 2030. Phasing out of coal-fired power by 2050 and nuclear power by 2060 is another key pillar of the GND.⁵⁹ The country aims to reduce its heavy dependence on oil and gas imports by gradually replacing them with clean hydrogen. As seen in the *Hydrogen Economy Roadmap* (2019), clean hydrogen is predicted to become Korea’s largest energy source by 2050, representing up 70% of total hydrogen use.⁶⁰ Korea’s state-owned utility Korean Gas Corporation (KOGAS) will be transformed from a natural gas supplier into a hydrogen platform operator. The GND provided real momentum for the country’s shift toward a hydrogen-driven economy.

⁵⁹ Ibid.

⁶⁰ Government of Korea, *Hydrogen Economy Roadmap of Korea*, January 2019.

A year later, on July 2021, the Moon administration added the third pillar, “Human New Deal”, to the K-New Deal on top of the GND and the Digital New Deal, to strengthen job stability and secure safety nets in the society.⁶¹ Under this “K-New Deal 2.0”, the government expedited its green transition pace by bumping up government investments (“the Korean New Deal Fund”) from US\$135 billion (160 trillion KRW) to US\$185.2 billion (220 trillion KRW). It further promotes innovation in green industries by providing technology development support for the environment and small- and medium-enterprises (SMEs) in the energy sector, building a green industrial cluster to help in the entire innovation cycle – development, prototype and testing, production and marketing –, and creating 215 billion won worth of public-private joint funds to grow green businesses as well as 1.9 trillion won worth of loans available for investors in environment protection tools and facilities.⁶²

As of June 2021, Korea rolled out an accumulated of 177,000 EVs and 15,000 HPEVs with 72,000 units of charging stations. When it comes to renewable installed capacity, the country exceeded its 2020 target of 4.2 GW by 0.6 GW. For green-related policies and regulations, Korea raised its Renewable Portfolio Standards (RPS) from 10% to 25% by passing the amended *Renewable Law* on April 2021.⁶³

This expedited green transition had an inflection point when Yoon Seok-yeol took office in May 2022. At the Davos Forum, in January 2023, Yoon reaffirmed his willingness to reinstate the nuclear power policies that his predecessor, Moon Jae-in, had sought to scrap. During the speech, he said “as a key means

⁶¹ Government of Korea, “President Moon: Korean New Deal Investment to Expand 2025→160 Trillion by 220”, 14 July 2021 (available at: <https://www.korea.kr/news/policyNewsView.do?newsId=148890141>) (orig. in Korean).

⁶² IEA, “Korean New Deal - Digital New Deal, Green New Deal and Stronger Safety Net”..., cit.

⁶³ RPS requires electric utilities and providers to supply a specified minimum percentage of energy demand with renewable energy sources. Therefore, the higher RPS is, the stricter the renewable requirement is.

to bolster our energy security while reducing our reliance on fossil fuels, we must turn our attention to nuclear power and clean hydrogen. ... Korea's nuclear power ecosystem had faced challenges due to the previous phase-out policies, but we will expand nuclear power generation".⁶⁴ Yoon's recent decision to shift towards nuclear power is not entirely new, as he has been a proponent of nuclear energy as a clean source of power since his presidential campaign.⁶⁵ Instead of focusing on solar, wind or hydroelectric energy, Yoon advocates for the construction of more nuclear reactors to help decrease GHG emissions.⁶⁶ The 10th Basic Plan for Long-Term Electricity Supply and Demand, published in January 2023, aims to increase nuclear power's share of the country's total energy mix to 34.6% by 2036, up from 23.4% in 2018.⁶⁷

What lies behind the reversal of the nuclear phase-out policy is Yoon's focus on nuclear energy as a driver of export growth. This signifies his inclination toward an export-oriented development strategy that was successful in the 1970s and 1980s.⁶⁸ As the country's top salesman, Yoon's commercial diplomacy aims to establish Korea as a leader in building nuclear power abroad.⁶⁹ In October 2022, Poland signed a deal with Korea to build four nuclear reactors, while Turkey and Finland are in discussion to build nuclear power stations using Korean technology. In January 2023, Yoon visited the United Arab Emirates, where

⁶⁴ World Economic Forum (WEF), [Davos 2023: Special Address by Yoon Suk Yeol, President of the Republic of Korea](#), 19 January 2023.

⁶⁵ S.R. Park and C. Bull, "South Korea's nuclear U-turn threatens its green energy transition", *East Asia Forum*, 16 March 2023.

⁶⁶ A. Tan, "South Korea Curtails 'Green' Plans in Push for More Nuclear Energy", *The New American*, 13 January 2023.

⁶⁷ Government of Korea, Confirmation of The 10th Basic Plan for Electricity Supply and Demand (2022~2036), 12 January 2023 (available at: <https://www.korea.kr/briefing/pressReleaseView.do?newsId=156547521>) (orig. in Korean).

⁶⁸ Park and Bull (2023).

⁶⁹ H. Mineghishi, "Yoon pursues commercial diplomacy as South Korea's top salesman", *Nikkei Asia*, 4 February 2023.

the state-run Korea Electric Power Corporation (KEPCO) recently finished building three out of four reactors of its first nuclear power plant outside of South Korea.⁷⁰

Given the heavy share (26.3% in 2021) of nuclear energy in total electricity generation, nuclear energy is hard to rule out for Korea, especially for the green transition as the country is falling behind, particularly in solar and wind power. Korea has the heaviest dependence on nuclear as a power source in the Asia-Pacific region.

However, the current green tech race is not solely aimed at combating the climate emergency but also involves a battle for dominance over future industries by building up domestic manufacturing capacity of green technologies, as losing to foreign competition makes the odds of reclaiming one's position in the global economy small. This nuclear U-turn will likely affect the consistency of the country's green trajectory.

Japan's green transformation (GX) strategy in its green transition

Japan is one of the world's ten largest emitters of GHG. Its GHG emissions have fluctuated between 1,200 MtCO₂-eq and 1,400 Mt CO₂-eq over the past three decades.⁷¹ GHG declined after 2008 but experienced a significant increase in the wake of the 2011 Great East Japan Earthquake and the subsequent nuclear accident at the Fukushima Daiichi Power Plant. The accident led to a higher dependence on fossil fuels in the energy mix. At that point, nuclear energy represented 30% of electricity generation and 16% of total energy consumption. Instantly, nuclear energy production stopped, and Japan had to find alternative sources for its energy mix. The immediate response was to increase energy efficiency, while restarting old electric power plants that used coal, oil, and LNG.⁷² In

⁷⁰ Ibid.

⁷¹ International Energy Agency (IEA), "Japan 2021", *Energy Policy Review*, 2021.

⁷² Y. Tiberghien, "Kishida's Climate Policy and Opportunities for US-Japan

2013, GHG emissions reached 1,408 Mt CO₂-eq, an increase of 8% from 2010 and the highest level in its history. Japan subsequently managed to keep emissions in check and then to achieve a gradual decrease in emissions. In 2018, the figure reached 1,238 Mt CO₂-eq, 12% below the 2013 peak. This decrease represented the second-largest reduction among G7 countries over the period 2013-18.⁷³

The energy sector is the largest emitter of CO₂ emissions. Based on 2020 data, the three leading sectors for CO₂ emissions are electricity generation (40%), industry (24%), and transportation (17%), representing together 81% of Japan's CO₂ emissions. Energy-related emissions have decreased in all sub-sectors since 2000, but this was offset by increasing emissions from power generation. Thanks to the recent decline in GHG emissions, Japan met its 2020 climate change mitigation target ahead of time.

However, achieving carbon neutrality by 2050 requires Japan to substantially accelerate the deployment of low-carbon technologies for steep emission reductions and rethink the country's energy mix and implementation of a wider set of policies than currently contemplated.⁷⁴ Japan's trajectory is still evaluated as "insufficient" per the Climate Action Tracker, an independent scientific tracking programme of government climate action toward the Paris Agreement goals.⁷⁵

Back in 2015, at the United Nation's 21st Conference of the Parties (COP21) in Paris, Japan submitted its nationally determined contribution (NDC) at a conservative 26% reduction of GHG by 2030 from the 2013 baseline and set its target for renewable sources in electricity generation at 22-24% by 2030.⁷⁶ At the time, Japan was constrained by its

Cooperation", *Asia Policy*, vol. 18, no. 1, 2023, pp. 49-65.

⁷³ IEA, "Japan 2021" ..., cit.

⁷⁴ Ibid.

⁷⁵ Climate Action Tracker, "Japan" (available at: <http://climateactiontracker.org/countries/japan>).

⁷⁶ Tiberghien (2023).

nuclear-power difficulties and unwilling to commit to major new targets.

On 26 October 2020, the new Prime Minister Suga committed in principle (but without a plan) to achieve net-zero carbon neutrality by 2050.⁷⁷ Suga set out that “addressing climate change is no longer a constraint on economic growth” and that Japan needs to adjust “to a paradigm shift that proactive climate change measures bring transformation of industrial structures as well as our economy and society, leading to dynamic economic growth”. This is a defining moment for Japan’s future energy and climate policies, showing that the focus of the country’s industrial strategy will be on promoting innovation in green technologies. Suga also addressed the need for regulatory reforms to support green investments, with a view toward Japan leading the global green industry. Similar to Korea, another key aspect of Suga’s vision for a decarbonised society by 2050 is the digital transformation of the economy.⁷⁸

In December 2020, the Ministry of Economy, Trade and Industry (METI) announced its new “Green Growth Strategy in line with carbon neutrality in 2050”. The strategy is designated as an industrial policy and promotes the creation of a virtuous cycle of economic growth and environmental protection, together with the business community.⁷⁹ It was an extension of Suga’s speech that recognised that proactive climate policy will transform not only industrial structures but also the economy. The Green Growth Strategy identifies 14 sectors with high growth potential, such as eco-friendly automobiles, batteries, carbon recycling, as indispensable industries for carbon neutrality.⁸⁰ The government is also counting on an

⁷⁷ Prime Minister of Japan and his Cabinet, [Policy Speech by the Prime Minister to the 203rd Session of the Diet](#), Speeches and Statements by the Prime Minister, 28 October 2020.

⁷⁸ IEA, “[Japan 2021](#)”..., cit.

⁷⁹ Ibid.

⁸⁰ Ministry of the Economy, Trade and Industry (METI), “[Green Growth Strategy Through Achieving Carbon Neutrality in 2050](#)”, 5 December 2020.

ambitious expansion of renewables, a recovery of nuclear power and the deployment of new green technologies, including low-carbon hydrogen, which is expected to play a central role in the country's green transition.

Suga worked with his government to prepare a comprehensive action plan and pathway to accomplish that transformation. This process worked with a late April target, given the Biden Green Summit that was going to take place on 22 and 23 April 2021. In April 2021, Suga officially committed to a 46% decrease of emissions by 2030 (from 2013 levels), a significant increase from the 26% reduction pledge made in the 2015 Paris Agreement. He added a commitment to stop the financing of all coal projects abroad.

Confirming Japan's major shift in climate and energy policy was the official speech by the next Prime Minister Kishida at COP26 in Glasgow on 2 November 2021. The speech reaffirmed the pledges made by his predecessor, Suga, particularly the 46% cut in GHG emissions by 2030 compared to 2013 levels.⁸¹ At his first Diet policy speech in early 2022, Kishida built on the Suga cabinet's direction and connected climate action to his commitment to a "new form of capitalism". He pledged commitment to "a major transformation of our economy and society as a whole" and so to developing a clean energy strategy.

In December 2022, Japan unveiled the Green Transformation (GX) Strategy which renewed the focus on energy security and GHG emissions reduction along with regulatory, financing and technology development priorities for the green transition of 22 industrial sectors. The Kishida government's climate change policy is essentially built on the Suga cabinet's blueprint and the GHG reduction targets of 46% by 2030. One exception is Kishida's willingness to consider restarting conventional nuclear power plants, but also the construction of smaller nuclear reactors using advanced technologies.⁸²

⁸¹ E. Johnston, "With one notable exception, Kishida's climate policy is similar to his predecessors", *The Japan Times*, 19 October 2022.

⁸² *Ibid.*

A personal interview with a Japanese journalist also confirmed that Kishida's GX is a reaffirmation or a continuation of Suga's "Green Growth Strategy".⁸³ As "invisible hands" over the government, Suga urged Kishida's cabinet to continue promoting renewable technologies such as solar and wind, as well as hydrogen or ammonia. It is also clear that without relying on nuclear power, Japan's net-zero targets and smooth green transition is unlikely to be achieved. The GX strategy is two-fold; one is green technology itself and the other is production capacity of goods using such technologies. Japan has insufficient capacity in most segments in the solar and wind power supply chain, and thus it is at competitive disadvantage.

Crucially, "the acceleration of climate policy under the Suga and Kishida governments of the last two years has been driven by political leadership in response to both competition in East Asia and overtures from the Biden administration. Most crucially, Japan's stepped-up commitments include a comprehensive vision of economic and energy security that views the current competition over green technology in the Indo-Pacific as crucial for future economic competitiveness. Under the GX (Green Transformation) strategy, industrial policy is back".⁸⁴

Interestingly, the GX strategy is deployed alongside the DX (digital) strategy, which sees the digital/AI industrial revolution as essential for the future of the economy and of Japanese competitiveness. For Japan, the climate space has transitioned from environmental policy to industrial and strategic policy in the context of a comprehensive transformation.

Other players in the Indo-Pacific region

Table A.4 in the Appendix summarises all the climate and energy commitments and policies of countries in the region. It

⁸³ Interview is conducted by Sun Park, on March 21st, 2023, at the University of British Columbia.

⁸⁴ Park and Tiberghien (2022); Tiberghien (2023).

is noteworthy that all countries in the region (including North Korea) have made nationally determined plans. They also all operate in a space that is now the scene of intense competitive dynamics over green technology among the key players, as discussed in this paper. India has a huge industrial interest in solar energy, as well as green hydrogen, and is moving fast in these two domains. India is also actively involved in developing a source of lithium production and processing to reduce dependence on China.

Players, such as Taiwan, Vietnam, Indonesia, Malaysia and Thailand, are all actively devising green policies and investment or industrial strategies in the space. This will be a fast-moving space in the years to come.

Conclusion

This chapter has demonstrated that green technology, especially in electricity generation and transportation, has experienced a dramatic and exponential rise since 2021. We argue that a new strategic mindset has accompanied this rise. Climate policy and green technology are no longer regarded as just mitigation for a public bad. Rather, a growing number of governments have started to regard green technologies as a new green industrial revolution, which, alongside the digital/AI revolution, is remaking the global economy and the sources of economic power for the coming decades.

This race is particularly intense in the Indo-Pacific region. China was the first large-scale strategic mover in the green technology space, active since about 2012. Currently, China represents 50% of annual increases in solar, wind and EVs. However, not only the US but also Japan, Korea, Vietnam, and India now see green technologies as a space for critical competition over economic strategy. And all Indo-Pacific players (including the US) now see the stakes in the domination of the green tech market as so high that they are all investing in industrial policies and direct state interventions.

The competition may indeed accelerate the peaking of greenhouse emissions, but it also means that the green transition will not be a liberal story.

Appendix

TAB. A.1 - SHARES OF NET ANNUAL ADDITIONS IN POWER GENERATING CAPACITY, 2011-21 (WORLD TOTAL)

Electric Car Stock (millions)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Non-renewable share	57%	49%	46%	49%	37%	42%	35%	42%	22%	21%	16%
Renewable share	43%	51%	54%	51%	63%	58%	65%	58%	78%	79%	84%

Note: Renewable additions of 314.4 GW consisted of 175.0 GW solar PV, 102.0 GW wind power (gross additions), 26.7 GW hydropower, 10.3 GW biopower, 0.4 GW geothermal power and a net decline of CSP capacity of 0.1 GW.

Source: REN21 (2022).

TAB. A.2 - RENEWABLE ENERGY IN TOTAL FINAL ENERGY CONSUMPTION (TFEC)

	2009	2019	2020
Total Final Energy Consumption	100.0%	100.0%	100.0%
Fossil fuels	80.7%	79.6%	78.5%
Nuclear energy	2.6%	2.3%	2.3%
Traditional biomass	8.0%	6.5%	6.7%
Hydropower	0.0%	0.0%	3.9%
Biomass/geothermal heat	0.0%	0.0%	4.8%
Biofuels for transport	0.0%	0.0%	1.0%
Wind/solar/biomass/geothermal/ocean power	0.0%	0.0%	2.8%
Modern renewables	8.7%	11.7%	12.6%

Source: REN21 (2022) Renewable 2022 Global Status Report; IEA (2022) World Energy Balances Highlights.

TAB. A.3 - TOTAL POWER CAPACITY AS OF END-2021

POWER	1	2	3	4	5
Renewable power capacity (including hydropower)	China	United States	Brazil	India	Germany
Renewable power capacity (not including hydropower)	China	United States	Germany	India	Japan
Renewable power capacity per capita (not including hydropower) ¹	Iceland	Denmark	Germany	Sweden	Australia
Bio-power capacity	China	Brazil	United States	India	Germany
Geothermal power capacity	United States	Indonesia	Philippines	Turkey	New Zealand
Hydropower capacity ²	China	Brazil	Canada	United States	Russian Federation
Solar PV capacity	China	United States	Japan	India	Germany
Concentrating solar thermal power (CSP) capacity	Spain	United States	China	Morocco	South Africa
Wind power capacity	China	United States	Germany	India	Spain

Note: Most rankings are based on absolute amounts of investment, power generation capacity or output, or biofuel production; if done on a per capita basis, national GDP or other, the rankings would be different for many categories (as seen with per capita rankings for renewable power not including hydropower and solar water heating collector capacity).

Source: REN21 (2022).

TAB. A.4 - NET-ZERO TARGETS IN SELECTED COUNTRIES
(AS OF 13 MARCH 2023)

Name	end target	end target year	end target status	Status date	Interim target	Interim target % reduction	Interim target baseline year	Interim target year
Canada	Net zero	2050	In law	2021	GHG target	45	2005	2030
US	Net zero	2050	In policy document	2021	GHG target	52	2005	2030
France	Net zero	2050	In law	2020	GHG target	55	1990	2030
Germany	Climate neutral	2045	In law	2021	GHG target	65	1990	2030
Italy	Climate neutral	2050	In law	2021	GHG target	55	1990	2030
UK	Net zero	2050	In law	2020	GHG target	68	1990	2030
EU	Climate neutral	2050	In law	2020	GHG target	15	1990	2030
Bangladesh	Net zero	2050	Proposed/in discussion	2019	GHG target	55	2012	2030
China	GHG Neutrality	2060	In policy document	2021	Emissions intensity target	65	2005	2030
Japan	Net zero	2050	In law	2021	GHG target	46	2013	2030
South Korea	Net zero	2050	In law	2021	GHG target	40	2018	2030
New Zealand	Net zero	2050	In law	2020	GHG target	50	2005	2030
Pakistan	Net zero	2050	Proposed/in discussion	2019	Reduction v. BAU	50		2030
Indonesia	Net zero	2060	Proposed/in discussion	2021	GHG target	29	2030	2030
India	Net zero	2070	Declaration pledge	2022	Emissions intensity target	45	2005	2030
Malaysia	Carbon Neutrality	2050	Declaration pledge	202	Emissions intensity target	45		2030
Philippines	Reduction v. BAU	2030	Proposed/ in discussion	2021	No target			2030
Thailand	Net zero	2065	Proposed/in discussion	202	Reduction v. BAU	30		2030
Vietnam	Net zero	2050	Proposed/ in discussion	2022	Reduction v. BAU	15.8		2030
Singapore	Net zero	2050	Proposed/ in discussio	2022	Other			2030

Sources: author collected the data from the Energy and Climate Intelligence Unit (2023) *Net Zero Tracker*.

6. ASEAN Strives for Regional Centrality in the Age of Great Power Competition

Rahul Mishra

The emergence of the Indo-Pacific construct has led to a mix of responses in the region. While the US, Japan, India, Australia, Indonesia and several western countries, including France and Germany, have been enthusiastic about the Indo-Pacific, countries such as China and Russia have been sceptical about it. The rise of the Indo-Pacific has caused anxieties in the Southeast Asian region, prompting the Association of Southeast Asian Nations (ASEAN) and its member countries to reconsider their strategic and foreign policy options. Competing visions for the Indo-Pacific have emerged as a significant factor in this environment. In order to keep its centrality intact and present its own set of norms and rules, ASEAN issued its own *ASEAN Outlook on the Indo-Pacific* (AOIP) in 2019.

It was not a surprising development given the Indo-Pacific has become a buzzword over the past five years, but what was more intriguing was the need for ASEAN to clearly state its policy amid growing US-China great power rivalry.

China's rise has been largely identified by the proponents of Indo-Pacific as a threat to the rules-based order. While China's rise and its assertive postures were at the core of consolidation of the Indo-Pacific discourse, the majority of ASEAN member states still do not consider China an existential threat. To many in the region, the rise of China is a mixed bag of opportunities and challenges. Seemingly, the US strategy to project the

Indo-Pacific as an order, even though rules-based, aims to single out China for failing to meet the defining principles of a rules-based liberal international and Indo-Pacific order. For China, the exclusion of China is alarming as it might lead to a Cold War 2.0 of sorts, which would affect ASEAN in more ways than one, turning the region into a geopolitical rivalry theatre. While there are both pioneers/proponents (India, US, Japan, Australia) and sceptics such as ASEAN, both China and Russia are opposed to the Indo-Pacific. ASEAN and most of its members support a rules-based order but they have been trying their best to avoid choosing between China and the US. This chapter attempts to comprehensively analyse the strategic objectives of the Indo-Pacific, ongoing debates about its promises and likely pitfalls, and responses from and challenges for ASEAN.

Emergence of the Indo-Pacific Construct

In general terms, the Indo-Pacific refers to a strategically significant area stretching from the East African littoral to East Asian waters, including the Middle East, the Indian Ocean and the Western Pacific Ocean. This has become one of the most debated and speculated terms in contemporary strategic and foreign policy discourse. However, the term Indo-Pacific has actually been in use for centuries. In 1655, Dara Shikoh, a Mughal prince, termed the Indo-Pacific as a confluence of civilisation which was also referenced in the landmark speech of the late Japanese Prime Minister, Shinzo Abe, in the Indian Parliament in 2007. In the 1920s, a German geographer, Karl Haushofer, did substantial work on the Indo-Pacific.¹ In 2007, an Indian scholar, Gurpreet Khurana, highlighted the significance of the Indo-Pacific amid growing India-Japan cooperation and insecurity of the sea-lanes.²

¹ “The “Indo-Pacific”: Intellectual Origins and International Visions in Global Contexts”, *Modern Intellectual History*, vol. 19, no. 3, September 2022, pp. 807-833.

² G.S. Khurana, “Security of Sea Lines: Prospects for India-Japan Cooperation”,

Abe was the first global leader to bring the Indo-Pacific construct to prominence when he gave a speech at the Indian parliament in 2007. The concept of the Indo-Pacific is intended to combine the strategic thrust of the Indian and Pacific Oceans by involving the leading maritime powers but leaving China out. In Abe's terms, it is a vision for the "Confluence of the Indian and Pacific Oceans" as "the dynamic coupling as seas of freedom and of prosperity" in the "broader Asia".³ While the term was first officially used in Australia's Defence White Paper in 2013, India, Japan, Indonesia and the United States have been projecting the Indo-Pacific as a zone of rules-based order. The word has acquired currency as the US administration actively promotes it as the primary concept for re-engaging with Asia and keeping the strategic balance in its favour. Apart from China's increasingly assertive behaviour, another narrative that aided the emergence of the Indo-Pacific construct was the inclusion of India. India was not accepted as a member of the Asia-Pacific Economic Cooperation (APEC) and was largely missing from the Asia-Pacific narrative. For countries such as the United States, initially, the Indo-Pacific meant a construct that included India but excluded China. This was to draw India more closely to the idea of a rules-based order and closer partnerships with other pioneers.

For India, the Indo-Pacific concept, like the new policy ideas on regional engagement that preceded it – the Look East policy and the "extended neighbourhood" – has been articulated in ways that are also compatible with long-standing ideas – such as non-alignment – about what constitutes appropriate international behaviour.⁴ India was the first country to

Strategic Analysis, vol. 31, no. 1, 2007.

³ Ministry of Foreign Affairs of Japan (MOFA), "[Confluence of the Two Seas](#)" Speech by H.E.Mr. Shinzo Abe, Prime Minister of Japan at the Parliament of the Republic of India.

⁴ P. Chacko, "The rise of the Indo-Pacific: understanding ideational change and continuity in India's foreign policy", *Australian Journal of International Affairs*, vol. 68, no. 4, 2014.

emphasise ASEAN centrality in the Indo-Pacific. In 2018, at the Shangri-La Dialogue, the Indian Prime Minister, Narendra Modi, illustrated India's Indo-Pacific vision. He stated, "The ten countries of Southeast Asia connect the two great oceans in both the geographical and civilisational sense. Inclusiveness, openness and ASEAN centrality and unity, therefore, lie at the heart of the new Indo-Pacific. Like ASEAN, India also does not see the Indo-Pacific Region as a strategy or as a club of limited members".⁵ Other proponents of the Indo-Pacific followed suit and made ASEAN centrality an essential feature of their Indo-Pacific visions and documents. For example, Japan has made ASEAN centrality an important condition for ensuring a free and open Indo-Pacific and rules-based international order.⁶ According to US National Security Strategy:⁷

A free and open Indo-Pacific can only be achieved if we build collective capacity. We are deepening our five regional treaty alliances and closest partnerships. We affirm the centrality of ASEAN and seek deeper bonds with Southeast Asian partners. We will expand our regional diplomatic, development, and economic engagement, with a particular focus on Southeast Asia and the Pacific Islands.

Even though ASEAN centrality has been emphasised by several countries while enunciating their Indo-Pacific policies, there are clearly competing visions, and to put it simply, Indo-Pacific means different things to different countries. Being an endorsee of the Indo-Pacific does not mean there is a greater alignment and convergence regarding the strategic importance of the Indo-Pacific. To put this in context, some countries, particularly the US, have come up with their own understanding and given a certain significance to the Indo-Pacific, while for others such as India, the Indo-Pacific is still perceived as a vision. Some

⁵ https://www.pmindia.gov.in/en/news_updates/pms-keynote-address-at-shangri-la-dialogue/

⁶ Ministry of Foreign Affairs of Japan, *Free and Open Indo-Pacific*.

⁷ White House, *National Security Strategy*, Washington, October 2022.

countries have used the term vision to highlight their Indo-Pacific policies primarily to eradicate the military implications attached to the term “strategy”.⁸ The more vague and open-ended term “outlook” has been used by ASEAN. As China was explicitly excluded, several countries while endorsing the Indo-Pacific wanted to convey that their participation is not aimed at any third country [read China].

ASEAN Outlook on the Indo-Pacific

After several countries incorporated ASEAN centrality into their Indo-Pacific policies, ASEAN issued its own outlook in 2019. At the 34th ASEAN Summit in Bangkok on 23 June 2019, ASEAN released the *ASEAN Outlook on the Indo-Pacific* (AOIP), a five-page non-binding document outlining important areas of cooperation to be pursued as well as the procedures and principles by which these will be accomplished. The AOIP looks to be an attempt by ASEAN to not only remain central in the region’s ongoing discourse and advancements, but also to define its trajectory. “This document is a formal announcement of the incorporation of the ‘Indo-Pacific’ into ASEAN’s security discourse to exist alongside other geographical notions, such as East Asia and the Asia-Pacific, and to treat the Indian and Pacific Oceans as one strategic space”.⁹

While the initial mandate of the pioneer Indo-Pacific countries was to check China’s rise, the reason for ASEAN to release the outlook was not China. On the contrary, what it was aiming to do was to steer clear of the great power rivalry. The Southeast Asian region has always been susceptible to pulls and pushes exerted by great powers. From the times of the launch of the Southeast Asia Treaty Organisation (SEATO) and even ASEAN (the formations of which was facilitated by the UK

⁸ Sundaraman (2023), p. 11.

⁹ B. Singh and H. Tsijeng Zhizhao, “ASEAN Outlook on Indo-Pacific: Seizing the Narrative?”, RSIS Commentary, 23 January 2020.

and to some extent the US) to the East Asia Summit (EAS) – involving both Russia and the US, in addition to ASEAN and its six dialogue partners – and the ASEAN Defence Ministers Meeting-Plus (ADMM-Plus), the regional dynamics have been shaped by the rising powers as well as superpowers. Over the past half-century, ASEAN has also managed to not only find a *modus vivendi* to effectively deal with great power politics but also survive and thrive in these times of transition from a unipolar to a more multipolar order – defined as a “multiplex order” by Amitav Acharya.^{10,11}

Assessing the ASEAN “Outlook” on the Indo-Pacific

ASEAN’s objectives have been to preserve the sanctity of the existing ASEAN-led mechanisms, keep ASEAN in the driver’s seat and minimise the impact of the ongoing rivalry, while opting for cooperation with both the US and China. As the text of the AOIP explains, the ASEAN Outlook on the Indo-Pacific consists of the following key elements:¹²

A perspective of viewing the Asia-Pacific and Indian Ocean regions, not as contiguous territorial spaces but as a closely integrated and interconnected region, with ASEAN playing a central and strategic role – An Indo-Pacific region of dialogue and cooperation instead of rivalry –An Indo-Pacific region of development and prosperity for all – The importance of the maritime domain and perspective in the evolving regional architecture.

Concerns over conflicting accounts of the Indo-Pacific served as one of ASEAN’s main driving forces in developing its own “outlook” on the region. As practically all its main allies and

¹⁰ Ministry of Foreign Affairs of Japan, [Free and Open Indo-Pacific](#).

¹¹ A. Acharya, *The end of American world order*, Cambridge, UK, Polity, 2018.

¹² “[Asean Outlook on the Indo-Pacific](#)”, Final, January 2021.

dialogue partners unveiled their respective official Indo-Pacific policies, ASEAN was forced to develop its own strategy as well. It is interesting to note that ASEAN did not use the term “Indo-Pacific” prior to the release of its AOIP. By releasing the outlook, ASEAN has made several attempts to achieve its goals. First, by having its own AOIP, ASEAN has made several points amply clear, the most important of which is its reluctance to initiate or endorse any new regional initiative. Secondly, with its AOIP, ASEAN has also adopted its own set of norms rather than borrowing from others. Acharya describes it as ASEAN’s tried-and-tested way of maintaining regional peace and stability through norm-setting. The lack of forceful phrases or tone, the inclusion of certain terms like “inclusivity” and the exclusion of others, such as any reference to China or the United States, were signs that ASEAN was providing an alternative route. ASEAN’s concerns over US-China rivalry and its efforts to steer clear of their spiralling competition is also evident from the fact that while the AOIP attempts to bridge the Indo-Pacific strategies of the contesting parties, it incorporates key ASEAN principles – i.e., inclusivity, non-intervention, dialogue, cooperation – that have guided regionalism and peace-building in this region. It proposes utilising existing ASEAN-centred regional architecture such as the East Asia Summit (EAS), the ASEAN Plus One mechanisms, ASEAN Regional Forum (ARF) and ADMM-Plus to achieve this. Singh and Tsjeng argue:¹³

As such, the AOIP is arguably a relatively good beginning for ASEAN to define its role in the emerging Indo-Pacific order. Despite the expected disagreements between member states during the negotiation process, the final outcome displayed ASEAN’s ability to come together to set the direction for a sub-regional institution in light of the rising uncertainty in the strategic environment. The AOIP made sure that ASEAN was not left out or ignored in the larger debate on the Indo-Pacific that has been mainly led by the great/major powers. In contrast, an inability to even issue any document – similar to the

¹³ Singh and Tsjeng Zhizhao (2020).

non-issuance of joint statements in previous ASEAN meetings in 2012 and 2015 – would be a clear signal of ASEAN’s failure to come to a consensus on the Indo-Pacific Concept.

Essentially, the AOIP is not only intended to provide its own perspective on direct cooperation, but also to reinforce current ASEAN-led institutions, while maintaining their comprehensiveness, to guarantee that the organisation remains inclusive enough to support the continuation of peace, freedom and prosperity in the region. ASEAN is aware that the US and China’s backing is necessary for the region to stay stable and peaceful. Here, inclusivity is a crucial component. As a result, consistent with ASEAN’s key principles, it has maintained its Indo-Pacific centrality by adopting a policy of the lowest common denominator.

As expected, with its inclusive and rather ambivalent attitude, AOIP has attracted more criticism than praise. Suffice it is to say that these reactions have been mixed. Some have applauded it, while others have declared it inadequate and described it as “old wine in a new bottle”.¹⁴

If initial responses on the ground are anything to go by, then the AOIP appears to have achieved some success. Japan, India, the EU and even the US and China have welcomed it, naturally highlighting aspects of it that their respective Indo-Pacific strategies share. Nevertheless, acknowledging similarities is far from de-intensifying regional contest. Tensions are expected to remain, and possibly increase. The contest is also manifesting itself in the new institutions being established – i.e., QUAD (Quadrilateral Security Dialogue) and AUKUS (Australia, United Kingdom and United States) – and in old alliances being strengthened. Whether these can challenge the existing regional architecture remains to be seen, but the status quo has nonetheless changed. If there is a doomsday clock, we are closer to the hour mark than we have ever been.

¹⁴ Ibid.

The challenge for ASEAN is to remain a united and cohesive unit during this new age of contest. ASEAN has consistently remained neutral, in recognition of how the complex and dependent relationships that individual member states have with both China and the US can easily tear the organisation apart. ASEAN's failures to achieve consensus on the South China Sea issue in 2012 and 2016 are evidence of this. Acharya argues,¹⁵

While some Western observers dismiss Outlook's importance because it does not target China specifically or carry compliance measures, but this criticism misses the point: this is how ASEAN has been doing its business since its founding. ASEAN's main roles in regional security have been in norm-setting and confidence-building, rather than in exercising hard power or conflict-resolution. What's disappointing is not the document, but the gap between how the West sees ASEAN and how ASEAN sees itself. ASEAN is bound to disappoint those who would like to see it act like a great power in a classical concert of powers. This is not what ASEAN is nor what it will ever be.

Despite continued scepticism about and sometimes frustration with ASEAN, it remains, whether by design or circumstances, relevant to regionalism and peace-building. The AOIP, and its possible derivatives e.g., Asean Maritime Outlook (AMO), can be a viable alternative pathway if leveraged strategically. It offers the contesting powers a convenient fallback position – a lowest common denominator – if they want it. For this to be effective, it requires unanimity among the ASEAN members.

¹⁵ A. Acharya, "Why ASEAN's Indo-Pacific outlook matters", *East Asia Forum*, 11 August 2019.

Challenges and Opportunities for ASEAN

The AOIP sheds further light on ASEAN's concerns on the strategic front. For example, it mentions "avoiding the deepening of mistrust, miscalculation, and patterns of behaviour based on a zero-sum game". These words amply express ASEAN's concerns about miscalculations and the likelihood of an unintentional war between China and the US (and its allies), as well as the rapidly escalating tensions between them over the Taiwan question and the South China Sea. Two of the founding nations of ASEAN, Indonesia and Malaysia, consider the development of minilateral organisations like AUKUS as an example of the region's zero-sum game mentality.

Recognising the benefits of QUAD and its role as a security provider in the Indo-Pacific region, ASEAN and its member states have endorsed the proposal to varying degrees. However, they have not formally joined it or made any formal declarations in this regard. Certain Southeast Asian nations may find the idea of the QUAD boosting ASEAN institutions more appealing than the idea of the QUAD being enlarged into a "QUAD Plus" by including nations such as South Korea, New Zealand and Vietnam. The struggle between China and the United States for influence in Southeast Asia is at the heart of their Indo-Pacific rivalry. Southeast Asia's post-colonial elites, on the other hand, are less open to Washington's warnings about Chinese military and economic pressure, as well as the language of upholding a "rules-based order". Choosing one model over another will not be appealing to Southeast Asian countries.

Clearly, ASEAN does not want any exclusivity in developing a regional order. The AOIP declares unequivocally that existing regional institutional frameworks are adequate for governing the Indo-Pacific order. It

entails further strengthening and optimising ASEAN-led mechanisms such as the East Asia Summit (EAS), the ASEAN Regional Forum (ARF), the ASEAN Defence Ministers Meeting

Plus (ADMM-Plus), the Expanded ASEAN Maritime Forum (EAMF), and others such as the relevant ASEAN Plus One mechanisms.¹⁶

With a sharp focus on avoiding a “zero sum game” and keeping the Indo-Pacific region away from rivalry, ASEAN makes it abundantly clear that it does not support any new initiatives. The role and scope of the QUAD becomes very important in that context.

The most difficult problem for ASEAN is resolving perceptual gaps between the AOIP and the QUAD. Shinzo Abe proposed the Quadrilateral Security Dialogue in 2007, and it was reactivated in 2017 in Manila. Different players view the QUAD differently. While China formerly referred to it as sea foam, the same QUAD of Japan, India, Australia and the United States is now referred to by China as an example of a Cold War mindset aimed at containing China. QUAD has positioned itself as a security provider to the Indo-Pacific regional order through increased institutionalisation and intra-institutional collaboration. For ASEAN, which believes in maintaining the regional strategic equilibrium, this may sound reasonable, but only if the QUAD and China do not engage in hot or cold conflict. Australia, Japan and ASEAN have already made efforts to ensure that ASEAN and its venues are not utilised for the pursuit of systemic rivalry. These two Asian behemoths’ efforts have been lauded. Another difficulty for ASEAN is to ensure that the QUAD does not permeate the ASEAN system, at least in terms of membership. However, ASEAN cannot refuse a member country’s membership. As a result, the “QUAD Plus” challenge appears to be not only real but also daunting. Countries such as Vietnam and Indonesia are believed to be the next QUAD Plus members. Kei Koga (2023), argues that ASEAN and QUAD should work towards alleviating institutional competition. They could do it through careful utilisation of “strategic ambiguities

¹⁶ [Asean Outlook on the Indo-Pacific...](#), cit.

about the institutional division of labour in the Indo-Pacific. However, such strategic ambiguities do not resolve normative inconsistencies between the QUAD and ASEAN, which would probably trigger institutional competition in the future. To resolve such difficulties, both the QUAD and ASEAN need to create a mechanism that clarifies their regional institutional division of labour”.¹⁷ While this proposition sounds interesting, its acceptability and execution seem uphill tasks for both ASEAN and QUAD.

While ASEAN has not made an official declaration on the QUAD and has left it up to individual countries to reply, it is still open to starting a dialogue with QUAD. Attempts have also been made to launch “QUAD Plus”, which is thought to be an extended version of QUAD with potential members South Korea, New Zealand and Vietnam. According to others, with QUAD and QUAD Plus as entirely new efforts, ASEAN risks becoming strategically sidelined as great power competition intensifies. To combat this, ASEAN must clearly outline its strategic vision, action plans and new Indo-Pacific endeavours.¹⁸ This could be why India has been attempting to make the QUAD more inclusive in terms of agenda. India’s role in softening and broad-basing QUAD has not gone unnoticed in the ASEAN region.

One of the primary impediments for ASEAN member countries is the organisation’s inability to create credible security frameworks that are effective in dealing with worries generated by great power competition, which drives them to seek assistance from great powers and power-based institutions. Existing systems such as ARF, ADMM Plus and EAS are ineffective in dealing with the rising Indo-Pacific dynamics (in their existing forms). Furthermore, as ASEAN members turn to non-ASEAN mechanisms to address strategic issues, such

¹⁷ K. Koga, “Institutional Dilemma: Quad and ASEAN in the Indo-Pacific”, *Asian Perspective*, Johns Hopkins University Press, vol. 47, no. 1, Winter 2023, pp. 27-48.

¹⁸ K. Koga, [Interview – Kei Koga](#), November 9.

as bilateral and minilateral alliances or international courts, ASEAN cannot restore its importance. Responding to ASEAN's critics for failing to publish a strongly written, clearly elucidated text, Acharya argues, as already stated before, "While some Western observers dismiss Outlook's importance because it does not target China specifically or carry compliance measures, but this criticism misses the point: this is how ASEAN has been doing its business since its founding".¹⁹ Acharya rightly points out that instead of using force or resolving conflicts, ASEAN's primary tasks in regional security have been norm-setting and confidence-building.

Notwithstanding their diminished influence on hegemonic countries, ASEAN and its issues are nevertheless taken into consideration. ASEAN may have a moderating influence simply by virtue of its existence and the consequent requirement for the major powers to consider ASEAN's interests and concerns to embrace the grouping. Much may be credited to ASEAN's strengths, but it is also clear that hegemonic nations' willingness to give ASEAN a major position has contributed significantly to the bloc's growth.

Despite taking some assertive measures, such as militarising islands in the South China Sea and sending its civilian fleet and naval forces on sea (and occasionally air) incursions (referred to as "Grey Zone tactics"), China currently seems more inclined towards cooperation and accommodation for win-win results (at least rhetorically). Hence, even if the US were more inclined to do to take military actions, China would not, making it extremely improbable that the situation would spiral out of control and result in a violent confrontation. Barring the Taiwan issue, China has been extremely cautious and calculative in terms of keeping its territorial disputes and conflicts localised – and insulated from the US as far as possible. This is arguably the reason why China has been so prompt in raising slogans

¹⁹ Acharya (2019).

such as “Asia for Asians”²⁰ and avoiding “external interference” on ASEAN matters.²¹

Despite persistent territorial disputes with Japan (Senkaku Islands), Bhutan, Nepal, ASEAN (South China Sea) and India (Arunachal, Aksai Chin), China has tried to keep these issues away from direct interventions of the US, the possibility of which is getting slimmer with each passing day. Even so, the US today is also unlikely to seek escalation of the ongoing contest to an armed conflict considering it is unwilling to wage another “long war” which this would likely turn out to be. Its latest experience – Afghanistan – seems to have lessened its appetite or stomach for one. A long war has become a less and less palatable option for recent Presidents, be they Republican or Democrat. The most the US has been willing to do has been to provide background support and beef up military preparedness, as is evident in case of Taiwan and South Korea. The ongoing Ukraine crisis has also demonstrated that the US has confined its actions to providing arms to Ukraine and administering economic sanctions on Russia. In Asia, US actions have been confined to strengthening its alliance members through initiatives like AUKUS. Even if it did aim for an escalation of the confrontation, there is also no appetite among its own allies for anything beyond this. The most the US and its allies would do would be to make it costly for China to behave assertively i.e., with sanctions.

Perhaps this is an unfair burden to place on the shoulders of ASEAN. The establishment of ASEAN did not, after all, end the Cold War. It is implausible for the AOIP alone to influence the behaviour of the major powers, and the Outlook is not, therefore, an adequate means of tempering the ongoing contest. As stated in the document, however, the AOIP can “promote an enabling environment for peace, stability and prosperity in the region”. This is where ASEAN’s focus should be.

²⁰ T. Ng, “Xi calls for ‘Asian people to uphold Asia’s security’ as he aims to sideline US”, *South China Morning Post*, 21 May 2014.

²¹ T. Nagasawa, T. Hadano, and T. Nakano, “China warns on ‘interference’ in ASEAN to keep US at arm’s length”, *Nikkei Asia*, 8 August 2021.

7. China Counters the Indo-Pacific Concept

You Wang, Dingding Chen, Yingfan Chen

An Overview of the Concept of Indo-Pacific Used by Major Power

This chapter focuses on the use of the term “Indo-Pacific” by the major powers since the late 2010s. Geopolitics and oceanography were the two academic fields where the phrase originally arose. According to academic research, the “Indo-Pacific” idea moved from Weimar Germany to interwar Japan. From the late 2010s, the concept of “Indo-Pacific” has been used more frequently in geopolitical discourse, both in academic research and in national strategy. Scholars from the United States, Australia, India, and Japan first began to use the concept of “Indo-Pacific” extensively in their research around 2010, with governments starting to use it more frequently in their foreign strategies at about the same time. The United States, Australia, and Japan were the first countries to make the Indo-Pacific concept an important part of their regional strategies.

The idea was first utilised in official discourse in the United States in 2017, and then in strategic statements starting from 2021. During his visit to Japan in November 2017, the former president of the United States Donald Trump first declared publicly his support for a “free and open Indo-Pacific vision”.

Then, on 12 January 2021, the Trump Administration's *Indo-Pacific Strategy Framework* was released. A year later, on 11 February 2022, the Biden Administration released its first regional strategy, the US Indo-Pacific Strategy. Australia's *2012 Defense White Paper* and *2017 Foreign Affairs White Paper* frequently reference the "Indo-Pacific". Former Japanese Prime Minister Shinzo Abe first officially introduced the "Indo-Pacific" concept during the 6th Tokyo International Conference on African Development (TICAD) in Nairobi in August 2016. The free and open Indo-Pacific strategy, launched in Japan's *Diplomatic Bluebook 2017*, represents a greater focus on "Indo-Pacific" issues by Japan. As a significant actor in the Indo-Pacific region, India has been active in defining its strategic and intellectual goals there. At both the Shangri-La Dialogue and the G20 Leaders' Summit in 2018, Prime Minister Narendra Modi stressed India's position in the region. The Association of Southeast Asian Nations (ASEAN), a significant non-state actor in the Indo-Pacific, expressed its concerns on the regional order by announcing the "ASEAN Indo-Pacific Vision" during the 34th ASEAN Summit in June 2019. This decision was motivated by the successive development of the Indo-Pacific strategy by the regional powers.

Outside the region, the European Union published the *EU Strategy for Cooperation in the Indo-Pacific* on 16 September 2021. Besides, France President Emmanuel Macron announced the main principles and objectives of "France's Indo-Pacific strategy" during his visit to India, Sydney and Nouméa in 2018 and the Choose France Summit in 2019. As a Pacific nation, Canada also unveiled its Indo-Pacific Strategy on 27 November 2022, actively working with its allies and partners including the United States, the European Union, France, Germany, and Australia to implement it.

These actions signify a broad rise in interest in and understanding of the concept of Indo-Pacific on a global scale. Most actions are conducted by advanced countries such as the United States, Japan, Australia, and the European Union.

However, China has a different perspective on the concept of Indo-Pacific. The People's Republic of China (PRC) is a significant regional power and it plays an important role in establishing the Indo-Pacific order. For this reason, China's government and academic communities have closely followed the various statements on this concept made by other entities, in an attempt to comprehend the different interests of stakeholders in this region and to keep a close eye on the policies of other regional powers. Nevertheless, China has never used the term "Indo-Pacific" in official diplomatic and defence documents, and Chinese government spokespersons hardly ever do so voluntarily.

Although the term "Indo-Pacific" is frequently used and accepted by the international community, it appears that the Chinese government is still wary of this concept. As far as China is concerned, the rise of this concept primarily reflects the interests of the US and its allies, and contains some negative implication towards China.

Avoidance and Caution: China's Official View of the Indo-Pacific

The Indo-Pacific region has been mentioned directly only once by Chinese President Xi Jinping, in relation to the *ASEAN Outlook on the Indo-Pacific (AOIP)*. In his speech at the China-ASEAN 30th Anniversary Summit on 22 November 2021, Xi mentioned that China seeks high-quality Belt and Road cooperation with ASEAN and cooperation between the Belt and Road Initiative and the AOIP.¹ Still, the top leader of the PRC has never openly commented on the US and other major powers' Indo-Pacific Strategies; instead, he has only affirmed

¹ Ministry of Foreign Affairs of the PRC, [Xi Jinping Attends and Chairs the Special Summit to Commemorate the 30th Anniversary of China-ASEAN Dialogue Relations and Officially Announces the Establishment of a China-ASEAN Comprehensive Strategic Partnership](#), 22 November 2021.

the AOIP. This indicates that China is unwilling to adopt the US-led narrative of the regional order, while simultaneously insisting on upholding the existing cooperative regional order, which is ASEAN-centred.

The Chinese government still prefers to use the term Asia-Pacific when discussing regional issues. It also places more emphasis on the current regional cooperation mechanisms based on the notions of Asia-Pacific, ASEAN, and East Asia.

In his remarks in the 29th APEC Economic Leaders' Meeting on 19 November 2022, President Xi still used the Asia-Pacific concept, "staying committed to openness and inclusiveness and bringing about prosperity for all in the Asia-Pacific".² This viewpoint is at the centre of how the Chinese government evaluates the Indo-Pacific concept and related strategies. It also illustrates how the Chinese government views Asia-Pacific issues in general. On 7 March 2023, in response to a question about the US's Indo-Pacific Strategy, the new Foreign Minister Qin Gang's answer reflects the Chinese government's latest perspective. Qin points out that the US Indo-Pacific Strategy, while purportedly aiming to uphold freedom and openness, maintain security and promote prosperity in the region, is in fact an attempt to form exclusive blocs, to provoke confrontation with China by plotting an Asia-Pacific version of NATO, and to undermine regional integration through decoupling and cutting value (?) chains.³ In light of this, the new diplomatic team essentially maintains the critical tone of the former Foreign Ministry under Wang Yi.

From 2010, the Chinese government has used the concept of *Asia-Pacific* rather than *Indo-Pacific* in many white papers on international affairs published by the State Council. In the white paper on *China's Military Strategy*, issued in May

² Ministry of Foreign Affairs of the PRC, [President Xi Jinping Attends the 29th APEC Economic Leaders' Meeting and Delivers Important Remarks](#), 18 November 2022.

³ Ministry of Foreign Affairs of the PRC, [Foreign Minister Qin Gang Meets the Press](#), 7 March 2023.

2015, the Asia-Pacific concept was used 4 times. The white paper clarified the Chinese military's strategy of promoting "cooperation conducive to peace, stability and prosperity in the Asia-Pacific region".⁴ On 11 January 2017, the State Council released a white paper on *China's Policies on Asia-Pacific Security Cooperation*. This paper formally explained China's positions on Asia-Pacific security cooperation and its stance toward major multilateral mechanisms in the Asia-Pacific region.⁵ In the 2019 white paper *China and the World in a New Era*, the concept of *Indo-Pacific* was still absent, but the *Asia-Pacific* was mentioned 3 times. It showed China's desire to promote economic cooperation in Asia-Pacific and the spirit of an Asia-Pacific family.⁶ Similarly, the white paper *China's National Defense in the New Era*, published in July 2019, used the concept of Asia-Pacific instead of Indo-Pacific.⁷

Since 2018, the Chinese government began to remark on the Indo-Pacific policies of various countries and comment on popular interpretations of this concept in the international community. Most of these remarks are negative, and come from the Ministry of Foreign Affairs. The Chinese government has laid out three main views regarding the emergence of the Indo-Pacific concept in international politics.

First, it considers the Indo-Pacific concept to be unsustainable, a momentary postulation in the service of short-term policies. At the press conference for the Two Sessions of 8 March 2018, Wang Yi, former Foreign Minister of China, said that this concept had briefly caught people's attention before falling into disuse.⁸ One year later, in the High Level Dialogue on Indo-Pacific Cooperation in 2019, the Vice Foreign Minister

⁴ The State Council, [China's Military Strategy](#), 27 May 2015.

⁵ The State Council, [China's Policies on Asia-Pacific Security Cooperation](#), 11 January 2017.

⁶ The State Council, [China and the World in the New Era](#), 27 September 2019.

⁷ The State Council, [China's National Defense in the New Era](#), 24 July 2019.

⁸ Ministry of Foreign Affairs of the PRC, [Foreign Minister Wang Yi Meets the Press](#), March 2018.

Kong Xuanyou pointed out that the parties actively conducting discussions centering on regional cooperation initiatives adopt a variety of approaches in terms of names used, geographic scope, and principles applied. “For the cooperation initiatives in the region, we should adhere to the ASEAN as the core in the first place.”⁹ These remarks imply that the Chinese government prefers the existing institutional arrangement in this region, rather than the rising concept of ‘Indo-Pacific’.

Second, China argues that at its core, the West’s “Indo-Pacific” strategy is bloc politics with Cold War overtones. Starting in 2018, senior Chinese foreign ministry officials have framed the Indo-Pacific concept as a US effort to gather allies and build regional blocs such as the Quadrilateral Security Dialogue (QUAD) and Aukus. On 3 July 2021, in his keynote speech at the opening ceremony of the 9th World Peace Forum at Tsinghua University, State Councillor Wang Yi said that the Indo-Pacific Strategy, which aims to create a small circle of geopolitical rivalry, is a revival of the Cold War mentality and a step backward in history.¹⁰

In addition, the Chinese government sees the Indo-Pacific strategy advocated by Western countries as another version of “NATO”. It is therefore concerned about the regional military cooperation driven by this strategy. On 7 March 2022, at a press conference during the two sessions of the National People’s Congress, State Councillor and Foreign Minister Wang Yi said that the real goal of the US Indo-Pacific strategy is to establish an Indo-Pacific version of NATO.¹¹ At a regular press conference on 24 February 2022, Tan Kefei, a spokesman for the Ministry of defence, claimed that the real goal of this

⁹ Ministry of Foreign Affairs of the PRC, [Vice Foreign Minister Kong Xuanyou Attends High Level Dialogue on Indo-Pacific Cooperation](#), 21 March 2019.

¹⁰ Ministry of Foreign Affairs of the PRC, [Wang Yi: The Indo-Pacific strategy is a restoration of the Cold War mentality and a retrogression of history](#), 3 July 2021.

¹¹ Ministry of Foreign Affairs of the PRC, [State Councilor and Foreign Minister Wang Yi Meets the Press](#), 7 March 2022.

strategy is to contain the development of other countries and maintain US hegemony. Tan also criticised the report's discussion of Taiwanese affairs and urged the relevant states to "follow the current trend of peaceful development and win-win cooperation".¹² These official statements testify to the Chinese government's deep suspicions of the strategic intentions behind other countries' "Indo-Pacific strategy", which it sees as encouraging bloc politics and militarisation in the Asia-Pacific region.

Third, China sees the strategy as promoting open regionalism, strengthening the concept of Asia-Pacific, and advocating a regional cooperative mechanism with ASEAN at its core. State Councillor and Foreign Minister Wang Yi and Pakistani Foreign Minister Bilawal held a press conference after their talks on 22 May 2022. In response to a question on whether the US's Indo-Pacific strategy aims to contain China, Wang said that it not only wants to erase the name of Asia-Pacific, but also the proven effective regional cooperation structure in the Asia-Pacific region. He pointed out that this strategy is bound to be a failure, no matter how it is packaged.¹³ Similarly, in a meeting with Malaysian Foreign Minister Hishammuddin in Kuala Lumpur on 13 October 2020, Wang emphasised "adherence to the right path of multilateralism and the ASEAN-centered regional cooperation architecture".¹⁴

This favourable view on regional cooperation is more evident in the statements of the Ministry of Commerce of China. At a regular press conference on 27 May 2022, a spokesperson for the Ministry of Commerce commented on the US launch of the Indo-Pacific Economic Framework, noting that it should promote economic cooperation and solidarity, rather than

¹² Ministry of National Defense of the PRC, [Department of Defense commented on the US Indo-Pacific strategy report: The Asia-Pacific region is not a gladiatorial arena of zero-sum games](#), 24 February 2022.

¹³ Ministry of Foreign Affairs of the PRC, [Wang Yi: The US "Indo-Pacific strategy" is bound to be a failed strategy](#), 22 May 2022.

¹⁴ Ministry of Foreign Affairs of the PRC (2020).

undermine existing mechanisms. The spokesperson added that China remains open to any regional economic initiative that conforms the principles of promoting regional solidarity and prosperity.¹⁵ Wang Wenbin, the spokesperson for the Foreign Ministry of PRC, also criticised the Indo-Pacific Economic Framework. He argued that the Asia-Pacific should become the pacesetter of peace and development, not a chessboard for a geopolitical contest. An initiative that truly contributes to regional development should follow the principles of openness, inclusiveness, mutual benefit and win-win outcomes, instead of being used to build walls, create division and stoke confrontation.¹⁶ Therefore, China is constant and unwavering in commenting the Indo-Pacific strategies of other countries, urging all parties to support open regionalism and refrain from undermining and dividing existing institutions.

To sum up, when it comes to the understanding of the Indo-Pacific concept or strategy, the official Chinese attitude is cautious, negative and guarded. On the one hand, the rising use of the Indo Pacific concept originates mainly from advanced entities, and has impacted the current cooperative mechanism in Asia-Pacific. China, as a regional power, feels “targeted”. On the other hand, many countries in and out of the region have released their Indo-Pacific strategies covering issues such as Taiwan, the South China Sea, economic and trade and technology standards. These have obviously damaged China’s national interests and international image, resulting in the Chinese government’s negative response.

¹⁵ “China’s commerce ministry responds to US-launched IPEF”, Xinhua, 25 May 2022.

¹⁶ Ministry of Foreign Affairs of the PRC, [Foreign Ministry Spokesperson Wang Wenbin’s Regular Press Conference on May 27, 2022](#), 27 May 2022.

Observation and Understanding: Views of Indo-Pacific in Chinese Academia

In contrast to the government's cautious attitude, Chinese academics are quite active in studying the emergence of the Indo-Pacific concept and strategy. Some scholars explore the origins of this concept, some analyse other nations' Indo-Pacific strategies, and others still propose policy recommendations on how China should respond.

A search of academic results in Chinese academia using "Indo-Pacific" as a keyword shows that the number of academic papers on the topic has risen sharply since 2018, with only 48 papers in 2017, 274 in 2018, and 694 in 2022: a total of 2,413 papers between January 2018 and February 2023. Such significant and rapid growth indicates the enthusiasm of Chinese academia for Indo-Pacific research. Among the 2,461 papers, "Indo-Pacific strategy" has the highest percentage of keywords, followed by "Trump administration", "Australia" and "Biden administration". This demonstrates that the Indo-Pacific policies of the United States and Australia are of the utmost interest to Chinese scholars.

Specifically, Chinese scholars mostly focused on the motivations behind, the evolution of, and the effects of major powers' Indo-Pacific policies, particularly those of the United States.

From about 2013, Chinese academics began researching the "Indo-Pacific" concept. Their primary conclusion is that the concept was developed by western geographers and political scientists and has been widely utilised in academic and policy circles since 2010. Zhao Qinghai first systematically explains the origin of the Indo-Pacific concept and elaborates its meaning as a geopolitical and geostrategic concept.¹⁷ Wu Zhaoli identifies three layers for this concept: geographical concept, strategic

¹⁷ Zhao Qinghai, "The concept of 'Indo-Pacific' and its meaning for China", *Modern International Relations*, vol. 7, 2013.

system and temporal concept.¹⁸ Gu Quan reviews the evolution of the Indo-Pacific concept in international politics since 2006, and notes that the establishment of the QUAD of the United States, Japan, India and Australia in 2018 signified the “Indo-Pacific” moving from a concept to a policy with “Free and Open Indo-Pacific” as its core.¹⁹ Ji Hui and Wei Li distinguish between the terms “Greater Indo-Pacific” and “Lesser Indo-Pacific” and then examine the results of previous research conducted by academics in the United States, Australia, and India to determine how the concept came to be.²⁰ In addition, Ye Hailin, Lin Minwang, and Zhu Cuiping analyse the history and development of the term “Indo-Pacific” as well as the motivations behind how the US and other regional powers actively promote their Indo-Pacific Strategies.²¹ Overall, Chinese researchers’ studies on its origin suggest that the Indo-Pacific concept was predominantly proposed by Western countries, and its development and transformation at the policy level were mostly sponsored by the US, Japan, India, and Australia.

According to dozens of studies, the reason why some nations push the development of the Indo-Pacific concept is that they aim to improve their strategic position in the region even if their interests and specific goals may be different. Lin Minwang argues that countries “are attempting to grasp the emerging strategic situation, which also serves their political objectives and

¹⁸ Wu Zhaoli, “The origin of the ‘Indo-Pacific’ and the multinational strategic game”, *Pacific Journal*, 2014, vol. 22, no. 1.

¹⁹ Gu Quan, “The rise of the Indo-Pacific: from concept to policy”, World Economic and Political Forum, vol. 6, 2018.

²⁰ Ji Hui and Wei Li, “The development and evolution of the ‘Indo-Pacific’ concept: from theory to practice”, People’s Forum, *Academic Frontiers*, vol. 22, 2019.

²¹ Ye Hailin, “The outlook for the Indo-Pacific concept and China’s response strategy”, *Indian Ocean Economics Study*, vol. 2, 2018; Lin Minwang, “The construction of the “Indo-Pacific” and the tension between Asian geopolitics”, *Foreign Affairs Review*, vol. 35, no. 1, 2018; Zhu Cuiping, ““Indo-Pacific”: conceptual interpretation, limitations of implementation and strategic trends”, *Indian Ocean Economics Study*, vol. 5, 2018.

strategic aspirations”. For Australia and India, the Indo-Pacific concept could place them at the centre of the geopolitical map, highlight their geostrategic importance, while the Asia-Pacific concept clearly marginalises them.²² Ye Hailin claims that the United States uses military means and deterrence primarily to strengthen the Indo-Pacific security field, while Japan places more emphasis on the economic aspect of Indo-Pacific. India adopts the same Indo-Pacific concept as that of the major powers, and becomes one of its main beneficiaries.²³ Gu Quan believes that US and Japanese promotion of the the Indo-Pacific concept aims to “reunderstand the strategic situation in the Indian Ocean, reposition India’s strategic value, and rethink the strategic implications of China’s vigorous expansion of its interests from east to west from the Pacific to the Indian Ocean”.²⁴ Wang Shoudu analysed the strategic narratives of the United States, Japan, India, and Australia around the Indo-Pacific.²⁵ Wang points out that the Indo-Pacific strategy attempted by the US government has formed a “discourse alliance”, but there are cognitive differences between the US, Japan, India, and Australia on the Indo-Pacific narrative in the political, security-economic, and cultural fields.

In short, Chinese scholars believe that the rise of the Indo-Pacific concept was primarily driven by the United States, Japan, India, and Australia. Among them, the United States is the main driver of the Indo-Pacific transition from concept to policy, though it is not the concept creator. It is because the US has been strengthening the Indo-Pacific concept in its national security and regional strategies that other regional powers are encouraged to embrace it. Japan, as one of the most important allies of the United States in this region, is bound to respond

²² Ye Hailin (2018).

²³ Ibid.

²⁴ Gu Quan (2018).

²⁵ Wang Shoudu, “The Conceptual Construction and Policy Status of the US ‘Indo-Pacific Strategy’: An Analysis Based on the Strategic Narrative Framework”, *Asia-Pacific Security and Marine Studies*, no. 3, 2019.

positively to the concept. For India and Australia, the Indo-Pacific concept can strengthen their strategic positions in global affairs and attract the United States to invest more resources in bilateral relations.

The main focus of Chinese academic research on the Indo-Pacific relates to the distinctive connotation, policy content, and impact projection of different nations' strategies. These studies analyse and compare the objectives and policy orientations of the Indo-Pacific strategy of the United States, Japan, India, Australia, ASEAN, Germany, and France. In-depth analyses of its impact on present trade and economic systems in Asia-Pacific are included in some of the studies, which also offer some recommendations from the perspective of the Chinese government. The Indo-Pacific strategies of various countries include several aspects, covering political, military, and economic and trade issues. Among them, Chinese researchers focus on the military cooperation between the US, Japan, India and Australia and the "Indo-Pacific Economic Framework" proposed by the United States. Chinese studies on other nations' Indo-Pacific strategies pay particular attention to the goals and policy directions of India and Australia.

The US Indo-Pacific strategy is of most concern to Chinese researchers, who think that the goal is to consolidate the power of regional allies to restrain China's regional dominance. Almost all relevant studies by Chinese scholars point out that the US is pursuing the Indo-Pacific strategy in an effort to rein in China's growing power. According to Fan Jishe, the United States is now targeting China instead of the Soviet Union during the Cold War, and its previous Asia-Pacific security strategy has been totally replaced by the Indo-Pacific strategy.²⁶ This argument essentially reflects the viewpoint of most Chinese academics. Over the past five years, the increased institutionalisation and expanded

²⁶ Fan Jishe, "From the Asia-Pacific to the Indo-Pacific: The Change and Return of U.S. Regional Security Strategy", *International Security Studies*, vol. 40, no. 5, 2022.

coverage of the US Indo-Pacific strategy has impacted the Chinese strategic community. Yang Fei and Fang Changping point out that the United States ultimately intends to create a regional framework that excludes China.²⁷ Zhao Qi and Luo Shengrong argue that the Biden administration has vigorously pushed for the implementation of a “minilateral” system (小多边机制) for the Indo-Pacific Strategy to increase the containment of China.²⁸ Scholars such as Ye Hailin²⁹ have also underlined in their papers that the main objective of the US government, from Trump to Biden, is still to build a US-led multilateral network to contain the rise of China. Many Chinese researchers pay great attention to official documents released by the Trump and Biden administrations, such as the *National Security Strategy* and the *Indo-Pacific Strategy*. They have long argued that the United States has come to view China as its sole and most important strategic competitor in the world, as evidenced by a series of US leaders’ statements and official documents. Thus, their predictions on US strategic intentions mostly tend to be negative, in the context of increasing strategic competition between the United States and China.

Another interest of the Chinese academic community concerns assessing the effectiveness of the Indo-Pacific strategy, including its institutionalisation process, policy effects and characteristics. Chinese scholars develop comprehensive and diverse studies on different nations’ Indo-Pacific strategies,

²⁷ Yang Fei and Fang Changping, “The layout and prospect of American Indo-Pacific multilateral cooperation”, *Contemporary International Relations*, no. 10, 2022, pp. 1-9.

²⁸ Zhao Qi and Luo Shengrong, “A group study of the Biden administration’s ‘Indo-Pacific strategy’: based on the theoretical perspective of small multilateralism”, *Northeast Asia Forum*, 2023.

²⁹ Ye Hailin, “The logical flaws of the US ‘Indo-Pacific strategy’ and China’s response”, *Indian Ocean Economics Study*, no. 5, 2022; Ye Hailin and Lee Min-eun, “The adjustment of the Indo-Pacific Strategy of the United States and the response of China’s peripheral diplomacy”, *Latin American Studies*, no. 3, 2023, pp. 1-22.

including not only military and economic affairs, but also green cooperation, space, cyber security, and infrastructure development. They believe that the QUAD has made some progress in terms of value shaping and maritime security cooperation. However, they predict that it would be impossible the QUAD and similar frameworks to institutionalise to a real “alliance” level, severely limiting their growth. Xie Xiaoguang and Du Dongguang point to a series of actions of the US Indo-Pacific strategy in the military, economic and trade, science and technology, cyber security, intelligence and environment spheres. But they argue that barriers to the institutionalisation of the Indo-Pacific strategy include the US’s own internal and external challenges, US allies’ scepticism about regional cooperation structures, and the varied considerations of Indo-Pacific nations.³⁰ Zhang Jiadong and Wang Xiangyu evaluate the degree of institutionalisation of the QUAD and conclude that its upgrading to an alliance or quasi-alliance is unlikely in the short term.³¹

Many Chinese experts believe that the Indo-Pacific strategies of different nations have an ideological inclination,³² and are thus more sensitive to their “exclude China” nature. Since the upgrading of US-Japan-India-Australia maritime security cooperation in 2022, more Chinese scholars agree that the Indo-Pacific Strategy is emerging as another version of NATO.³³ Sun

³⁰ Xie Xiaoguang and Du Dongguang, “The Transformation of Indo-Pacific Alliance system in the United States: measures, characteristics, and limits”, *Northeast Asia Forum*, no. 6, 2022, pp. 54-71/125-126.

³¹ Zhang Jiadong and Wang Xiangyu, “The essence, origin and development trend of the mechanism of the four countries of the United States, Japan, India and Australia”, *International Watch*, no. 4, 2022.

³² Qiu Chaobing, “The Biden administration’s ‘Indo-Pacific strategy’ new posture and Sino-US relations”, *American Studies Studies*, no. 1, 2022.

³³ Hu Juan, “The cooperation situation of the four countries of the United States, Japan, India and Australia in the context of ‘Indo-Pacific NATOIZATION’ and the limits of India’s participation”, *South Asian Studies*, no. 3, 2022; Yue Shengsong, “‘Indo-Pacific NATOIZATION’: connotation, characterization and impact”, *Asia-Pacific Security and Maritime Affairs*, no. 1, 2023, pp. 16-35; Sun Ru,

Ru argues that the increased US military involvement in the region is motivated by the Indo-Pacific strategy, putting pressure on China's regional influence.³⁴ The idea of an "emerging Indo-Pacific version of NATO" reflects the concerns of Chinese scholars about growing military cooperation among countries under the Indo-Pacific strategy. In particular, some Chinese scholars believe that some maritime military cooperation will eventually exert pressure on China's neighbourhood diplomacy and lead to the emergence of security hotspots (e.g., disputes in the East China Sea and South China Sea). Besides, they claim that the security order in South Asia, Southeast Asia, and the South Pacific is becoming more due to increasing involvement of more regional powers like Australia and India, which are being encouraged by the United States.³⁵

In summary, Chinese scholars are highly concerned with the QUAD nations' military operations and values promotion in the Western Pacific. But as some existing studies point out, Chinese scholars are divided in their assessment of the strategy's development trends and impact on China. Some researchers believe that the Indo-Pacific strategy poses a high threat to China because of its ideological overtones and the multilateral cooperation conducted under it, such as the Indo-Pacific Economic Framework, which could weaken China's influence in regional rulemaking.

Others take a more optimistic view. They see limited prospects for institutionalisation of the Indo-Pacific strategy, with disparate interests and demands of major actors. Specifically, India, with its tradition of strategic autonomy, would be the

"The Asia-Pacific transformation of NATO under the global game between China and the United States", *Modern International Relations*, vol. 7, 2022.

³⁴ Sun Ru (2022).

³⁵ Han Aiyong, "The double structural contradictions in China's surrounding areas and the construction of the Indo-Pacific alliance system", *Foreign Affairs Review*, no. 1, 2023; Zhang Jiadong and Wang Xiangyu (2022); Ye Hailin and Lee Min-eun, "The adjustment of the US 'Indo-Pacific strategy' and China's peripheral", *Latin American Studies*, no. 3, 2023, pp. 1-22.

QUAD's weakest link. Moreover, ASEAN countries are passive in their response to this strategy because they are reluctant to "choose one side" between China and the United States.

How China Response and React to the Indo-Pacific Strategy

The Chinese government has never formally used the term "Indo-Pacific" in any official statement or policy document. Nor has the Chinese government publicly issued strategic documents on the Indo-Pacific, except in response to US and other countries' Indo-Pacific policies. However, the logic and key components of China's Indo-Pacific strategy can be understood by looking at its vision for the Asia-Pacific order, its advocacy for open regionalism and cooperative mechanisms, and its own international cooperation initiatives.

On the one hand, China's vision of regional order remains centered on promoting "China-ASEAN" cooperation. As mentioned above, China's top leaders and the Ministry of Foreign Affairs have been emphasising the maintenance of the ASEAN-centered regional cooperation architecture, "following the principles of openness, inclusiveness, mutual benefit and win-win outcomes".³⁶ In 2003, China established a strategic partnership with ASEAN and acceded the Treaty of Amity and Cooperation in Southeast Asia, as ASEAN's first dialogue partner.³⁷ In 2021, China and ASEAN established a comprehensive strategic partnership. To date, China and ASEAN have established comprehensive dialogue channels at the leadership, ministerial, and technical official levels, in addition to various cooperation mechanisms covering economy and trade, transportation, customs, public health, sustainable

³⁶ Ministry of Foreign Affairs of the PRC, [Foreign Ministry Spokesperson Wang Wenbin's Regular Press Conference on May 27, 2022](#), ..., cit.

³⁷ Association of Southeast Asian Nations (ASEAN), [Accession to the Treaty of Amity and Cooperation in Southeast Asia by China](#), 1 October 2003.

development and so forth.³⁸ On 22 November 2021, President Xi Jinping and ASEAN leaders attended the Special Summit to Commemorate the 30th Anniversary of China-ASEAN Dialogue Relations.³⁹ On 4 August 2022, the Ministry of Foreign Affairs issued “Position Paper of the People’s Republic of China on Supporting ASEAN Centrality in the Evolving Regional Architecture” in which China expresses its support to the continued centrality and leadership of ASEAN in the evolving regional architecture.⁴⁰ All of the above highlights the importance China attaches to the regional cooperative architecture centered on China-ASEAN cooperation.

China-ASEAN cooperation has been an important basis for China’s role in the regional order. First, China’s deep economic and trade relations with ASEAN influence the strategic choices of its member states towards the QUAD or the United States. It has effectively slowed down the progress of the US-led multilateral framework in the region. Second, ASEAN has been in a marginalised and passive position in the US-led Indo-Pacific strategy, giving them room to manoeuvre in dealing with this strategy. It was not until December 2021 that ASEAN released the “ASEAN Indo-Pacific Vision”. ASEAN has consistently emphasised the importance of maintaining its centrality and role in shaping and stabilising Asia’s regional architecture.⁴¹ ASEAN’s anxiety about its declining strategic

³⁸ Ministry of Foreign Affairs of the PRC, [China-ASEAN Cooperation Facts and Figures: 1991-2021](#), 31 December 2021.

³⁹ Ministry of Foreign Affairs of the PRC, [Xi Jinping Attends and Chairs the Special Summit to Commemorate the 30th Anniversary of China-ASEAN Dialogue Relations...](#), cit

⁴⁰ Ministry of Foreign Affairs of the PRC, [Position Paper of the People’s Republic of China on Supporting ASEAN Centrality in the Evolving Regional Architecture](#), 4 August 2022.

⁴¹ Association of Southeast Asian Nations (ASEAN), [Asean Plus Three Cooperation Work Plan 2023 – 2027](#), final, 2022; Idem, [Asean Leaders’ Vision Statement on “Asean A.C.T.: Addressing Challenges Together”](#), final, Phnom Penh, Cambodia, on 11 November 2021; Idem, [Asean Outlook on the Indo-Pacific](#), Final, 2020.

position and China's resistance to the Indo-Pacific strategy create potential for bilateral cooperation,⁴² a consideration as China continues to strengthen relations with ASEAN. According to the position paper, China supports *ASEAN Outlook on the Indo-Pacific* (AOIP) as ASEAN's independent initiative, upholds openness and inclusiveness, and aims to enhance the ASEAN Community building process instead of creating new mechanisms or replacing existing ones. China is ready to work with ASEAN to uphold openness, inclusiveness, and win-win cooperation, advance practical cooperation in the four priority areas of the AOIP, and promote post-Covid recovery and sustainable development in the region.⁴³

On the other hand, China's primary reaction to the Indo-Pacific Strategy is to continuously promote regional cooperation, particularly the Belt and Road Initiative. The Chinese strategic community has long emphasised how crucial it is to maintain "strategic composure" (战略定力) in the face of competition and confrontation policies from the US-led Western camp. In the diplomacy field, maintaining one's strategic composure refers to responding to outside interference by strengthening one's own capabilities, adhering to one's own path, and focusing on one's own development. This concept is widely used in Chinese international studies and is seen as a crucial policy option for coping with great power competition. Domestic academics reach a consensus on how to response to the QUAD that China still need to firmly support existing mechanisms and propositions in order to mitigate the negative effects of the Indo-Pacific strategy.

In recent years, China has actively participated in major multilateral mechanisms in Asia-Pacific and initiated regional cooperation frameworks such as the Belt and Road Initiative

⁴² Zhang Jie, "ASEAN-centrism reconstructs the development of China-ASEAN relations", *International Studies Studies*, no. 3, 2021.

⁴³ Ministry of Foreign Affairs of the PRC, [Position Paper of the People's Republic of China on Supporting ASEAN Centrality in the Evolving Regional Architecture...](#), cit.

and the Regional Comprehensive Economic Partnership Agreement (RCEP). Chinese scholars compare the similarities and differences between the Indo-Pacific strategy and the Belt and Road⁴⁴ and argue that there is a certain degree of rule competition between them. Therefore, some scholars propose that China should maintain its strategic composure and continue to promote the Belt and Road Initiative and the Regional Comprehensive Economic Partnership Agreement (RCEP) in response to US efforts to weaken China's regional influence.⁴⁵ Other experts suggest that via strategic hedging, soft balancing, and wedge measures, China can affect the effectiveness of US-led Indo-Pacific strategy.⁴⁶ For example, some scholars recommend that the Chinese government should adopt a policy of both security pressure and economic cooperation with US allies like Japan and Australia, strengthen ties with India to split the QUAD and actively provide public security products for the region. Li even advocates that China should consolidate a comprehensive cooperative relationship with Russia to balance the pressure of the Indo-Pacific strategy.⁴⁷ In short, most scholars believe that the proper management of the China-US strategic competition remains the core element in responding to the Indo-Pacific strategy.

⁴⁴ Zhang J., 2019.

⁴⁵ Ye Hailing (2022); Wang Yun, "The US-EU Indo-Pacific strategy has a composite game and response to China", *New Horizons*, no. 4, 2022.

⁴⁶ Sun Ru (2022); Wei Zongyou, "U.S. Indo-Pacific strategy evolution trend and impact assessment", People's Forum, Academic Frontiers. 2021; Zhang Jingquan and Luo Huating, "The Biden administration's strategy of encircling compound alliance with China and China's response", Northeast Asia Forum, 31 June 2022; Chen Jimin and Feng Zhennan, "The evolution logic of the US 'Indo-Pacific strategy' and China's response", *Peace and development*, no. 6, 2020.

⁴⁷ Li Zhonglin, "The construction of the U.S. Indo-Pacific maritime alliance, its impact and China's countermeasures", *The Contemporary World and Socialism*, no. 2, 2020.

Conclusion

The Indo-Pacific strategy proposed by the regional powers represented by the United States has undergone three stages: conceptualisation, policy transformation, and institutionalisation, all of which impact China's government, academics and public profoundly. China generally sees the rise of the Indo-Pacific strategy as not only a greater concern by the United States and other powers on the regional order, but also a reflection of their concerns about China's rising influence in the region. In recent years, major states and regional organisations have come to adopt the Indo-Pacific concept and some progress on military and economy fields has been reached under this strategy. However, for the Chinese government, the Indo-Pacific concept remains a Western narrative, and it does not accept this discourse. Instead, it insists on the Asia-Pacific concept, promoting the ASEAN-centered regional cooperation architecture. Managing China-US strategic competition is crucial in China's response to the rising Indo-Pacific strategy. Besides, the clear targeting of China by Indo-Pacific strategies of the United States and other states has also deepened China's concerns on its neighbourhood diplomacy and regional instability risks. Although Chinese academics still have different views on the institutionalisation process and specific effect of the Indo-Pacific strategy, China will increasingly and actively be involved in regional affairs, either the Indo-Pacific or Asia-Pacific, in the coming period. In conclusion, China's advocacy for the regional order will be coherent, with an emphasis on pursuing open, inclusive and win-win multilateral cooperation in this region.

8. Russia Looks East: Moscow's Indo-Pacific Policy Development

Theresa Fallon

The “window to Europe” that Peter the Great worked so hard to open for Russia has been slammed shut. The response to the war in Ukraine introduced multiple sanctions on Russia and included one of their key exports – energy. To make up for the lucrative lost markets of Europe, Moscow needs to pivot more to Asia, the Pacific, Africa, and anyone else willing to work with Russian entities and companies. Russia is doing precisely that, employing everything it has.

The Russian Federation published a National Security Strategy on 2 July 2021, which announced a change in their strategy towards the Asia-Pacific.¹ The strategy particularly emphasised relations with China and India.² However, Russia's “pivot to Asia” started earlier, after isolation in the West after Moscow's seizure of Crimea, or even earlier, after the 2004 Orange Revolution in Ukraine, as I briefly argue below. As the world's largest country, with three-quarters of its territory on the Asian continent, the Kremlin has long desired to play a role in this region.

The new Russian Naval Doctrine, issued on 31 July 2022, raised the importance of the Pacific region to second after the

¹ President of the Russian Federation, [National Security Strategy of the Russian Federation](#), Moscow, Kremlin, 2 July 2021.

² N. Kapoor, “[Russia's new national security strategy](#)”, ORF (Observer Research Foundation), 7 July 2021.

Arctic, with the Atlantic coming third (the Atlantic held second place in Russia's previous Naval Doctrine, issued in 2015).³ The new Doctrine also calls for an increased naval presence and stronger capabilities of the Russian Navy in the "Asia-Pacific" region.⁴

Russia's Rejection of an Indo-Pacific Framing

Russia consistently rejects the term "Indo-Pacific", because from the Indo-Pacific perspective, centred on the two large oceanic expanses of the Indian and of the Pacific Ocean, Russia is only a marginal player. Russia perceives that the Indo-Pacific concept, first devised by Japan, is a tool to contain the large continental powers of the Eurasian landmass, China and Russia. Therefore, Russia prefers to speak of Eurasia or of the Asia-Pacific instead.

In the Concept of the Foreign Policy of the Russian Federation, published on 31 March 2023, the People's Republic of China and the Republic of India are listed under "Eurasian Continent", followed by the "Asia-Pacific region", where Russia intends to counter "attempts to undermine the regional system of multilateral security", based on the Association of Southeast Asian Nations (ASEAN).⁵ In a sign of the importance accorded to this region, the Concept mentions China, India and Asia-Pacific right after the Near Abroad and the Arctic.

For the purposes of this article, I will use the term "Indo-Pacific" to refer to the Asia-Pacific region, seen not from the perspective of the Eurasian landmass but rather from that of the coasts and islands dotting the two Oceans.

³ The Ministry of Foreign Affairs of the Russian Federation, "[The Concept of the Foreign Policy of the Russian Federation](#)", 31 March 2023.

⁴ P. Tebin, "[The New Naval Doctrine of Russia](#)", *Valdai Club*, 4 August 2022.

⁵ The Ministry of Foreign Affairs of the Russian Federation, "[The Concept of the Foreign Policy of the Russian Federation](#)"..., cit.

Is Russia Relevant in the Indo-Pacific?

Russia's economic weight is quite small, compared to other players in the region. However, Russia is an important energy exporter, especially to China and India. These exports have increased dramatically because of the Western sanctions on Russia over Ukraine, causing a diversion of export flows to the East. China and India are very happy to buy discounted Russian oil and gas. In addition, Russian arms exports are significant, for historical reasons, for countries such as Vietnam and India.

Despite the mixed performance of Russian weapons in the Ukraine war, India will continue to be a major client of the Russian defence industry, because of past commitment and legacy issues, including the need for spare parts. In addition, India seeks to avoid alienating Russia, which would push Moscow into a Russia-China alliance against India. This explains India remaining neutral at the UN on the Ukraine war.⁶ Russia seeks to nurture its traditional good relations with India, preventing this country from slipping into a tight embrace with the US. India's proximity to Russia creates a wedge in India-US relations, which in turn benefits China.

Since the times of the Soviet Union, Russia has enjoyed good relations with Vietnam. Now hit by Western trade sanctions and in need of export markets, Russia is trying to boost economic relations with this country. During an official visit in April 2023, Russian Deputy Prime Minister Dmitriy Chernyshenko agreed with his Vietnamese counterpart, Pham Minh Chinh, to boost cooperation on trade and science. Hanoi is particularly interested in Russian meat, milk, fertiliser, and wheat.⁷ Furthermore, Russia plays a crucial role in Myanmar,

⁶ However, on 26 April 2023 India supported a UN General Assembly resolution on relations with the Council of Europe, which includes a reference to “the aggression by the Russian Federation against Ukraine”. China, Vietnam and others also supported this resolution.

⁷ T. Nogo and D. Ng, “Amid isolation, Russia seeks traditional ally, bolsters economic opportunities in Vietnam”, CAN (Channel News Asia), 9 April 2023.

where it supports the ruling junta by providing weapons and aircraft against the local resistance.⁸

Having resolved all border disputes with China, Russia still has one with an Indo-Pacific country, Japan. Tokyo claims sovereignty of the Russia-held Southern Kuril Islands (Northern Territories for Japan), which were occupied by the Soviet Union in 1945. After Russia enshrined into its constitution the prohibition to cede national territory to foreign countries in 2020, Japan lost hope of a diplomatic settlement. This helped Tokyo make a clear choice in the Ukraine war, taking sides against Russia. In March 2023, Japanese Prime Minister Fumio Kishida visited Kyiv. By contrast, other Indo-Pacific countries take more nuanced views, more similar to India's and Vietnam's. Russia now shares with China an anti-Japan posture.

Over the years, Russia has been playing a role in multilateral diplomacy concerning security in the Indo-Pacific region, including the nuclear issue on the Korean peninsula, where it has been a member of the Beijing-based Six Party Talks. The Democratic People's Republic of Korea has supported Russia in Ukraine-related votes at the UN, and seems to have used the distraction provided by the war in Ukraine to test new ballistic missiles. Russia is also an active member of ASEAN-related bodies, including the ASEAN Regional Forum and the ASEAN Defence Ministers+ Meeting.

Russia has consistently voiced opposition against the Quadrilateral Security Dialogue initiative between Australia, India, Japan and the US (QUAD), claiming that it created new blocs and stoked conflict. In December 2020, Russia's Foreign Minister Lavrov called the QUAD a "persistent, aggressive and devious" US initiative, designed to involve India in its "anti-China games".⁹

⁸ R. Ratcliffe, "Myanmar is a failing state, led by a junta fuelled by Russian arms, says UN rights envoy", *The Guardian*, 15 march 2023.

⁹ I. Hill, "Why is Russia worried about the Quad?", *ASPI Strategist*, 1 July 2021.

The New and Improved Russian Pacific Fleet

Russia's main tool for power projection in the Indo-Pacific is its Pacific Fleet. Russia has much more limited financial and human resources to devote to its Navy, compared to China or to the US. In addition, after the end of the Soviet Union, the Pacific Fleet was in a state of utter disrepair. However, in 2008 Moscow put in motion a military modernisation plan centred on the improvement of nuclear deterrence capabilities. The Pacific Fleet is now composed of around 45 surface ships and 25 submarines, of which around two-thirds are operational. These are both older vessels retrofitted with anti-ship cruise missiles and newer modern nuclear-powered and diesel submarines along with modern surface ships. This gives the Kremlin the capability to cause considerable damage to an adversary.

In particular, Russia replaced aged ballistic missile submarines with four new Borei-class nuclear-powered submarines. The upgrade also included the addition of one Yasen-class attack submarine which can carry cruise missiles, with another delivery expected. These super silent submarines are very hard for the US Navy and NATO partners to detect.

According to Brent Sadler, a retired US Navy captain, some Russian warships that had deployed from the Pacific to the Mediterranean Sea to deter NATO activity in support of Ukraine have since returned to their homeports, including the Slava-class cruiser Varyag, the flagship for Russia's Pacific Fleet. The reason behind this is not a change in strategy, but rather Russia's inability to sustain large warships for long periods of time at its naval base in Tartus, Syria.¹⁰

In mid-April 2023, Russia posted a video to Twitter of their "surprise inspection" of the Russian Pacific Fleet while undergoing large-scale military exercises involving the whole fleet.¹¹ At the beginning of the exercises, Russia's Defence

¹⁰ J. Schogol, "How much of a threat does Russia's Pacific fleet pose to the U.S.?", *Task and Purpose*, 14 April 2023.

¹¹ "Russia puts Pacific Fleet on high alert in surprise inspection", *Kanal13*, 14

Minister Sergei Shoigu announced that strategic bombers would “fly over the central part of the Pacific Ocean to imitate strikes against groups of enemy ships”, and President Vladimir Putin praised the Navy’s “high level” performance.¹² However, the “surprise inspection” must have shown a disappointing level of preparedness, because the fleet’s commander resigned one week later.¹³

Moscow’s investments in upgrading their Pacific Fleet reflect the importance they place on the region. Russia’s Northern Fleet, which is tasked with patrolling the Arctic and Atlantic Oceans is larger than Russia’s Pacific Fleet, nevertheless, a great deal of effort has been expended to highlight the power of the Pacific Fleet for strategic communication. Moscow’s active advertising of the Pacific Fleet exercises was meant to display their capabilities and they wanted their neighbours in the Asia-Pacific and adversaries to take note. Russia’s message seems to be that even though we are involved in a land war in Ukraine, we are still very much present in the Asia-Pacific.

Despite all the upgrades, Russia’s Pacific Fleet would not last long in a conflict with the US Navy. But the US Navy would face a far more serious threat if it needed to fight both the Chinese and Russian navies at the same time.

The Power of Two: Russia-China Naval Cooperation

The size of Russia’s Pacific Fleet is about one-tenth of that of China’s People’s Liberation Army Navy. For years, the Pacific Fleet and China’s PLA Navy have conducted joint activities at sea. In the last few months, they have conducted more joint

April 2023.

¹² V. Isachenkov, “[Putin hails Russian navy’s performance in Pacific drills](#)”, *APNews*, 17 April 2023.

¹³ “[Commander of Russia’s Pacific Fleet Resigns After Snap Inspection](#)”, *Radio Free Europe (RFE)*, 8 May 2023.

exercises near Japanese islands in the East China Sea, including both surface ships and submarines. Russia and China have also conducted other, trilateral naval exercises with Iran and others.

According to James Holmes, a professor at the US Naval War College, “Russia’s stealthy nuclear-powered submarines combined with China’s silent-running electric diesel boats – all of which would be armed with anti-ship missiles – would pose a formidable challenge to the US and its allies”.¹⁴

Russia could prove to be a capable little brother to big brother China by stretching “out the major adversary across wide geographic space, attenuate the adversary’s strength at any given place and basically make things tough on the adversary”. The Pacific Fleet would be “more ... a supplement to the PLA Navy than a standalone competitor”.¹⁵ Russia in this way acts as a force-multiplier.

Is Russia Dependent on China?

On 4 February 2022, Russia’s President Putin and China’s Xi announced a “no limits partnership”.¹⁶ They set out a vision of a new world order, no longer dominated by the US and by the West. Twenty days later, perhaps reassured of China’s tacit support, Putin invaded Ukraine.

Russia and China have slowly improved their relations since the dissolution of the Soviet Union. In 2005, they conducted their first joint military exercise (in China’s Shandong region, it included amphibious landings suspiciously similar to a possible landing on Taiwan, the main mission of China’s PLA). It is no coincidence that the exercise took place just after the 2004

¹⁴ J. Schogol, “How much of a threat does Russia’s Pacific fleet pose to the U.S.?”, *Task and Purpose*, 14 April 2023.

¹⁵ Ibid.

¹⁶ President of Russia, “Joint Statement of the Russian Federation and the People’s Republic of China on the International Relations Entering a New Era and the Global Sustainable Development”, 4 February 2022

Orange Revolution in Ukraine, when Putin started to perceive a threat from the West and to seek support from the East. The two militaries have since conducted more joint exercises, and have improved their interoperability, preparing the ground for a possible military alliance.

In the year 2000, newly elected President Putin said during a visit to Russia's Far East, "I don't want to dramatise the situation, but unless we make real efforts soon, then even the indigenous population will in several decades from now be speaking mainly Japanese, Chinese and Korean".¹⁷ He would not use these words now, especially not putting Japan, China and Korea in the same basket. Although deep misgivings remain, ingrained in Russia's culture, officially China is Russia's trusted partner.

In November 2022, before the Bali G20 meeting, Russia's Foreign Minister Lavrov condemned the US Indo-Pacific policy as an attempt to sideline the "inclusive structures" of Asian regional integration, centred on ASEAN. He explained that US actions led to "the militarisation of this region, with an obvious focus on containing China, and containing Russian interests in the Asia-Pacific". He stated, "the United States and its NATO allies are trying to master this space".¹⁸ In this Russian narrative, the interests of Russia and China are aligned. Both push back against the US, in Europe as in the Indo-Pacific.¹⁹ The US reciprocates by casting Russia and China as the two main global threats.

¹⁷ President Putin's "Introductory Remarks at a Meeting on the Prospects of the Development of the Far East and the Trans-Baikal Region", delivered in Blagoveshchensk, Russia, 21 July 2000.

¹⁸ "Russia's Lavrov says West seeking to militarise southeast Asia", *Reuters*, 13 November 2022.

¹⁹ "NATO to open Japan office to enable Indo-Pacific consultation, Nikkei Asia reports", *Reuters*, 3 May 2023. Japan is part of NATO's IP4 (Indo-Pacific four partners which includes Japan, Australia, South Korea, and New Zealand). "Japan and NATO are seeking to deepen cooperation on cyber threats, disruptive technologies and disinformation, aiming to sign an individually tailored partnership programme before a NATO summit in July".

The Concept of the Foreign Policy of the Russian Federation states, “Russia aims at further strengthening the comprehensive partnership and the strategic cooperation with the People’s Republic of China and focuses on the development of a mutually beneficial cooperation in all areas”.²⁰ This document mirrors Chinese language in many points, for instance, when it condemns the “hegemonic ambitions” of certain states, and promotes a “multipolar world” with “mutually beneficial and equal cooperation”. It highlights the Shanghai Cooperation Organisation, which is based in Beijing, and China’s “One Belt One Road” initiative.

Russia and China are complementary from an economic point of view, with Russia exporting mainly energy and raw materials, and importing manufactured goods from China. However, while Russia’s economy and population have grown only modestly, stagnated or declined, China’s have skyrocketed over the last forty years. China’s diplomatic and military power has also grown exponentially. This has made the Sino-Russian relationship increasingly unbalanced in favour of China.

After Russia invaded Ukraine, with Western sanctions precluding export to Western markets and access to Western goods, Russia became even more heavily dependent on Beijing. While trade with the West suffered, the Governor of Russia’s Far Eastern region of Khabarovsk boasted that the region’s trade with China increased by 31%, and cargo turnover by 106% year-on-year as of the end of 2022, while Chinese FDI in the Khabarovsk region alone totalled US\$1.6 billion in 2022.²¹ Xi’s state visit to Moscow in March 2023 illustrated Russia’s dependence on China well. In the joint statement about the trip, toeing China’s line, Russia recognised Taiwan as “an inalienable part of Chinese territory”.²²

²⁰ The Ministry of Foreign Affairs of the Russian Federation, “[The Concept of the Foreign Policy of the Russian Federation](#)”..., cit.

²¹ C. Devonshire-Ellis, “[China’s Russian Belt & Road Initiative Continues Apace in the Russian Far East](#)”, *Russia Briefing*, 24 April 2023.

²² Ministry of Foreign Affairs of the People’s Republic of China, “[President](#)

In a recent interview, China's Ambassador to the EU, Fu Cong, tried to demonstrate that there was daylight between Moscow and Beijing.²³ This is hard to believe. Xi's parting words to Putin after the visit to Moscow were, "Change is coming that hasn't happened in 100 years – and we're driving this change together".²⁴ Putin replied, "I agree".²⁵

In April 2023, China's Minister of Defence Li Shangfu visited Moscow and met with President Putin. According to Russia's official TASS news agency, Li Shangfu commented, "We have very close relations. They outperform military-political unions of the Cold War era".²⁶

Russia is in need of Chinese support in Russia's stalling war against Ukraine. There have been reports that China supplied some weapons components to Russia, as Ukrainian forces found such components in Russian weapons on the battlefield. However, such supplies appear to have been limited. If China provided Russia with weapons on a large scale, that would be a turning point in Sino-Russian relations. For the moment, China is unlikely to do that. It has probably calculated that costs in terms of Western sanctions and economic losses would be too high, and that a weaker and more dependent Russia is in China's interest in the long term.

[Xi Jinping and Russian President Vladimir Putin Sign Joint Statement of the People's Republic of China and the Russian Federation on Deepening the Comprehensive Strategic Partnership of Coordination for the New Era and Stress Settling the Ukraine Crisis Through Dialogue](#), 22 March 2022.

²³ S. Erlanger, "China's Ambassador to the E.U. Tries to Distance Beijing From Moscow", *New York Times*, 6 April 2023.

²⁴ Emphasis is mine. Xi Jinping has used this phrase before, but it was only recently that he added the key word "together" with Russia.

²⁵ J. Kyngé, "China is tightening its embrace with Russia as it builds bulwarks against the west", *Financial Times*, 24 March 2023.

²⁶ "Russian-Chinese military-political ties outperform Cold War-era unions – Chinese minister", *TASS*, 16 April 2023.

Conclusion

Russia will continue to reject the concept of “Indo-Pacific”, pushing a “Eurasian” and “Asia-Pacific” perspective instead, including the Shanghai Cooperation Organisation (SCO) and the Belt and Road Initiative (BRI). Russia sees the Indo-Pacific as a Western tool to contain China and oppose Russian interests in the region. As an alternative to the “Indo-Pacific”, Russia puts forward the ASEAN-centred regional architecture, in which Russia plays a role. Wishing to continue to play a role as a great power, Russia will also highlight the role of its Pacific Fleet, including joint naval activities with China. At the same time, Moscow is becoming increasingly dependent on Beijing.

Conclusions

Filippo Fasulo

Since 2018, when the French government announced its strategy, the Indo-Pacific has become increasingly important for Europe. After an initial push by France, Germany and the Netherlands, which presented their national approaches to the region, the EU finally adopted its own strategy in September 2021. However, the launch and the implementation of the EU's strategy have been affected by a competitive political dimension and by a fast-changing international scenario due to the Russian invasion of Ukraine. First, Europe had to deal with the birth of AUKUS, announced just hours before the press release presenting the EU strategy. This circumstance – a military alliance to provide Australia with nuclear submarines that resulted in a previous contract between Australia and France being cancelled – shows how much US interest has shifted towards the region and how high the expectations are for it to be effective there. However, the Russian invasion has been the main obstacle to the implementation of the EU's strategy for several reasons. Once again, the timing was unfortunate for Europe: the start of the war on 24 February was only two days after the Ministerial Forum for Cooperation in the Indo-Pacific in Paris that was supposed to symbolise how the Indo-Pacific was becoming a priority. Instead, the war in Europe forced EU members to focus their financial and military attention on dealing with its consequences. The war has also reshaped the EU's relationship with all the major players in the region. With regards to China, the war is creating an ideological rift between

autocracies and democracies, but the need to face the economic consequences of decoupling from Russia reduces the EU's capacity to concurrently review its economic ties with Beijing. The war has also led the US to strengthen its commitment to cutting dependence on China, seen as the major threat in the longer term, at a pace that the EU – affected by the costs of the war – cannot sustain. This focus on China might lead the US to reduce its interest in solving the war in Europe and, at the same time, to seek a stronger EU presence in the Indo-Pacific. Such a possibility was raised by French President Macron in a controversial interview he gave on his way back from Beijing, in which he called for strategic autonomy from the US and questioned the EU's interest in dealing with crises that are not in Europe. However, the EU's view of the global dimension of the war in Ukraine might not be shared by countries in the Indo-Pacific that see it more as a regional European crisis and do not want to pay for it.

Against this backdrop, the EU's engagement in the Indo-Pacific must contend with an evolving military and economic scenario. Coordination with existing diplomatic initiatives such as Quad can be an opportunity to scale up presence and capability in the region within a multilateral framework. In addition, EU participation in a QUAD Plus mechanism, as a dialogue partner or through the working groups, will give the bloc leverage in negotiating with China as a trade partner. On the economic side, IPEF is the biggest news for the region. Even though at the moment it is only at the negotiating stage, it has the potential to shape the rules and norms of economics in the region. For the EU, it is crucial to grasp its implications, especially as it deals with chapters of EU interest, such as trade, supply chains and a clean and fair economy. In an evolving scenario, the next step will be constituted by the digital economy, especially at a time when the AI revolution is taking shape. Digital trade will only deliver on its promise if proper regulation of cross-border data flows is established. The Indo-Pacific region is very dynamic in this regard. Indeed, a

growing number of governments in the Indo-Pacific have made commitments to cross-border data flows in various FTAs and DEAs and countries in the region are focused on how to strike a balance between enabling proper cross-border data flows and maintaining policy space to regulate data to achieve legitimate public policy objectives.

Viewing the Indo-Pacific more as an opportunity to engage with Asia rather than a strategic battleground, the green transition is usually seen as the key space for cooperation. However, green transition policies also have deep industrial implications. Indeed, all Indo-Pacific players see the stakes in dominating the green tech market. As a result, they are all investing in industrial policies, with direct state intervention playing a major role.

Sectoral challenges are in the midst of a significant shift, but even the concept of Indo-Pacific has not yet been settled. While it might have been able to replace and integrate the notion of Asia-Pacific among Western observers, others still reject it. China, in particular, sees it as a Western narrative to be rejected. On the contrary, Beijing insists on the Asia-Pacific concept and on an ASEAN-centred regional cooperation architecture. Russia holds a similar position, fearing to be marginalised by a focus on the two oceans and perceiving the concept of Indo-Pacific as a tool to contain China and Russia. On their own, ASEAN and most of its member countries are supportive of a rules-based order but they fear growing polarisation that would force them to take sides between China and the US.

In conclusion, the Indo-Pacific is the fastest emerging strategic region in the world. The EU has published its strategy, but the Russian invasion of Ukraine has diverted the attention and interests of its member nations. The biggest issue, in a time of scarce resources to properly bear the costs of reducing dependence on China, seems to be to increase the EU's engagement in the region without compromising EU-China relations. In this regard, the military dimension becomes the most sensitive, but offers the opportunity to show

strong political commitment to a rule-based order. At the same time, economic engagement in the region is undergoing a rapid institutional building process from which the EU is still excluded. Concluding formal economic agreements in the short term might be an opportunity not to be missed.

About the Authors

Aidan Arasasingham is a Research Associate with the Economics Program at the Center for Strategic and International Studies (CSIS). In this role, he supports research on international economic policy, global economic governance, and the domestic foundations of US power, with a focus on the Indo-Pacific. Previously, Mr Arasasingham spent two summers studying in China and worked for the CSIS Scholl Chair in International Business, the US House Committee on Homeland Security, Holland & Knight LLP, and the Los Angeles Business Council. A national leader on higher education and economic mobility issues, he represented over 285,000 students as President of the University of California Student Association. He holds a BA in Global Studies from the University of California, Los Angeles (UCLA).

Dingding Chen is a Professor of International Relations, Associate Dean of Institute for 21st Century Silk Road Studies at Jinan University, Guangzhou, China, and Non-Resident Fellow at the Global Public Policy Institute (GPPi) Berlin, Germany; and SAIS at Johns Hopkins University. He was the Vice-President of International Studies Association (Asia-Pacific region 2014-18). He is also the Founding Director of Intellisias Institute, a newly established independent think tank focusing on international affairs in China. His research interests include Chinese foreign policy, Asian security, Chinese politics, and human rights. His articles have appeared in

International Studies Quarterly, *International Security*, *Journal of Contemporary China*, *Chinese Journal of International Politics*, and *The Washington Quarterly*. He is the co-editor of a book on international engagement with human rights in China. Before teaching at University of Macau between 2009 and 2016, he was a Visiting Instructor in the government department at Dartmouth College and was also a China and the World Program Fellow at the Harvard University.

Yingfan Chen is a Research Fellow at the Intellisias Institute, China, with a Master in International Public Management from Sciences Po in Paris. Her research interests include US-China relations, US-Japan relations, and public diplomacy. She has led several research projects on topics such as “US-China Technology Decoupling under the Background of Game Theory”, and “Chinese Language Education in the United States”. She has also published many timely commentaries in media such as *The Diplomat*.

Theresa Fallon is the founder and Director of the Centre for Russia Europe Asia Studies in Brussels. She is concurrently Adjunct Professor at the George C. Marshall European Center for Security Studies, a Nonresident Senior Fellow of the Chicago Council on Global Affairs, a member of the Loiseach Group on transatlantic relations, and a member of the National Committee on US-China Relations. Her current research is on EU-Asia relations, maritime security, and global governance. She has testified to European Parliament committees as well to the UK House of Lords, and briefed Members of the US Congress and other US government institutions. From 2003 to 2007 she worked in Beijing as a researcher and consultant. From 1998 to 2003 she was the Moscow representative of PlanEcon, and taught economics in the first MBA program established in Russia.

Filippo Fasulo is a Research Fellow and Co-head of ISPI's Centre for Business Scenarios. He also works as Adjunct Professor at the Catholic University of Milan and collaborates with the Sant'Anna School of Advanced Studies in Pisa. He has previously worked as Director of the Italy-China Foundation's Business Studies Centre (CeSIF) and has served as a member of the scientific committee and editorial team of *Mondo Cinese*. He holds a doctorate in Institutions and Policies from the Catholic University of Milan, and in 2012 was awarded an MSc by the London School of Economics (LSE) for his work on China in Comparative Perspective. He is also Academic Secretary of the Chinese section of the Ambrosian Academy's Far East Studies department. He edited CeSIF's Annual Report from 2017 to 2021 and, in 2017, was selected for the Young Sinologist Visiting Programme by the Shanghai Academy of Social Sciences.

Joshua P. Meltzer is a Senior Fellow at the Brookings Institution. He works on international economic relations with a focus on the intersection of digital technology and international trade and investment. As part of this work he co-leads the Forum on Cooperation in AI (FCAI) along with Cameron Kerry, a multistakeholder track 1.5 dialogue with senior government officials from the US, EU, Canada, UK, Singapore, Japan and Australia as well as AI experts from industry and academia. He also leads the USMCA which focuses on how USMCA can strengthen international economic cooperation in North America. Mr Meltzer has testified before the US Congress, the US International Trade Commission and the European Parliament. He was an expert witness in the Schrems II litigation in Europe on data flows and privacy and a consultant to the World Bank on trade and privacy matters, as well as the G20 and APEC on data governance issues. He is a member of the Australian government's National Data Advisory Council. He is a Senior Fellow at the Melbourne University Law School where he teaches digital trade law. Before Brookings, he was a diplomat at the Australian Embassy in Washington D.C.

and an international trade negotiator in Australia's Department of Foreign Affairs and Trade. Mr Meltzer has appeared in print and news media, including *the Economist*, *the New York Times*, *CNN*, Bloomberg the Asahi Shimbun and *China Daily*.

Rahul Mishra is Director, Centre for ASEAN Regionalism Universiti Malaya (CARUM), at University of Malaya, Malaysia, where he is also the Coordinator of the European Studies Programme at the Asia-Europe Institute. Dr Mishra specialises in politico-security affairs of the Southeast and East Asian region, ASEAN-EU regionalism, the role of major & middle powers in the Indo-Pacific region, especially in the context of China's rise. Recipient of the Asia Fellowship of the East-West Center in Washington D.C., Korean and the Australian Government Fellowships, he was previously affiliated with the RSIS (NTU), and NUS as well. He is a columnist with Deutsche Welle, and has published with the *Japan Times*, *Financial Times*, *Channel NewsAsia*, *New Straits Times*, *Jakarta Post*, *Asia Times*, *Indian Express*, *The Sunday Guardian*, etc. and appeared on news media including the BBC, Deutsche Welle, CCTV, Phoenix TV, CNBC, Astro Awani, and Bernama.

Jagannath Panda is the Head of the Stockholm Center for South Asian and Indo-Pacific Affairs (SCSA-IPA) at the Institute for Security and Development Policy (ISDP), Sweden. He is also the Director for Europe-Asia Research Cooperation at the YCAPS in Japan; and a Senior Fellow at The Hague Centre for Strategic Studies (HCSS), The Netherlands. Mr Panda has testified to the US-China Economic and Security Review Commission of the US Congress. As a Senior Expert on Indo-Pacific security and China, he leads a Books Series with Routledge and is the Series Editor for *Routledge Studies on Think Asia*. He is the author of the book *India-China Relations* (2017) and *China's Path to Power: Party, Military and the Politics of State Transition* (2010). His recent works are: *Chinese Politics and Foreign Policy under Xi Jinping* (co-edited, 2022), *Quad Plus and Indo-Pacific* (2021);

Scaling India-Japan Cooperation in Indo-Pacific and Beyond 2025 (2019), and *The Korean Peninsula and Indo-Pacific Power Politics: Status Security at Stake* (2020); and co-editor of *The Future of Korean Peninsula: Korea 2032 and Beyond* (2021).

Sun Ryung Park is a current Ph.D. candidate in Political Science and an IAR Fellow (2021-23) at the Centre for Korean Studies at the University of British Columbia. She was also a Liu Scholar (2021-22) in the School of Public Policy and Global Affairs, UBC. Her research topic focuses on the intersection between the state and the market in green energy sectors. She aims to analyse the reasons behind the recent resurgence of states utilising various old and new tools of industrial policy to compete in a green tech race against each other. She completed her MA and BA in Political Science and International Relations at the Korea University (Seoul).

Yves Tiberghien is a Professor of Political Science and Konwakai Chair in Japanese Research at the University of British Columbia in Canada. He is a Distinguished Fellow at the Asia-Pacific Foundation of Canada and a Visiting Professor at the Tokyo University, The Taipei School of Economics and Political Science, and Sciences Po Paris. His research focuses on the comparative political economy of East Asia and on global economic and environmental governance. His latest book is *The East Asian Covid-19 Paradox* (2021). He is working on a new book titled *Up for Grabs: Disruption, Competition, and the Remaking of the Global Order*.

You Wang is a Ph.D. candidate in International Relations, at the School of International Relations, Jinan University (Guangzhou). Her research interests focus on international relations theory, Sino-US relations, technology and international relations. Before joining Jinan University in 2022, she was a Research Fellow at the Intellisia Institute. Her work has been published at *Contemporary International Relations*, *China Policy Journal*, and *China Quarterly of International Strategic Studies*.

