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The Implication of Connectivity Agendas for Our Economic Well-Being and Our Security:

Proceedings of the conference between the Center for Global Security, National Defense Academy and the Griffith Asia Institute, Griffith University held on November 12, 2018 in Yokosuka, Japan

Coedited by

Teruhiko Fukushima and Ian Hall

Global Security Seminar Series No.4

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GLOBAL SECURITY SEMINAR SERIES

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Caitlin Byrne,
Director of Griffith Asia Institute,
Griffith University

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Finally, we would like to thank our administrative staff who supported the Dialogue event and publication of this seminar series.

Hideya Kurata
Director of Center for Global Security
National Defense Academy

INTRODUCTION

Teruhiko Fukushima

National Defense Academy

Ian Hall

Griffith University

Across the Indo-Pacific, major states are investing in major infrastructure projects to enhance connectivity, boost economic development and growth, and manage security challenges. These include China's Belt and Road Initiative (BRI), the India and Japan-backed Asia-Africa Growth Corridor, and the Trilateral project recently launched by Australia, Japan, and the US, among others.

These connectivity initiatives are critically important for trading states like Australia and Japan, whose prosperity and security depend on freedom of navigation and open markets, and which make substantial investments in international development across the region.

These papers are compiled from the proceedings of the inaugural conference between the Global Security Center, National Defense Academy and the Griffith Asia Institute, Griffith University held on November 12, 2018 in Yokosuka, Japan. Seven writers contributed to this volume.

In chapter one, Shino Watanabe of Sophia University focuses on China's Belt and Road Initiative. Since its announcement in 2013, China increased trade with BRI member countries and played a certain role in addressing the infrastructure gap in the region through its massive investment in the countries of the Association of South East Asian Nations (ASEAN), South Asia and the Indian Ocean region, Central Asia, and the Southwest Pacific. Voices of concern have however arisen outside China and within

China's domestic and business circles, with critics arguing that its development has been hasty nature, and preferences for advanced countries such as Canada and Australia expressed as safer and more profitable destinations for capital. In order to address these challenges for BRI, Watanabe proposes that Japan and Australia should cooperate to try to enhance BRI's transparency.

In chapter two, Sheryn Lee of Macquarie University discusses the changes we have seen inside China under the President Xi Jinping, as it has become increasingly authoritarian strengthened its authoritarian regime and more assertive towards its neighbors. In response to these developments, Lee observes, states like Japan and Taiwan have moved to strengthen their defense ties with the United States. However, these countries continue to have doubts about the commitment of the US to the region under the President Donald J. Trump, who does not hesitate to pursue his America first policy. Lee also argues that Southeast Asia is a key to watch, as Indonesia, the Philippines and Vietnam seek to counter China's unilateral actions in the South China Sea, as Japan increases its infrastructure investment there, and both Taiwan under President Tsai Ing-wen and South Korea under President Moon Jae-in develop their southern policies.

While chapters one and two deal with China, chapters three and four focus on Japan. In chapter three, Mataka Kamiya of the National Defense Academy highlights Japan's diplomatic attempts to enhance regional connectivity, namely, the Free and Open Indo-Pacific strategy (FOIP). He traces FOIP's origin back to Prime Minister Shinzo Abe's "Asia's Democratic Security Diamond" vision of 2012. Abe argued that as one of Asia's oldest sea-faring democracies Japan should play more roles to preserve the common goods such as peace, stability and the freedom of navigation. In order to safeguard these maritime commons, Abe proposed a diamond-shaped framework to link four main democracies in the Indo-Pacific, namely Japan, United States, Australia and India. In fact, since his first government in 2007, Abe stressed ties between Japan and India as Asia's main democracies. After the resurgence of his second government in 2012, Abe has been consistent in his stress on protection of liberal, rules-based international order. Kamiya concludes that while Japan has emphasized that FOIP is open to every country including China, the strategy is not anti-China but does seek to counter China's coercive actions in the region.

In chapter four, Nikolay Murashkin of Griffith University focuses on Japan's infrastructure investment in the Indo-Pacific, especially in Central Asia. Japan's recent

revitalization of investment activities in Asia may look like a move to counter China's BRI. Murashkin argues that Japan has a long record of extensive use of its concessional yen loans for infrastructure investment for the former socialist countries in Central Asia during the 1990s. In recent years the officials of the Ministries of Finance, and Economy, Trade and Industry show understandings for China's investment initiatives and even regard them as opportunities, especially for the multilateral investment programs such as under the Asian Development Bank. Thus he concludes that Japan's infrastructure investment in Asia has ambivalent characteristics of competition and cooperation with China.

Chapters five to seven focus on India and South Asia. Ian Hall of Griffith University discusses India's response to BRI. India showed a guardedly positive attitude when BRI was announced in 2013. At the end of that year, it even agreed to participate in the Bangladesh-China-India Myanmar (BCIM) transport corridor project. Although New Delhi remained quiet after Xi Jinping announced in 2015 the China Pakistan Economic Corridor (CPEC) which ran through the territory in Kashmir, it did not hide its grave concern about the Beijing-centric infrastructure project just before the Belt and Road Forum in May 2017. Despite the subsequent confrontation between the Indian and Chinese troops in Doklam, Indian Prime Minister Narendra Modi visited China and reached an agreement with Xi in May 2018. While Modi made an address critical of BRI a few weeks after this summit, China revealed a conciliatory attitude by delinking BCIM from BRI to encourage India's participation in the transport corridor project. Hall concludes that India's unflattering approach over BRI drove Beijing into conciliatory stance over BCIM.

In chapter six, Toru Ito of the National Defense Academy looks at India's relations with the other South Asian countries under Prime Minister Modi. While showing strong commitment to engage itself with the Indo-Pacific, the Modi government has tried to improve relations with its neighboring countries through the framework of SAGAR as an abbreviation for "Security and Growth for All in the Region", partly in response to China's advance into the region. As a rare attempt to demonstrate India's goodwill, Modi visited three Indian Ocean island states in March 2015. Although he was greeted with enthusiasm in each destination, when Modi raised proposals for India's cooperation to update military infrastructure in Seychelles and Mauritius, he faced strong resistance from the local residents against these defense-linked projects. Ito suggests that in order to alleviate the local suspicion about its military ambition, India may as well approach

these island states in collaboration with Japan in its quest for FOIP.

In chapter seven, Tsutomu Kikuchi of Aoyama Gakuin University argues that while the countries around the Bay of Bengal share a deep sense of concern about their overdependence on China, there emerges a new opportunities for economic dynamism among them. Then Kikuchi points out the wide room for Japan to play in bringing the dynamism forward. Under Prime Minister Abe, Japan, for the first time in the postwar period, has shown strong commitment under a clear strategy, namely FOIP, and that sense of engagement is shared by the like-minded countries in the region. Second, in recent years, Japan has shifted considerable amount of direct investment away from China to South and Southeast Asia, and in this process the Abe government increased a level of collaboration with the other like-minded countries such as Australia and India.

These papers collectively regard China as an actor for cooperation rather than competition in terms of regional connectivity in the Indo-Pacific. The missing link in this seminar series contributed by the academics based in Japan and Australia is the Pacific island states. Despite the fact the Labor government accepted Japan's strategic aid to the South Pacific islands in the mid 1980s, there haven't been visible achievement of collaboration between Japan and Australia in coordinated aid for the Pacific region, despite the fact both nations have established maritime capability building assistance programs for the island states. But it is a welcome development that Japan, US, Australia and New Zealand signed a financial assistance scheme to improve Papua New Guinea's (PNG) power generation and grid infrastructure so that electricity could be available for 70% of PNG households. The fact that deal was concluded at the sideline of the APEC meeting in Port Moresby for which China offered generous infrastructure assistance suggests that the four nations PNG power deal was a counteraction to entice the eyes of local politicians and residents to fairer, transparent and local friendly assistance scheme. The key to such a program would be local capacity building. It is worth watching how these aid scheme will be developed and how China will respond, go its own way or collaborate, if so, how.

CHAPTER 1

China's Belt and Road Initiative and Its Implications for the Indo-Pacific Region

SHINO WATANABE

Sophia University

INTRODUCTION

China's "Belt and Road Initiative (BRI)" has entered a new phase in 2018, five years after Chinese president Xi Jinping first announced the idea of building the "Silk Road Economic Belt" and the "21st Century Maritime Silk Road" in September and October 2013 consecutively. While China has contributed to developing hard and soft infrastructure in BRI countries, enhanced its connectivity with and within the region, and boosted Chinese exports, BRI has led to several challenges to countries in the Indo-Pacific region, such as undermining the internal cohesion of ASEAN countries, fueling anti-Chinese sentiment among the local population, and creating some anti-Chinese regimes.

The present study highlights a paradox that China's growing engagement in the Indo-Pacific region does not imply improved relations with countries in the region. The study deals with the major developments in BRI over the past six years, followed by the major challenges that BRI has brought to the region. Major countries such as Australia and Japan can play a significant role in the region in addressing some of the challenges. Finally, the study provides some policy recommendations for both Australia and Japan.

MAJOR DEVELOPMENTS IN BRI

ENCOURAGING TRADE AND INVESTMENT

Chinese trade with and outbound investment to countries along the Belt and Road increased after the launch of BRI. Chinese trade with BRI countries from 2013 to 2017 reached US\$6975.623 billion (almost \$7 trillion)¹, while that from 2014 to 2016 exceeded US\$3 trillion². China's trade with BRI countries accounted for US\$953.589 billion in 2016 alone, and its share in China's value of foreign trade slightly increased from 25.4% (US\$485.5 billion) in 2015 to 25.7% in 2016³. These data suggest that China's trade with BRI countries has witnessed a fast growth in recent years.

According to the Ministry of Commerce, foreign direct investment (FDI) by Chinese companies to BRI countries increased from 2013 to 2015 and then, in 2016, dropped 19.0% year-on-year to US\$15.34 billion⁴, but it reached US\$20.18 billion in 2017, which accounted for 12.7% of total FDI worth US\$158.29 billion. By late 2017, Chinese FDI stock to BRI countries had reached US\$154.40 billion, accounting for 8.5% of the total Chinese FDI⁵.

¹ ““一带一路”这五年：互联互通交出亮丽成绩单 [“Belt and Road Initiative” in five years: Interconnectivity witnesses great breakthroughs”]

<https://www.yidaiyilu.gov.cn/xwzx/gnxw/67936.htm>

² 国家信息中心“一带一路”大数据中心 [The State Information Center Belt and Road Big Data Center] 《一带一路大数据报告 2017 [Big data report 2017 of the Belt and Road Initiatives]》 商务印书馆 [The Commercial Press]、2017 年、61 页。

³ ““一带一路”数据观：“一带一路”朋友圈进化论：合作再升级 [Overview of “Belt and Road Initiative” data: “Belt and Road” circle of friends expanding: further cooperation]”，2017 年 11 月 9 日 (November 9, 2017)。 <https://www.yidaiyilu.gov.cn/xwzx/gnxw/33799.htm>

⁴ 商务部 [Ministry of Commerce] 《中国对外投资合作发展报告 2017 [Report on development of China's outward investment and economic cooperation 2017]》 2018 年、124 页。

⁵ 商务部 [Ministry of Commerce] 《中国对外投资合作发展报告 2018 [Report on development of China's outward investment and economic cooperation 2018]》 2019 年、93 页。

China's FDI flows to BRI countries (unit: \$100 million)

Year	2013	2014	2015	2016	2017
BRI countries	131.7	144.6	189.3	153.4	201.8
Total	1078.4	1231.2	1456.7	1961.5	1582.9
Share	12.2%	11.7%	13.0%	7.8%	12.7%

Sources: 『中国对外投资合作发展报告』(2015~2018年版)

China's stock of FDI to BRI countries (unit: \$100 million)

Year	2013	2014	2015	2016	2017
BRI countries	n.a.	924.6	1156.8	1294.1	1544.0
Total	6604.8	8826.4	10978.6	13573.9	18090.4
Share	n.a.	10.5%	10.5%	9.5%	8.5%

Sources: 『中国对外投资合作发展报告』(2015~2018年版)

Southeast Asia is considered the most critical region for China in which to implement BRI. For instance, in 2014, China invested US\$13.66 billion in BRI countries, whereas US\$7.81 billion (57.2%) was invested in Southeast Asia. The stock of Chinese FDI was US\$92.46 billion at the end of 2014; of which, US\$47.63 billion (51.5%) were invested in Southeast Asia, while Chinese FDI flow and stock to Russia in 2014 were only US\$630 million and US\$870 million, respectively⁶.

The list of China's top-10 FDI flow and stock BRI countries from 2015 to 2017 clearly demonstrates China's preference for Southeast Asian countries. Singapore received the largest amount of Chinese FDI flow in all three years and far exceeded other countries. Concurrently, other countries from Southeast Asia were also ranked high in terms of Chinese FDI flow: Indonesia, Vietnam, Laos, Malaysia, and Cambodia in 2015; Malaysia, Indonesia, Vietnam, Thailand, and Cambodia in 2016; and Malaysia, Indonesia, Laos, Thailand, Vietnam, and Cambodia in 2017.

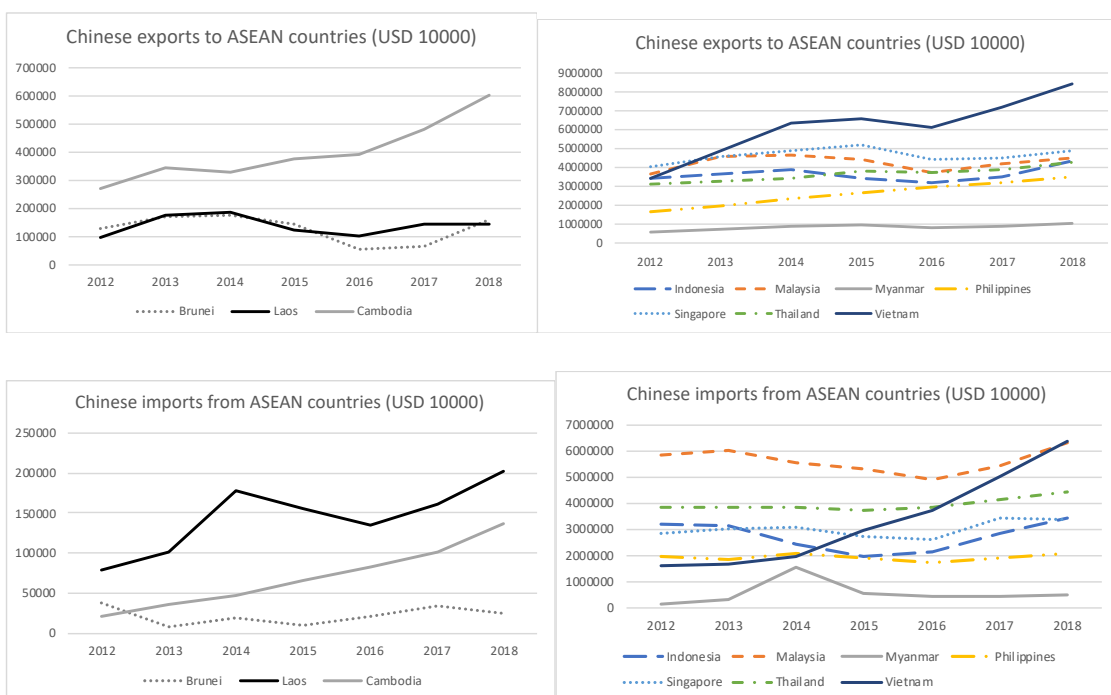
⁶ 商务部 [Ministry of Commerce] 《中国对外投资合作发展报告 2015 [Report on development of China's outward investment and economic cooperation 2015]》2016 年、9 页。

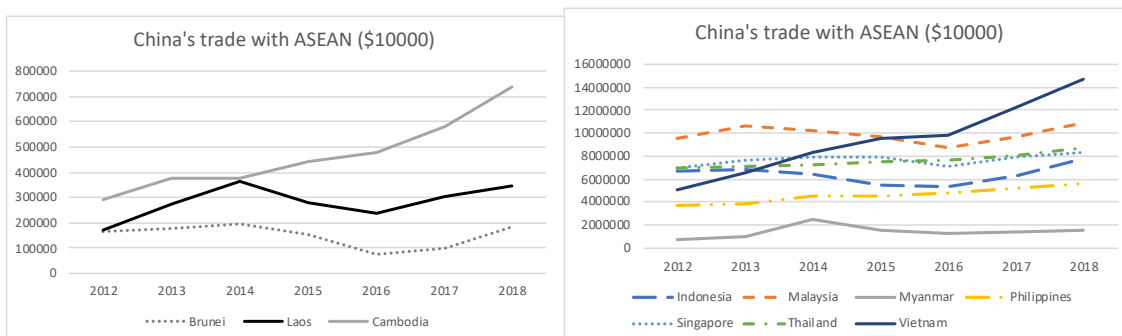
Rank	2015	Flow	Stock	2016	Flow	Stock	2017	Flow	Stock			
1	Singapore	104.5	Singapore	319.8	Singapore	31.7	Singapore	334.5	Singapore	63.2	Singapore	445.7
2	Russia	29.6	Russia	140.2	Israel	18.4	Russia	129.8	Kazakhstan	20.7	Russia	138.7
3	Indonesia	14.5	Indonesia	81.3	Malaysia	18.3	Indonesia	95.5	Malaysia	17.2	Indonesia	105.3
4	UAE	12.7	Kazakhstan	51	Indonesia	14.6	Laos	55	Indonesia	16.8	Kazakhstan	75.7
5	India	7.1	Laos	48.4	Russia	12.9	Kazakhstan	54.3	Russia	15.5	Laos	66.5
6	Turkey	6.3	UAE	46	Vietnam	12.8	Vietnam	49.8	Laos	12.2	Mya	55.2
7	Vietnam	5.6	Myanmar	42.6	Thailand	11.2	UAE	48.9	Thailand	10.6	Cambodia	54.5
8	Laos	5.2	Pakistan	40.4	Pakistan	6.3	Pakistan	47.6	Vietnam	7.6	UAE	53.7
9	Malaysia	4.9	India	37.7	Cambodia	6.3	Maynmar	46.2	Cambodia	7.4	Thailand	53.6
10	Cambodia	4.2	Mongolia	37.6	Kazakhstan	4.9	Thailand	45.3	Pakistan	6.8	Pakistan	49.7

Sources : 『中国对外投资合作发展报告』 (2016、2017、2018年版)

Moreover, China's exports to ASEAN countries have witnessed a growth since the launch of BRI in 2013. As the following charts indicate, China's exports to Vietnam and Cambodia grew rapidly, and that to the Philippines, Thailand, and Singapore also increased. China's imports from Laos, Cambodia, and Vietnam increased, while that from the rest of the ASEAN countries remained constant. Thus, China's trade volume with Laos, Cambodia, and Vietnam substantially increased.

In sum, China's trade with ASEAN countries, particularly exports, grew rapidly after China launched the BRI. However, majority of the ASEAN countries have not experienced a surge in trade with China although they endorsed BRI. It is not yet clear if the BRI contributes to dramatically increasing Chinese trade with ASEAN countries.





(Sources: National Bureau of Statistics of China, *China Statistical Yearbook* (2013, 2014, 2015, 2016, 2017, and 2018))

GROWING ECONOMIC INTERDEPENDENCE BETWEEN CHINA AND ASEAN COUNTRIES

In the past few years, China’s position as a trading partner, in terms of both exports and imports, has improved in almost all ASEAN countries. The following chart represents China’s trade share and ranks as a trading partner for a state. China has been the most important trading partner, especially for Indonesia, Myanmar, Singapore, and Thailand, at least in terms of either exports or imports for almost all the countries in ASEAN region.

Cambodia, Myanmar, and Vietnam depend significantly on imports from China (nearly 30%–40%). ASEAN countries have increased their share of trade with China, in terms of both exports and imports, since 2013, which implies that BRI has led to enhanced economic interdependence as measured by trade between China and ASEAN countries.

China's position in major ASEAN* countries																	(rank, %)			
Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
Bornei	Export	n.a.	7	6	6	8	n.a.	9	n.a.	n.a.	n.a.	n.a.	n.a.	9	11	14	11	8	7	9
	share	n.a.	4.14	6.30	6.67	4.05	n.a.	2.32	n.a.	n.a.	n.a.	n.a.	n.a.	2.68	1.36	0.91	1.52	4.67	4.83	3.61
	Import	n.a.	11	7	6	5	n.a.	5	n.a.	n.a.	n.a.	n.a.	n.a.	3	4	3	3	3	1	1
Cambodia	Export	6	9	15	17	14	13	18	18	17	12	9	8	6	5	6	6	n.a.	n.a.	
	share	1.74	1.12	0.43	0.31	0.45	0.47	0.44	0.29	0.30	0.33	1.16	2.31	3.07	4.00	5.21	4.75	6.05	n.a.	
	Import	4	4	3	2	2	2	2	2	1	1	1	1	1	1	1	1	1	n.a.	
Indonesia	Export	5	5	5	5	5	5	4	4	4	2	2	2	2	2	2	3	1	1	
	share	4.46	3.91	5.08	6.23	6.43	7.78	8.28	8.48	8.49	9.87	9.95	11.27	11.40	12.38	9.99	10.00	11.62	13.61	
	Import	5	5	4	3	3	3	2	2	2	2	1	1	1	1	1	1	1	1	
Malaysia	Export	10	6	5	4	4	4	4	4	2	2	1	2	2	2	2	2	2	2	
	share	3.08	4.39	5.60	6.48	6.71	6.56	7.24	8.78	9.58	12.20	12.53	13.12	12.64	13.45	12.04	13.04	12.51	13.48	
	Import	6	5	4	4	4	4	3	2	1	1	2	1	1	1	1	1	1	1	
Myanmar	Export	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4	2	3	2	1	1	1	1	
	share	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	6.25	18.64	15.28	26.70	35.24	39.61	40.84	38.89	
	Import	n.a.	5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1	2	1	1	1	1	1	1	
Philippines	Export	12	12	9	8	5	3	4	4	3	5	4	3	3	3	3	3	4	4	
	share	1.74	2.47	3.86	5.94	6.70	9.94	9.76	11.39	11.14	7.64	11.09	12.70	11.85	12.19	12.98	10.90	11.0	11.06	
	Import	13	8	8	6	6	5	5	5	3	4	3	2	1	1	1	1	1	1	
Singapore	Export	7	6	6	5	5	5	4	4	4	4	3	4	4	2	1	1	1	1	
	share	3.90	4.38	4.85	6.28	7.72	8.57	9.70	9.59	9.12	9.71	10.30	10.25	10.66	11.73	13.16	14.37	13.11	14.48	
	Import	4	4	4	4	4	3	3	3	3	3	3	2	1	1	1	1	1	1	
Thailand	Export	5	5	5	4	3	3	3	3	2	1	1	1	1	1	2	2	1	1	
	share	4.08	4.39	5.17	7.09	7.30	8.29	9.03	9.76	9.12	10.58	10.99	11.79	11.72	11.92	11.03	11.06	11.04	12.46	
	Import	4	3	3	3	2	2	2	2	2	2	2	2	2	2	1	1	1	1	
Vietnam	Export	2	2	2	3	3	3	3	4	3	3	2	2	3	3	2	2	2	2	
	share	10.61	9.43	9.09	9.35	10.95	10.01	8.14	7.51	7.74	9.46	10.72	11.98	11.21	9.98	9.94	10.23	12.43	16.45	
	Import	5	5	5	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	

Source: Global Trade Atlas

* Global Trade Atlas provides no trade data on Laos.

Whether China seeks to leverage trade to pressurize BRI countries is yet unclear. As their economies are closely interrelated with China, it is natural for some countries to fall into asymmetric economic interdependence on China, which in turn creates advantages for China. Theoretically, China could easily translate its economic clout into political influence, especially when a country relies exclusively on China.

ADDRESSING THE INFRASTRUCTURE GAP IN THE REGION

China's BRI addresses the infrastructure gap in Asia. According to a joint study conducted by the Asian Development Bank (ADB) and Asian Development Bank Institute in 2009, Asia required approximately US\$8 trillion to meet the infrastructure

gap from 2010 to 2020⁷. In 2017, ADB released a new estimate that the region will need infrastructure investment worth US\$26.2 trillion from 2016 to 2030, or US\$1.7 trillion annually: US\$14.7 trillion for power; US\$8.4 trillion for transport; US\$2.3 trillion for telecommunications; and US\$800 billion for water and sanitation⁸. Investment requirements vary across subregions: US\$565 billion for Central Asia; US\$16.1 trillion for East Asia; US\$6.3 trillion for South Asia; US\$3.1 trillion for Southeast Asia; and US\$46 billion for the Pacific⁹.

As the approximate value of infrastructure investment in Asia is currently US\$881 billion¹⁰, it still lacks nearly half of the necessary infrastructure investment. Although China alone cannot solve the infrastructure gap, its investment under BRI is imperative. China has made significant investment in strategic infrastructure such as ports, highways, railways, and pipelines.

Infrastructure development initiatives by China have improved the investment environment in Southeast Asia and thus global FDI inflow. BRI has developed China's connectivity with Southeast Asia through transport networks and economic corridors. The China–Indochina Peninsular Economic Corridor (CIPEC) connects China with five countries in Southeast Asia: Vietnam, Laos, Cambodia, Thailand, Myanmar, and Malaysia. For instance, the Kunming (in Yunnan Province, China), Singapore High-Speed Rail network, consists of three routes connecting China to Indochina: the Eastern route from Kunming to Bangkok via Hanoi, Ho Chi Minh, and Phnom Penh; the Central route from Kunming to Singapore via Vientiane, Bangkok, and Kuala Lumpur; and the Western route from Kunming to Bangkok via Mandalay and Yangon. The Chinese side of the railway project is nearly completed¹¹.

Infrastructure investment also helps China to secure energy resources, particularly crude oil and natural gas. It has plans to diversify its energy supplies and transportation routes.

⁷ Asian Development Bank and Asian Development Bank Institute, *Infrastructure for a Seamless Asia*, Asian Development Bank Institute, 2009, p. 4.

⁸ Asian Development Bank, *Meeting Asia's Infrastructure Needs*, Asian Development Bank, 2017, xi.

⁹ *Ibid.*, xiv.

¹⁰ *Ibid.*, x.

¹¹ LehmanBrown, "The Belt and Road Initiative", p. 7

<https://www.lehmanbrown.com/wp-content/uploads/2017/08/The-Belt-and-Road-Initiative.pdf>

Building overland pipelines is an integral component of BRI to avoid China's overreliance on the sea route passing through the Indian Ocean and the Malacca Straits, which is popularly known as Malacca Dilemma. China started laying the pipeline from Kyauapkyu in Myanmar to Kunming via Mandalay in 2010 and completed it in 2015. In April 2017, the pipeline started operations as a complement to the maritime route¹².

MAJOR CHALLENGES OF BRI

BRI faces many challenges, including intrinsic problems such as the urgency for tangible results and economic viability, and it also leads to repercussions and adverse reactions from BRI countries.

NEED FOR TANGIBLE RESULTS

President Xi Jinping spearheads BRI's rapid implementation. He was dissatisfied with the slow progress and thus, in his speech at the BRI work conference in August 2016, he urged senior officials and businesspersons to produce tangible results. At large gathering of senior party officials and businesspeople, he stated, "We need to get some model projects done and show some early signs of success and let these countries feel the positive benefits of our initiative"¹³.

Chinese scholars and policymakers are concerned about BRI. Xi's BRI was criticized for being hasty. For example, Shi Yinhong, a professor at Renmin University in Beijing, argued that China needs "strategic prudence" because it exposes "too many battlefields" and overstretches its capabilities. General Qiao Liang warned that BRI could be a specious promise without producing any results¹⁴. Shi Wei, an official of Ministry of

¹² 「中国、原油輸入路を多様に ミャンマー結ぶ陸路を確保 ["China secured the land line to connect Myanmar: diversifying its oil supply route"]」『日本経済新聞 [Nihon Keizai Shimbun]』2017年4月13日 [April 13, 2017].

https://www.nikkei.com/article/DGXLASGM12H4D_S7A410C1FF2000/

¹³ Peter Cai, *Understanding China's Belt and Road Initiative*, Analysis, Lowy Institute for International Policy, March 2017, p. 15.

¹⁴ Nadege Rolland, *China's Eurasian Century?: Political and Strategic Implications of the Belt and Road Initiative*, The National Bureau of Asian Research, 2017, p. 152.

Foreign Affairs, considers BRI as a “fifty- to one-hundred-year project” and notes that Chinese companies will have a long-term view on BRI¹⁵.

Yet, Xi's anxiety was more obvious after the 19th Party Congress in October 2017. BRI was included in the Chinese Communist Party Constitution, making it a part of China's national strategy. Thus, Xi could not fail.

THE ECONOMIC VIABILITY OF BRI PROJECTS

Chinese officials recognize the default or low-return risks involved with BRI projects. These projects tend to be financially challenging, because those with good financial returns were already implemented¹⁶. China seeks to circumvent such risks by sharing the financial burden with other parties. China disperses the financial risk initially covered by the China Development Bank to board members through the Asian Infrastructure Investment Bank¹⁷.

Chinese bankers also share such concerns. Chinese state-owned financial institutions such as the China Development Bank and China Export-Import Bank had extended loans to BRI countries even before the launch of BRI. These Chinese state-owned financial institutions continue to fund projects in BRI countries till date and are already over-leveraged. A chief investment officer from one of China's largest state-owned financial institutions stated, “I prefer to invest in places like Canada and Australia, where I can get safe and decent returns. However, where I have been ordered to invest in OBOR countries, I will only allocate the minimum amount”¹⁸.

¹⁵ Elizabeth C. Economy, *The Third Revolution: Xi Jinping and The New Chinese State*, Oxford University Press, 2018, p. 196.

¹⁶ Rolland, *China's Eurasian Century?*, p.157.

¹⁷ *Ibid.*, pp. 157-158.

¹⁸ Cai, *Understanding China's Belt and Road Initiative*, p. 16. The original English translation was literally “One Belt One Road (OBOR)”, but it has later changed to “Belt and Road Initiative (BRI)” and now BRI is the official English translation. Wade Shepard, “Beijing To The World: Don't Call The Belt And Road Initiative OBOR”.

<https://www.forbes.com/sites/wadeshepard/2017/08/01/beijing-to-the-world-please-stop-saying-obor/#a8452d317d45>

NEGATIVE REPERCUSSIONS AND REACTIONS FROM RECIPIENT COUNTRIES

BRI faces other challenges in recipient countries. For instance, Rolland identified two types of challenges: “local political fluctuations and uneasiness about China’s increased influence”¹⁹. With regard to local political fluctuations, she noted political instability and negative perceptions of China²⁰.

China’s efforts to build good relations with the current administration through the BRI eventually create risk in democratic countries that hold elections regularly. If an incumbent leader leaves office, the country’s standing on BRI might shift or even reverse, especially when the previous administration has lost due to its close policy with China. Of course, the same logic could work in complete contrast. When President Duterte took office in the Philippines in June 2016, China gained more by having a pro-China administration. In general, however, the democratic political system generally poses a risk of uncertainty and instability to China and BRI²¹.

In fact, a change of government is a significant risk factor for China and its BRI in Southeast Asia. After China took over Hambantota port in Sri Lanka in December 2017, the BRI countries were concerned about falling into China’s debt trap. The case was viewed as China’s exercise of loans and aid to gain political influence in BRI countries.

The May 2018 general election of Malaysia ended the rule of the pro-China Najib Razak, who had been in power since 2009, and the leader of the opposition coalition, Mahathir bin Mohamad, came to power. During his meeting with President Xi Jinping in Beijing in August 2018, Mahathir announced the cancelation of a railway project financed by the Chinese government owing to the high debt burden: the US\$20 billion East Coast Railway Link connected the South China Sea and the Straits of Malacca and pipeline projects. The projects had already been discontinued in July. Mahathir asked Xi to

¹⁹ Rolland, p. 159.

²⁰ *Ibid.*, p. 162.

²¹ *Ibid.*

reduce the penalty, and Xi reportedly agreed to avoid a confrontation with Malaysia²².

In September 2018, the incumbent pro-China president of Maldives, Abdulla Yameen, who built infrastructure with Chinese funding under the BRI and accumulated debts from China worth more than a quarter of its GDP, lost the election and the opposition coalition leader, Ibrahim Mohamed Solih, assumed power.

Even long-time friends are beginning to reconsider their commitment to China. Pakistan is one of the essential neighboring countries in BRI. In July 2018, the Pakistan Muslim League (Nawaz) (PML-N), led by pro-China former prime minister Nawaz Sharif (who resigned after a corruption probe), lost the general elections, and opposition leader Imran Khan became the new prime minister in August. In October that same year, Pakistan's minister of railways announced the reduction in loans from China, from US\$8.2 billion to US\$6.2 billion, for a railroad project connecting Peshawar in northern Pakistan and Karachi in southern Pakistan—one of the main projects of the China Pakistan Economic Corridor (CPEC) in which China promised to invest US\$62 billion.

Pakistan probably has more than US\$90 billion in foreign debt, and more than 40% of that debt is reportedly from China. There is a growing concern about China's reaction to Pakistan if it fails to repay its debt. Recent decisions have partly reflected such sentiment in Pakistan. For example, in November 2018, the local Balochistan government revised the law to block land sales in Gwadar, which is the starting point of CPEC. Local leaders opposed land sales to Chinese companies, arguing it would not help the local society. China may experience similar setbacks in other Asian countries in the future.

In contrast, China has found it easier to deal and work with an authoritarian regime because of its predictability and capability of controlling the country. Of course, it poses a risk when an authoritarian leader passes away or the country suffers a political

²² 矢板明夫 [Akio Yaita] 「知られざる一帯一路の変化—習近平外交の挫折—中国企業が事業から相次いで離脱する可能性 [“BRI's transformation: setback for Xi Jinping's diplomacy: strong possibility for Chinese firms to withdraw from the projects”] 『Voice』2018年10月号 [October 2018]、109頁。

disturbance or a *coup d'état*²³. However, an authoritarian regime can survive elections, as demonstrated in the case of Cambodia's general elections in July 2018. The Cambodian People's Party won in a landslide victory because the opposition party was banned before the election. Although majority of Western democratic countries criticized the result, China endorsed it. The spokesman of China's Foreign Ministry stated that the election was Cambodia's internal affairs²⁴.

Moreover, as BRI unfolds, the growing influence and presence of China generates several negative perceptions. Even in case of good bilateral relationship between China and a recipient country, the general public views China negatively as a potential source of trouble. In some cases, it has led to strong anti-Chinese sentiments shared among local populations.

While ASEAN countries initially welcomed BRI as a whole, their responses vary. These countries are categorized as follows: (1) the most supportive countries are Laos, Cambodia, and Thailand; (2) supportive countries are Myanmar, Singapore, Indonesia, Malaysia, and Brunei; and (3) the least supportive countries are Vietnam and the Philippines. These classifications of support arise from several factors, such as the state of bilateral relations, the significance of China for a country's economic development and growth, and the existence of territorial disputes with China over the South China Sea²⁵.

According to the annual Pew Research Center survey, China's popular image differs significantly from country to country. Interestingly, ever since China launched BRI in 2013, the popular approval ratings for China have dropped in Indonesia²⁶ and Vietnam²⁷,

²³ Rolland, p. 163.

²⁴ Sun Narin, "Japanese Gov't Calls Cambodia's Election "Disappointing"", August 5, 2018, Voice of America.

<https://www.voacambodia.com/a/japanese-govt-calls-cambodias-election-disappointing/4514501.html>

²⁵ Qingzhen Chen, "Risks to China's Grand Strategy in Southeast Asia", Global Risk Insights, March 13, 2016. <https://globalriskinsights.com/2016/03/chinas-grand-strategy-in-southeast-asia/>

²⁶ Pew Research Center, "Opinion of China: Indonesia".

<https://www.pewresearch.org/global/database/indicator/24/country/id>

²⁷ *Ibid.*, "Opinion of China: Vietnam".

<https://www.pewresearch.org/global/database/indicator/24/country/VN>

while it slightly improved in the Philippines.²⁸ Low approval ratings in Vietnam (and Japan) stand out among neighboring countries. In addition to a long-standing territorial dispute in the South China Sea, anti-Chinese sentiment in Vietnam was fueled by the 2014 anti-China protests, because of an oil rig placed by the Chinese into disputed waters. Indonesia also faces a Chinese claim that its nine-dash line in the South China Sea partly overlaps with Indonesia's 200 nautical miles exclusive economic zone near the Natuna Islands.

Opinion of China: percentage responding favorable

country	2013	2014	2015	2016	2017	2018	2019
Indonesia	70	66	63	-	55	53	36
Malaysia	81	74	78	-	-	-	-
Philippines	48	38	54	-	55	53	42
Thailand	-	72	-	-	-	-	-
Vietnam	-	16	19	-	10	-	-
U.S.	37	35	38	37	44	38	26
Japan	5	7	9	11	13	17	14
Australia	58	-	57	52	64	48	36
India	35	31	41	31	26	12	-
Pakistan	81	78	82	-	-	-	-
Russia	62	64	79	-	70	65	71
South Korea	46	56	61	-	34	38	34

source: "Opinion of China," Pew Research Center

Innumerable Chinese businesspeople and workers swarm Cambodia and a huge influx of Chinese tourists into Sihanoukville, a Cambodian resort city, and crimes among the Chinese are raising severe problems in Cambodia. As a result, Cambodians have expressed apprehension over Chinese presence and a general anti-Chinese sentiment appears to be brewing gradually²⁹. The local populations are growing suspicious of Chinese presence. For the past six years, such negative perceptions of China have intensified rather than eased in neighboring countries.

²⁸ *Ibid.*, "Opinion of China: the Philippines".

<https://www.pewresearch.org/global/database/indicator/24/country/ph>

²⁹ Interview with a Cambodian scholar, Phnom Penh, Cambodia, March 2018.

JAPAN'S RESPONSE TO BRI THROUGH THE FREE AND OPEN INDO-PACIFIC STRATEGY

China's BRI has led to several challenges, particularly in the recipient countries. Japan and Australia can embrace BRI under the framework of Free and Open Indo-Pacific (FOIP). However, FOIP is not a countermeasure against China. Although FOIP advocates safeguarding and strengthening the rules-based international order in the Indo-Pacific through cooperation with the United States, India, and Australia, BRI and FOIP are not necessarily mutually exclusive. They share a few common characteristics.

One of the most important common characteristics of BRI and FOIP is their efforts to improve connectivity in the region. As mentioned earlier, addressing the infrastructure gap is a common challenge to countries in Asia and beyond, and requires massive global capital investment. Yet those who could invest a significant amount of money or extend huge loans are almost limited to multilateral development banks and donors that can provide concessional loans as a part of their foreign aid modalities such as Japan and China. Thus, Chinese investment can be a great addition to narrow the infrastructure gap in the region.

At the same time, however, the kind of infrastructure developed by China in the region needs close scrutiny. China's monopolistic provision of "public goods", which could be rivalrous, in that someone can use them up, or be excludable, in that you can prevent someone from using them, such as ports, airports, communication facilities, and pipelines, could pose serious challenges in not only the BRI countries but also the region as a whole. It could not exclude possibilities that China uses such facilities for military purposes, or use by other parties would be suddenly prohibited.

China's exclusive provision of strategically important infrastructure has caused security concerns in the recipient countries and undermined the local perceptions of China, although they are aware of the growing anti-Chinese sentiment in the BRI countries. Thus, China may have an incentive to cooperate to build infrastructure in BRI countries.

China has been actively looking for an opportunity for bilateral cooperation with Japan

under the BRI. After Prime Minister Shinzo Abe visited Beijing October 2018, Japan–China cooperation in third countries is beginning to gain momentum. The Chinese way of building infrastructure has caused friction with the local community, while Chinese construction companies are price competitive and very quick in completing projects.

In contrast, Japan stresses on international standards and sustainable development by providing Official Development Assistance to recipient countries and seeks to promote “quality infrastructure” funded by concessional yen loans. Australia supports the idea, as is seen in “the Joint Statement of the Governments of Australia, Japan, and the United States of America on the Trilateral Partnership for Infrastructure Investment in the Indo-Pacific”, which was issued in November 2018.

Japan and Australia can more actively invest in infrastructure in Asia and could offer an alternative to the BRI countries, which might lead to change in China's behavior. More importantly, Japan's cooperation with China in developing infrastructure in third countries could have an impact on Chinese companies' behavior. If so, the BRI countries will surely welcome Japan's engagement in the region under the FOIP.

CONCLUSION

China's BRI could change the political and economic landscape in Asia and beyond. Yet, it is a long-term and on-going initiative, with many uncertain and undetermined issues. In other words, China's BRI is not purely China's initiative and should not be regarded as fixed. It is a flexible initiative through which China is learning a variety of lessons. It is a mutually constitutive product—not only with the BRI countries but also with other relevant countries in the region. How other countries react will affect the future direction of the BRI.

Therefore, other countries and international society as a whole can work together to reshape the BRI. When China's BRI creates problems, not only recipient countries but also major powers in the region such as Australia and Japan should work together and continue to raise concerns to China. Such foreign pressure could be useful especially when China perceives the BRI confronts with difficulties.

CHAPTER 2

Xi Jinping's China and Northeast Asian Security

Sheryn Lee

Macquarie University

INTRODUCTION

Commenting on the upcoming revision of the National Defense Program Guidelines (NDPG) – a defense policy document, Prime Minister Shinzo Abe commented that “while continuing to uphold an exclusively defense-oriented posture and other fundamental principles, the upcoming NDPG revision will not be considered based on a linear projection of the past evolution of Japanese defense policy”¹. The abridged version of the 2018 Defense of Japan also states:

In the area surrounding Japan, there is a concentration of nations with large-scale military capabilities, and a regional cooperation framework on security has not yet to be fully institutionalized, leading to the existence of uncertainty and unclarity, including the persistence of territorial disputes and unification issues. ... Meanwhile there has been a tendency towards an increase in the prolongation of so-called “gray-zone situations; that is neither pure peacetime nor contingencies over territory, sovereignty, and economic interests. ... There have also been a noticeable trend among neighboring countries to modernize and reinforce their military capabilities and to intensify their military activities².

¹ Yuki Tatsumi, “Japan’s Defense Policy Decisions in 2018: How will Japan make the most of a limited defense budget amid rising threats?”, *The Diplomat*, January 3, 2018.
<https://thediplomat.com/2018/01/japans-defense-policy-decisions-in-2018/>

² Ministry of Defense Japan, “Part I: Security Environment Surrounding Japan”, *2018 Defense of Japan Digest*, 2018, p.23.
https://www.mod.go.jp/e/publ/w_paper/pdf/2018/DOJ2018_Full_1130.pdf

It also notes the political and military challenge faced from the People's Republic of China (PRC, China), in particular President Xi Jinping's consolidation of authoritative power as "President for Life", General Secretary of the CPC Central Committee and Chairman of the Central Military Commission (CMC)"³. This means that China—in essence the Xi-led Chinese Communist Party (CCP)—can accelerate modernization of defense capabilities, militarize reclaimed islands, restructure force commands, and pursue new types of weapons platforms such as, artificial intelligence (AI) and electronic and cyber warfare. It is on track to transform the People's Liberation Army (PLA) into a modern defense force by 2035, and one of the world's top-tier militaries by 2050⁴. With its opaque strategic objectives, but increasingly aggressive tactics during diplomatic episodes and incidents at sea, Xi's China is shaping into an existential threat for Japan. Moreover, its military transformation and increased political authoritarianism is changing the Northeast Asian balance of power—with affected countries such as Japan, Taiwan, and both North and South Korea, now adjusting their own force postures and evaluating their diplomatic alignment.

Here, the impact of changes in the United States cannot be omitted. Washington is the security guarantor for Japan and South Korea, upholder of the cross-Strait status quo through its policy of "strategic ambiguity", and key actor in deterring North Korean nuclearization. Thus, its relations with China—and whether it responds in tandem or in opposition with its partners and allies—is closely observed. US President Donald J. Trump's transactional approach to international relations, and often unpredictable Asia policy, has been the next step in what many Asian countries have considered to be Washington's disengagement from Asia. Wars in Iraq and Afghanistan and the polarized partisanship of US domestic politics have increased the perception of a "distracted" Washington and reduced American credibility in its reassurances to the region.

CHINA'S "PRESIDENT FOR LIFE"

Since assuming the political authority of General Secretary and Chairman of the CMC in

³ *Ibid.*, p.27.

⁴ Zhao Lei, "PLA to be world-class force by 2050", *China Daily*, October 27, 2017. http://www.chinadaily.com.cn/china/2017-10/27/content_33756453.htm

November 2012, Xi Jinping has maneuvered to consolidate political control and secured senior positions for his top cadres (known as the “princelings”). A month after assuming the top positions in the CCP and the military, Xi launched a purge to clean out senior official roles, in which numerous officials were punished for “discipline violations”⁵. By 2018, official data from the CCP’s Central Commission for Discipline Inspection (CCDI) demonstrated that ⁶:

- Approximately two million officials at high and low ranks (termed by President Xi as “tigers and flies”) had faced corruption and disciplinary charges—that is, investigated, expelled or arrested, or sentenced.
- In the first five years of President Xi’s tenure, 35 members of the CCP’s Central Committee have been disciplined—this is as many as in all the years between 1949 and 2012.

High profile casualties that were widely reported in the media but not in the CCDI database also include: Zhou Yongkang (Secretary of the Central Political and Legal Affairs Commission), Sun Zhengcai (Communist Party Secretary of Chongqing), Xu Caihou (Vice Chairman of the CMC), Guo Boxiong (Vice Chairman of the CMC), Ling Jihua, Director of the General Office of the CPC under President Hu), Lu Wei (Director of the Cyber Administration of China), and Meng Hongwei (President of Interpol).

This broad-sweeping purge also accompanied Xi’s consolidation of senior roles. In 2013, the National People’s Congress elected Xi to the symbolic role of President, which gave him an international platform to promote China’s interests. Then, in 2017-2018 the Party Congress introduced measures, the likes of which China has not seen since the Mao Zedong era. The Congress approved the removal of the two-term limit on the presidency—earning Xi the moniker “President for Life”—effectively allowing Xi to remain as president beyond 2023. The Party also voted to enshrine Xi Jinping’s name and ideology in the CCP Constitution, “Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era”⁷. President Xi is now considered “core” of the party—a

⁵ Roy Kamphausen and R. Lincoln Hines, “Introduction”, in *The Chinese People’s Liberation Army in 2025*, Strategic Studies Institute and US Army War College Press, 2015, pp.4-5.

⁶ See Center on US-China Relations at Asia Society, “Visualizing China’s Anti-Corruption Campaign”, *ChinaFile*, August 15, 2018.
<http://www.chinafile.com/infographics/visualizing-chinas-anti-corruption-campaign>

⁷ See Xi Jinping, “Secure a Decisive Victory in Building a Moderately Prosperous Society in All Respects and Strive for the Great Success of Socialism with Chinese Characteristics for a New Era”, address delivered at the 19th National Congress of the Communist Party of China, October 18, 2017,

term not used since Chairman Mao. The public are even able to take an online edX course to be certified in “Xi Jinping Thought” by Xi’s alma mater, Tsinghua University⁸. As well, due to the unofficial retirement rule that leaders over the age of 68 are ineligible to be reappointed to the Politburo Standing Committee (PSC), five out of seven high-ranking members were replaced with Xi’s conservative loyalists.

Such internal moves within China do not bode well for its neighbors. The consolidation of President Xi’s power has enabled the acceleration of both military reform and the enhancement of defense capabilities. The foreign and defense policy imperatives of the Chinese state are to ensure the survival of the Chinese nation, and President Xi is now considered “core” of the Chinese nation. The PLA has been through the most comprehensive reorganization and modernization of all CCP organs, and it too has not been spared Xi’s rather draconian corruption purge. Two of the PLA’s most prominent commanders, General Fang Fenghui (Chief of the Joint Staff) and General Zhang Yang (PLA Director of Political Work Department) disappeared and were expelled from the party on corruption charges. Such moves had a dual imperative—to purge elderly generals and admirals and promote younger professionals, as well as giving President Xi a degree of authority over the PLA beyond that of previous civilian leaders⁹.

These political and military reforms are thus the base from which China is now more assertively pursuing its strategic interests and claims in disputed maritime domains. President Xi’s “Chinese Dream” vision seeks to “reunify” all of China’s claimed territories—from across the Taiwan Strait to the East and South China Seas—in a nationalistic vision to restore China’s fortunes after the “Century of National Humiliation” and rise to its rightful place as the regional leader of Asia¹⁰. Despite Beijing’s attempts to mitigate the perception of a “Chinese threat”, actions by the PLA, the Chinese coast guard and Chinese fisherman (many suspected to be state-sponsored or in disguise) have

Beijing, China. <http://www.chinaembassy-fi.org/eng/ztxw/19CPC/P020171209176959337888.pdf>

⁸ See edX, “Xi Jinping’s Thought on Socialism with Chinese Characteristics for a New Era”, Tsinghua University, 2018.

<https://www.edx.org/course/xi-jinpings-thought-on-socialism-with-chinese-characteristics-for-a-new-era>

⁹ Chris Buckley and Steven Lee Myers, “Xi Jinping Presses Military Overhaul, and Two Generals Disappear”, *The New York Times*, October 11, 2017.

<https://www.nytimes.com/2017/10/11/world/asia/xi-jinping-military-china-purge.html>

¹⁰ Jeffrey A. Bader, “How Xi Jinping Sees the World ... and Why”, Order From Chaos Project, Foreign Policy at Brookings, Asia Working Group Paper 2, Washington D.C., February 2016. https://www.brookings.edu/wp-content/uploads/2016/07/xi_jinping_worldview_bader.pdf

alarmed China's neighbors and the United States. The military modernization of the PLA is comprehensively changing the military balance in Northeast Asia, in which it can actively question American extended deterrence as well as effectively carry out its Anti-Access/Area Denial (A2/AD) strategy. These regional actors have thus put into place several strategies (as discussed in subsequent sections): seeking like-minded partners beyond the region; seeking more active intervention by Washington; enhancing their own military capabilities and enacting reform to allow more independent maneuvers.

It has also allowed President Xi to adapt the Chinese approach to foreign policy—challenging the conventional Western-led institutions and norms by proposing a Chinese alternative but also using the international system to legitimize its regime and its decisions. On the one hand, due to its significant economic size Beijing can invest in Xi's signature initiatives and leverage its position as the top trade and investment partner of all East Asian countries. The establishment of the Asia Infrastructure Investment Bank (AIIB) and the Belt and Road Initiative (BRI) demonstrated Xi's approach. On the other hand, it has effectively isolated Taiwan from the international system, and used its influence in both the public and private sectors in foreign countries to stifle criticism of its policies towards the Uyghurs of Xinjiang. President Xi has thus achieved its objective to achieve an enabling international environment—backed by the coercive power of its military and economy.

THE NEIGHBORHOOD REACTS

Due to the comprehensive military transformation of the PLA since the 2000s, the increasing number of “grey zone” provocations in disputed territories and the CCP's opaque strategic objectives, countries in Northeast Asia are not just strengthening existing security partnerships, but also enhancing self-defense capabilities. According to the IISS, “in terms of submarine, destroyer, frigate and corvette production, China has either exceeded or nearly matched the collective outputs of the next three principal regional navies [India, South Korea and Japan]”¹¹. Despite uncertainty over the qualitative sophistication of its warship designs relative to its competitors—namely the US and Japan—the quantitative scale and rate of production remains a regional concern.

¹¹ IISS, “Selected Chinese and Asia-Pacific regional naval shipbuilding since 2000”, *The Military Balance Plus*, February 14, 2018.

Japan is strengthening security cooperation with like-minded countries such as Australia, India and Taiwan. It was a quick adopter of “The Quadrilateral” and “Indo-Pacific” concepts—ideas that draw in India as a player in the region to contain a rising China. There is also increasing cooperation between the Five Eyes intelligence coalition with countries such as Japan and Germany—a broadening effort to counter Chinese influence operations and investments¹². The Australia-Japan bilateral relationship has also grown closer—the Acquisition and Cross Servicing Agreement (ACSA) allows for closer coordination on logistics and support during military exercises and training; and negotiations for a Reciprocal Access Agreement (RAA) is underway. Japan’s 2018 Defense White Paper highlights the specific areas of concern to be: North Korea’s nuclear weapons and missiles; the further expansion of operational areas of China’s sea and air power; and Russia’s increasing military activities. It states it is essential for Japan

to secure necessary and sufficient defense capabilities qualitatively and quantitatively. Given that it is especially vital to utilize capabilities in new domains such as space and cyberspace, it would be no longer inadequate to consider problems in the conventional domains - i.e, land, sea, and air, and it is necessary to develop capabilities in these areas¹³.

It’s 2018 defense budget emphasized intelligence, surveillance, and reconnaissance (ISR) capabilities; intelligence capabilities; transport capabilities; command, control, communication, intelligence (C3I) capabilities; response to attacks on remote islands, response to ballistic missile attacks, response to outer space and cyberspace threats; and response to large-scale disasters”¹⁴. The defense ministry will also develop large underwater drones to monitor remote islands in response to increasing Chinese maritime assertiveness¹⁵. It’s major programs target the defense of Japan’s remote islands, and in particular developing Japan’s long-range strike capability, advanced air defense and airborne early warning and control (AEW&C). It will introduce a land-based Aegis

¹² Noah Barkin, “Exclusive: Five Eyes intelligence alliance builds coalition to counter China”, *Reuters*, October 12, 2018.

<https://www.reuters.com/article/us-china-fiveeyes/exclusive-five-eyes-intelligence-alliance-builds-coalition-to-counter-china-idUSKCN1MM0GH>

¹³ Ministry of Defense, *2018 Defense of Japan*, Tokyo: Ministry of Defense, 2018, p.14.

¹⁴ “Japan-Defense Procurement”, *export.gov*, September 2019

<https://www.export.gov/article?id=Japan-Defense-Procurement>

¹⁵ Kyodo, “Defense Ministry to develop large underwater drones to monitor remote islands, government sources say”, *The Japan Times*, November 5, 2018.

<https://www.japantimes.co.jp/news/2018/11/05/national/defense-ministry-develop-large-underwater-drone-monitor-remote-islands-government/#.W-S7PnozYk9>

system; deploy missiles that can be launched from a significant standoff range; and conduct research on element technologies hypersonic projectiles and longer-range anti-ship missile. It also has plans to construct new multi-role frigates, acquire SM-3 Block IIA missiles, and it has refitted its Izumo-class warships to carry F-35B Joint Strike Fighters (that is, an aircraft carrier). With air-to-air refueling, such capabilities can also be used for DPRK contingencies and goes beyond the scope of joint operations with US forces.

Japan—the key US ally in Asia—also seeks active commitments from Washington to remain in the region. Although the 2016 election of President Trump brought uncertainty to the region, there have been positive moves to strengthen regional security through closer coordination between Washington and Tokyo. Trump's criticisms of Japan—with regards to paying Host Nation Support (HNS) and the trade imbalance—have lessened. The August 2017 “2+2” meeting reaffirmed the US-Japan commitment to strengthening the alliance as the cornerstone for peace and security. And the February 2018 Japan-US Defense Ministerial Meeting continued commitments to: cooperation regarding North Korea's complete and verifiable denuclearization, scrutiny towards the East China Sea maritime disputes, defense cooperation with Southeast Asia to address South China Sea concerns, cooperation over safe operations of US forces in Okinawa, and overcoming challenges in Foreign Military Sales (FMS)¹⁶.

With a similar geostrategic outlook to Japan, Taiwan is also investing in capabilities that complicate Chinese intervention in Taiwan and its outer islands, and thus unliteral unification plans. Taiwan operates two Hai Lung-class submarines (purchased from the Netherlands in 1980s) and have signed a contract for lifespan extension in order to use the design to indigenously build conventional attack submarines. This project would be for conventional submarines with a displacement of 1200-3000 tons, and it is reportedly receiving Japanese assistance¹⁷. This is part of a 2015 naval acquisition program that also includes destroyers and increased investment in technologically superior air and naval capabilities. US-Taiwan defence ties are also gaining momentum. In March 2018, the White House signed the Taiwan Travel Act to encourage visits between US and

¹⁶ Ministry of Defense Japan, “Part II: Japan's Security and Defense Policy and the Japan-US Alliance”, *2018 Defense of Japan Digest*, p.34.

¹⁷ “Experts from Japan to Assist Taiwan with Submarine Project”, August 2018.
<http://www.navyrecognition.com/index.php/news/defence-news/2018/august-2018-navy-naval-defense-news/6450-experts-from-japan-to-assist-taiwan-with-submarine-project.html>

Taiwanese officials at all levels. Later in September, the Trump administration approved a USD330 million arms sale to Taiwan to provide logistics and program support for Taiwanese military aircraft, which included upgraded F-16V fighters. The deal came less than a year after the White House approved a USD1.4 billion sale to upgrade programs such as electronic warfare systems and air-to-ground missiles.

As well, the appointments of Randall Schriver, as Assistant Secretary of Defense for Asian and Pacific Security Affairs in October 2017, and Susan Thornton, as Assistant Secretary of State for East Asian and Pacific Affairs in December 2017, has further allayed some concerns over decreasing Asian specialist expertise in the Trump administration. Decisions ranging from addressing Chinese economic espionage¹⁸ to declaring a “trade war” with China have also deflected some criticism that Trump would become close to strongman, President Xi. The 2018 “Asia Reassurance Initiative Act” authorized USD1.5 billion for US programs in Asia in order to “develop a long-term strategic vision and a comprehensive, multifaceted, and principled United States policy for the Indo-Pacific region, and for other purposes”¹⁹. It reaffirmed US alliances and treaties with Japan, South Korea, the Philippines, Thailand, Australia and New Zealand; recognized strategic partnerships with India and ASEAN; affirmed the significance of the US-ROK-Japan trilateral security partnership and the Quadrilateral security dialogue (US-Japan-Australia-India); recognized enhanced security partnerships in Southeast Asia; and reaffirmed its commitment to Taiwan including to regular arms sales to meet the “existing and likely future threats” from China.

However, these positive moves have been coupled with transactional actions and confrontational statements by Trump's administration. For instance, Washington's withdrawal from the Trans-Pacific Partnership (TPP) and the Paris Agreement, breaking established diplomatic protocol by phoning Taiwan's President, and continued attacks on liberal norms such as on freedom of the press and speech. Consequently, it illustrates a picture of an unpredictable leadership with the perception of a steep “pricetag” attached to Washington's continued commitment to Asia. In a 2019 Pew Research Centre report

¹⁸ US Department of Justice, “Attorney General Jeff Sessions Announces New Initiative to Combat Chinese Economic Espionage”, Washington DC, November 1, 2018.

<https://www.justice.gov/opa/speech/attorney-general-jeff-sessions-announces-new-initiative-combat-chinese-economic-espionage?platform=hootsuite>

¹⁹ “S.2735 – Asia Reassurance Initiative Act of 2018”, 115th Congress of the United States of America, Washington DC, December 31, 2018.

<https://www.congress.gov/bill/115th-congress/senate-bill/2736/text>

on top global threats, high percentages of those polled in key US allies and partners in Asia saw US power and influence as a threat to their country (See Figure 1). Of particular note is Japan’s perception of the US, which is at a similar percentage rate to the threat perceived from China.

Table 1: Comparison of Asian countries' perception of US and Chinese power and influence as a threat²⁰

Country	US (%)	China (%)
South Korea	67	82
Japan	66	69
Indonesia	52	43
Australia	36	51
The Philippines	29	56

South and North Korean relations vis-à-vis China and the US are the least predictable in Northeast Asia. The 2018 Asan Poll on “South Koreans and Their Neighbors”, demonstrated decreasing favorability ratings for China and President Xi, but increasing optimism of Seoul’s future relations with the US and North Korea²¹. South Korea still overwhelmingly views North Korea as “one of us” as opposed to an “enemy”, and Seoul has previously voiced their frustration that Beijing has not done more to restrain Pyongyang’s nuclear weapons program. North Korea is also seeking to lessen its dependence on China for trade and security²². Warmer relations between South and North Korea conversely could have potential problems for Beijing—it loses a strategic buffer zone. (This would also pose a problem for Japan, in essence isolating it further in Northeast Asia).

South Korea’s 2018 Defense White Paper no longer named North Korea as an official enemy, and deleted references to Japan as a democratic and economic partner. This follows from a period of tense relations—the 2018 “radar lock incident” and South

²⁰ Jacob Poushter and Christine Huang, “Climate Change Still Seen as the Top Global Threat, but Cyberattacks a Rising Concern”, Pew Research Centre Report, February 2019, p.3.

²¹ The Asan Institute for Policy Studies, “South Koreans and Their Neighbours 2018”, Asan Poll, Public Opinion Studies Program, pp.11-14.

²² Jane Perlez, “China Feeling Left Out, Has Plenty to Worry About in North Korea-US Talks”, *The New York Times*, April 22, 2018.

<https://www.nytimes.com/2018/04/22/world/asia/china-north-korea-nuclear-talks.html>

Korea's Supreme Court ordering Japan's Mitsubishi Heavy Industries to pay wartime reparations for Korean forced labor. Its 2018 "Defence Reform 2.0" has three core pillars: "an omnidirectional response to security threats, implementation of the latest technology, and developing a military culture to tackle human rights issues"²³. Therefore much of its military modernization targets power-projection and offensive capabilities that can be utilized for both a North Korea contingency and defending its remote islands and disputed territories, namely Dokdo/Takeshima islands and disputed EEZs with Japan. This was evidenced in 2018 when Seoul launched its second 14,500 tons Dokdo-class amphibious assault ship, with its mission shifting towards blue-power operations and preserving South Korean maritime sovereignty, as opposed to countering North Korea.

A key dynamic to watch is how China's relations with its immediate neighborhood impact Southeast Asia. Key Northeast Asian actors are increasing their investment and presence in the sub-region²⁴. Three of the top four FDI investors in Southeast Asia are China, Japan and South Korea (See Table 2).

- Indonesia, the Philippines and Vietnam's exposure to Chinese maritime assertiveness in the South China Sea has also meant that these countries are seeking to counter China. Malaysia has also recently criticized China for use of economic deals to gain domestic influence. Singapore has lamented Chinese interference in ASEAN—via its economic "sponsorship" of Laos and Myanmar.
- Japan's infrastructure investment in Southeast Asia since the 2000s totaled USD230 billion, as compared to China's USD155 billion. Its dominance in FDI and soft power have had an impact—Japan's significance as a security and economic partner as considered just as important as China in the defense white papers of Indonesia, the Philippines and Vietnam²⁵.
- Taiwan's President Tsai Ingwen introduced her New Southbound Policy in 2016 (a reboot of policies from Lee Tenghui and Chen Shuibian), targeting

²³ Sungyoung Jang, "How Will 'Defense Reform 2.0' Change South Korea's Defense?" *The Diplomat*, August 27, 2018.

<https://thediplomat.com/2018/08/how-will-defense-reform-2-0-change-south-koreas-defense/>

²⁴ John Reed and Valentina Romei, "Who dominates the economies of south-east Asia?", *Financial Times*, May 1, 2018.

<https://www.ft.com/content/898fa38e-4882-11e8-8ee8-cae73aab7ccb>

²⁵ Erin Gallagher, "Japan's Enduring Value to Southeast Asia", *FPRI E-Notes*, January 31, 2018.

<https://www.fpri.org/article/2018/01/japans-enduring-value-southeast-asia/>

Southeast Asia, India, New Zealand and Australia. The measures are focused on small-scale economic and agricultural projects and people-to-people exchange²⁶.

- In 2018, South Korean President Moon Jae-in introduced his New Southern Policy—this built on a foundation of being Southeast Asia’s second largest infrastructure and investment partner behind Japan. Singapore is a focus due to its hosting of the historic ROK-DPRK summit.

Table 2: FDI Inward Flows in ASEAN by Source Country, 2017²⁷

	Source Country	FDI Inflows to ASEAN (US million)
1	EU-28	24,858.40
2	Japan	13,414.60
3	China	11,370.90
4	South Korea	5,058.70
5	USA	4,322.20
6	Australia	2,099.40
7	India	1,730.90
8	Canada	954
9	New Zealand	326.2
10	Rest of World	44,462.70

Recommendations

Moving forward there are three recommendations for Japan-Australia relations to address the challenges of a changing balance of power in Northeast Asia:

1. **Closer coordination** between Tokyo and Canberra which involves greater information sharing in both Northeast and Southeast Asia to provide a common operating picture. This involves coordinating activities in Southeast Asia, bolstering ASEAN’s presence and influence in the region.

²⁶ Ministry of Foreign Affairs Republic of China, “New Southbound Policy Portal”, MOFA ROC, 2018. <https://nspp.mofa.gov.tw/nsppe/>

²⁷ ASEAN Secretariat, *ASEAN Statistical Yearbook 2018*, Jakarta: ASEAN Secretariat, 2018, p.142. <https://asean.org/storage/2018/12/asyb-2018.pdf>

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2. Finalising the RAA to provide legal protection for forces operating in Australia and Japan. This would better facilitate **joint operations and training opportunities** in particular, potential participation in FONOPS or developing a bilateral PASSEX in the South China Sea.
 3. **Pursuing broader multilateral opportunities** beyond Washington, for instance developing a dialogue with Seoul for Japan and Australia to be brought into contingency planning on the Korean Peninsula.

CHAPTER 3

“Asia’s Democratic Security Diamond” Revisited: The Origin of Japan’s Free and Open Indo-Pacific Strategy (Vision)

Matake Kamiya

National Defense Academy

INTRODUCTION

Ever since Prime Minister Shinzo Abe announced Japan’s Free and Open Indo-Pacific (FOIP) strategy at the Sixth Tokyo International Conference on African Development (TICAD VI) held in Nairobi in August 2016, it has become one of the key elements of Japan’s foreign policy. According to a high-ranking official at the Ministry of Foreign Affairs of Japan (MOFA), the FOIP now represents “the most important asset of Japanese diplomacy¹”.

However, the nature and goals of this strategy are unclear. What complicates the issue

¹ Remarks of an anonymous MOFA official in a private conversation with the author in February 2018. The present author is one of the earliest scholars in Japan who started to work on this subject. Since the early 2010s, he has been consistently focusing on the concept of “Indo-Pacific” and discussing whether it can be a core concept in Japan’s regional security policy. See, for example: Matake Kamiya, “Nihon to ‘Indo-Taiheiyou’: Kitai to Mondai-ten” [Japan and the “Indo-Pacific”: Expectations and Problems], The Japan Institute of International Affairs (JIIA) ed., *Ajia (Toku-ni Minami Shina-kai, Indo-you) ni okeru Anzenhoshou Chitujo* [Security Order in Asia (Especially in the South China Sea and the Indian Ocean)], Tokyo: JIIA, (March 2013), Chapter 1; Matake Kamiya, “‘Indo-Taiheiyou’ ha Nihon no Chiiki Anzenhoshou Seisaku no Chuukaku Gainen tari-eruka” [Can the “Indo-Pacific” Be the Core Concept of Japan’s Regional Security Policy?], The JIIA, ed., *‘Indo-Taiheiyou Jidai’ no Nihon Gaikou: Secondary Powers/Swing States heno Taiou* [Japanese Diplomacy in the “Indo-Pacific Era”: Dealing with Secondary Powers / Swing States], Tokyo: JIIA, (March 2014), Chapter 1; and Matake Kamiya, “Nihon no Ajia Senryaku to ‘Indo-Taiheiyou’” [Japan’s Asia Strategy and the “India-Pacific], The JIIA, ed., *Indo-Taiheiyou Jidai no Nihon Gaikou: Swing States heno Taiou* [Japanese Diplomacy in the Indo-Pacific Era: Dealing with Swing States], Tokyo: JIIA, (March 2015), Chapter 8, etc.

is that Japan’s Indo-Pacific strategy includes two aspects of both “competitive strategy” and “cooperative strategy” targeting China².

Since Abe’s speech at the TICAD VI, the Japanese government has explained that Japan’s FOIP “seeks to enhance connectivity between Asia and Africa through the Indian and Pacific Oceans and promote stability and prosperity across both regions³”. The Japanese government has repeatedly emphasized that the FOIP is “open to every country” that supports its vision and is ready to work with Japan⁴, indicating that it is willing to cooperate not only with its allies and partners, but also with China, to realize the FOIP. At the East Asia Summit in Singapore on November 15, 2018, Prime Minister Abe stated that “the ‘FOIP’ vision will not exclude any country⁵”. Tokyo has stressed that the FOIP will promote and expand Japan’s trade ties and infrastructure investments in the countries within the region. Prime Minister Abe did not choose the TICAD by coincidence, an economic and developmental conference, as a forum to announce the initiation of the strategy.

Note, however, that there is another, more strategic motivation for Japan to promote the FOIP strategy: That is, to prevail in the strategic competition with China, in collaboration with its allies and partners, such as the United States and Australia. Underlying Japan’s FOIP is the world view that Japan has benefited from the existing liberal, open, rules-based international order in the region; that is, the order based on rule-of-law, transparency, openness, and the prevention of coercive actions by big powers against smaller powers. Since the late 2000s, there has been a growing anxiety in Japan that this order is experiencing growing strain by China’s increasing assertiveness. Although it is wrong to perceive Japan’s FOIP as an attempt to “contain” China’s rise, it is indeed

² Ken Jimbo, “‘Indo-Taiheiyou’ Kousou no Shatei to Kadai” [Indo-Pacific Vision: Concepts and Challenges], *Kokusai Anzenhoshou [The Journal of International Security]*, Vol. 46-3 (December 2018), pp. 4-5.

³ For example, see *White Paper on Development Cooperation 2016: Japan's International Cooperation*, Tokyo: MOFA, September 5, 2017, p. 133.
<https://www.mofa.go.jp/files/000286376.pdf>

⁴ For Example, see *Diplomatic Bluebook 2018*, Tokyo: MOFA, September 20, 2018, p. 20.
<https://www.mofa.go.jp/files/000401241.pdf>

⁵ “Shushou Chuugoku ni Hairyo? Indo-Taiheiyou Senryaku wo ‘Kousou’ to Hyougen” [Consideration for China? Prime Minister Expressed the Indo-Pacific Strategy as a Vision] *Mainichi Shimbun*, November 19, 2018. See also MOFA, “The 13th East Asia Summit”, November 15, 2018.
https://www.mofa.go.jp/a_o/rp/page4e_000945.html

an attempt to counter China’s assertive behavior in the regions connecting the Pacific Ocean and the Indian Ocean.

Therefore, Japan’s FOIP involves both “competitive strategy” and “cooperative strategy” regarding China. Recently, the significance of “cooperative strategy” has gradually increased. For example, since 2018, the Japanese government has avoided the use of the term “strategy” and instead uses the expression “vision”, when discussing “Free and Open Indo-Pacific”, because the word “strategy” tends to raise the wariness of China toward Japan’s FOIP⁶. Details on Japan’s FOIP posted on its website by the MOFA in January 2019 represent “Free and Open Indo-Pacific” as a “vision”. Furthermore, the vision is defined as “an open, comprehensive concept, not exclusive to anybody⁷”, suggesting that that the concept is inclusive and not anti-China.

Concurrently, however, the element of “competitive strategy” is maintained in Japan’s FOIP. The January 2019 MOFA material stresses that to realize the “FOIP”, Japan will “maintain” or “promote” the “fundamental principles of the international order, which are the foundation of peace and stability in the Indo-Pacific”, such as rule of law and freedom of navigation. Underlying such emphasis is Japan’s wariness about China’s increasing assertiveness that is undermining the existing rules-based regional order.

The present study examines the origin of such a strategic motivation of Japan’s FOIP. It focuses on the paper that Prime Minister Abe published on the day after he returned to premiership in December 2012, written in English and titled “Asia’s Democratic Security Diamond”.

⁶ For example, “Indo-Taiheiyou, Kieta ‘Senryaku’ Seifu ga ‘Kousou’ ni Shuusei” [Indo-Pacific, “Strategy” Disappeared, The Government Modified It to “Vision”], *Nihon Keizai Shimbun* (Web Edition), November 13, 2018.

<https://www.nikkei.com/article/DGXMZO37648990S8A111C1PP8000>

⁷ The Government of Japan, “Towards Free and Open Indo-Pacific”, November 2019.

<https://www.mofa.go.jp/mofaj/files/000407643.pdf>

In the part of this material where the Prime Minister’s Policy Speech to the 196th Session of the Diet in January 2018 is quoted, the phrase “Free and Open Indo-Pacific Strategy” he employed then appears without modification.

PRIME MINISTER ABE AND THE IDEA OF “INDO-PACIFIC”

The idea of “Indo-Pacific strategy” is not new for Prime Minister Abe. In fact, Abe expressed his determination to expand Japan’s Asia diplomacy beyond the Asia-Pacific to the Indian Ocean soon after he returned to power in late 2012. As one of the earliest researchers on this topic in Japan, the present author wrote in his paper published shortly after the inauguration of the second Abe administration that “[t]he concept of Indo-Pacific seems to have suddenly become an important element in Japan’s foreign and security policy with the start of the second Abe administration⁸”. In September 2013, he also wrote: “In looking at the kind of foreign policy to be pursued by Abe... there is one concept that requires attention: the Indo-Pacific⁹”.

In fact, Abe expressed his view to consider the region from the Pacific Ocean to the Indian Ocean as one integrated domain only three weeks after he returned to the premiership. During his official visit to Southeast Asia in mid-January 2013, Abe intended to deliver a major foreign policy speech, titled “The Bounty of the Open Seas: Five New Principles for Japanese Diplomacy” in Jakarta. Although the speech was not actually delivered because the prime minister had to curtail his visit to deal with the Japanese hostage crisis in Algeria, the text of the speech was immediately presented in full on the website of the Prime Minister of Japan and His Cabinet¹⁰. In the speech, Abe stated that Japan’s interest would always “lie in keeping Asia’s seas unequivocally open, free and peaceful” — in maintaining these seas as “commons for all the people of the world, where the rule of law is fully realized”. Abe stressed that “freedom of thought, expression, and speech in this region where two oceans (the Pacific Ocean and the Indian Ocean) meet” had to be protected. “These are universal values that humanity has gained and they must be allowed to flower to the fullest”, said the prime minister. He further claimed that it must be ensured that “the seas, which are the most vital commons to us all, are governed by laws and rules, not by might”. Although the word “Indo-Pacific” was not used in this undelivered speech, Abe clearly expressed the concept of “the confluence of the two

⁸ Kamiya, “Nihon to ‘Indo-Taiheiyou’: Kitai to Mondai-ten” [Japan and the “Indo-Pacific”: Expectations and Problems], p. 25.

⁹ Mataka Kamiya, “The Meaning of ‘Indo-Pacific’ Diplomacy”, *The Japan Journal*, Vol. 10-6 (September 2013), p. 18.

¹⁰ “The Bounty of the Open Seas: Five New Principles for Japanese Diplomacy”, January 18, 2013. http://japan.kantei.go.jp/96_abe/statement/201301/18speech_e.html

oceans” — the area from the Indian Ocean to the Pacific Ocean — as one integrated domain. He appealed to the world that “universal values” had to be respected, and the order based on “laws and rules”, instead of “might”, have to be maintained in that area.

Later, Abe distinctly used the term “Indo-Pacific” in his policy speech, “Japan Is Back”, delivered at the Center for Strategic and International Studies in Washington, D.C. on February 22, 2013. He stated that “the Asia-Pacific, or the Indo-Pacific region gets more and more prosperous”, and “Japan must remain a leading promoter of rules” in that region. The prime minister stressed that this is the course that Japan should take¹¹.

Soon after returning from Washington, Abe also stated in a policy speech delivered to the Diet on February 28 that “[w]e will deepen our cooperation with Australia and India as well as the countries of ASEAN [Association of Southeast Asian Nations] and other maritime Asian nations, with the close Japan-U.S. relationship as our cornerstone¹²”.

Through these speeches, the prime minister expressed his determination to expand his Asia diplomacy to the Indian Ocean region, beyond the traditional Asia-Pacific region.

THE ORIGIN OF ABE’S “INDO-PACIFIC STRATEGY”: “ASIA’S DEMOCRATIC SECURITY DIAMOND”

One document offers an understanding of Abe’s original motivation to expand Japan’s Asia diplomacy from the traditional Asia-Pacific to include the Indian Ocean area: the article titled “Asia’s Democratic Security Diamond”, which Prime Minister Abe published in English on the website of the Project Syndicate on December 27, 2012, the day after he assumed office¹³. In this article, written in November 2012, Abe was candid in his views of the international environment surrounding Japan at that time, more straightforward than his speeches and addresses delivered after his return to power.

¹¹ “Japan Is Back”, February 22, 2013.

http://japan.kantei.go.jp/96_abe/statement/201302/22speech_e.html

¹² “Policy Speech by Prime Minister Abe to the 183rd Session of the Diet”, February 28, 2013.
http://japan.kantei.go.jp/96_abe/statement/201302/28siseuhousin_e.html

¹³ Shinzo Abe, “Asia’s Democratic Security Diamond”, the website of the Project Syndicate, December 27, 2012.

<http://www.project-syndicate.org/commentary/a-strategic-alliance-for-japan-and-india-by-shinzo-abe>

At the beginning of the article, Abe declared, “Peace, stability, and freedom of navigation in the Pacific Ocean are inseparable from peace, stability, and freedom of navigation in the Indian Ocean”. He continued to state that, “Japan, as one of the oldest sea-faring democracies in Asia, should play a greater role in preserving the common good in both regions”. By using the words “common good”, Abe was referring to “navigational freedom across the Pacific and Indian Oceans”. However, he believed that there was a problem that could undermine this common good in future, that is, China. “Increasingly, the South China Sea seems set to become a ‘Lake Beijing’”, he said. He emphasized that, to prevent the South China Sea from being “even more fortified” by China, Japan “must not yield to” China, which was working to exert pressure in the maritime area surrounding Japan’s Senkaku Islands in the East China Sea. If the South China Sea was fortified by China, Abe warned, “[f]reedom of navigation, vital for trading countries such as Japan and South Korea, would be seriously hindered. The naval assets of the United States, in addition to those of Japan, would find it difficult to enter the entire area, though the majority of the two China seas is international water”.

Based on such observations, Abe declared that “Japan’s top foreign-policy priority must be to expand the country’s strategic horizons”. “Asia’s Democratic Security Diamond” was introduced as the specific goal of the “expansion of strategic horizons” that Abe advocated, and implied a strategic concept in which Japan should focus on forming a diamond-shaped framework connecting four democratic countries, Japan, Hawaii (the United States), Australia, and India:

Japan is a mature maritime democracy, and its choice of close partners should reflect that fact. I envisage a strategy whereby Australia, India, Japan, and the US state of Hawaii form a diamond to safeguard the maritime commons stretching from the Indian Ocean region to the western Pacific. I am prepared to invest, to the greatest possible extent, Japan’s capabilities in this security diamond.

It is clear that Abe’s desire to tie the Indian Ocean region with the Asia-Pacific region reflected his intention to curb China’s increasing assertiveness.

In the article on Asia’s “Democratic Security Diamond”, besides the United States, Australia, and India, Abe invited Britain and France to return to strengthening Asia’s

security. He also claimed that South Korea as a trading country could be seriously affected if China would further fortify the South China Sea. Therefore, these countries should be united through the common values of liberal democracy, and cooperate as guardians of navigational freedom across the Pacific Ocean and Indian Ocean. This was the idea of Abe’s “Security Diamond”.

“VALUE DIPLOMACY” AND INDO-PACIFIC STRATEGY

Abe’s aspiration for the confluence of the Indian and Pacific Oceans strongly reflects the “values diplomacy” he set forth in his first administration. At the end of the article “Asia’s Democratic Security Diamond”, Abe stressed that, while recognizing that Japan’s relationship with China is vital to the well-being of many Japanese, Japan must first anchor its ties with the United States to improve Sino-Japanese relations. Based on this assertion, he stated:

Japan’s diplomacy must always be rooted in democracy, the rule of law, and respect for human rights. These universal values have guided Japan’s postwar development. I firmly believe that, in 2013 and beyond, the Asia-Pacific region’s future prosperity should rest on them as well.

The concept that epitomized the value diplomacy of Abe’s first administration was the “Arc of Freedom and Prosperity”. He aspired to make the region of the arc — starting from Northern Europe and traversing the Baltic states, Central and South Eastern Europe, Central Asia and the Caucasus, the Middle East, and the Indian subcontinent, then crossing Southeast Asia, finally to reach Northeast Asia — a prosperous and stable region based on universal values of freedom, democracy, basic human rights, the rule of law, and a market-oriented economy¹⁴. Abe positioned India, in particular, as a key country in this concept, and advocated the idea of a “broader Asia” in which the Pacific Ocean and the Indian Ocean were integrated.

Abe’s intention was clearly presented in a speech he delivered to India’s parliament on

¹⁴ “A New Pillar for Japanese Diplomacy: Creating an Arc of Freedom and Prosperity”, MOFA, *Diplomatic Bluebook 2007*, pp. 2-3.
<https://www.mofa.go.jp/policy/other/bluebook/2007/chapter1.pdf>

August 22, 2007, which was titled “Confluence of the Two Seas¹⁵”. This speech expressed his perception of the times as follows:

The Pacific and the Indian Oceans are now bringing about a dynamic coupling as seas of freedom and of prosperity. A “broader Asia” that broke away geographical boundaries is now beginning to take on a distinct form.

Abe claimed that the Strategic Global Partnership between Japan and India, which his first administration had sealed in December 2006, was an “association” in which the two countries “share fundamental values, such as freedom, democracy, and the respect for basic human rights, as well as strategic interests”, and was “pivotal” for Japan in its pursuits to develop the Arc of Freedom and Prosperity. He continued:

By Japan and India coming together in this way, this “broader Asia” will evolve into an immense network spanning the entirety of the Pacific Ocean, incorporating the United States of America and Australia. Open and transparent, this network will allow people, goods, capital, and knowledge to flow freely.

In addition, Abe highlighted that, as maritime states, both India and Japan had vital interests in the security of sea lanes. He then urged:

From now on let us together bear this weighty responsibility [to protect the sea lanes] that has been entrusted to us, by joining forces with like-minded countries, shall we not, ladies and gentlemen?

In his speech delivered to India’s parliament, Abe did not refer to China at all. However, it was clear that Abe was proposing the idea of strengthening the ties among “like-minded countries” including Japan, the United States, Australia, India, and other countries in the “broader Asia” region encompassing the Pacific and Indian Oceans, in the face of the increasing assertiveness of China.

PROTECTION OF LIBERAL, RULES-BASED INTERNATIONAL ORDER: CONSISTENT FOREIGN-POLICY GOAL FOR ABE

Since the early 21st century, the international community, including Japan, tried to

¹⁵ “Confluence of the Two Seas”, Speech by H. E. Shinzo Abe, Prime Minister of Japan at the Parliament of the Republic of India, August 22, 2007.

<https://www.mofa.go.jp/region/asia-paci/pmv0708/speech-2.html>

encourage China to support the existing liberal, rules-based international order in the Asia-Pacific region and beyond. The view that the international society must simultaneously “engage” with and “hedge” toward China was the popular view in the international society. Japan, together with the United States, clearly states that it hoped for and welcomed a Chinese foreign policy that would involve China’s participation in the existing international order, with increased voice.

In recent years, however, the international community has recognized that the increasingly powerful China is becoming more and more assertive, and has not responded to the “engagement” by other countries in the expected manner. Particularly since 2009, China’s foreign policy has rapidly assumed a tough stance of self-assertiveness, as demonstrated by the increasing frequency of its attempt to change the status quo by force or coercion, particularly in the South China Sea and the East China Seas based on its own territorial and other claims, which are inconsistent with the existing international order. In brief, the liberal, rules-based postwar international order has been under increasing strain in the face of a rising, increasingly assertive China.

Since his return to power in December 2012, Japan’s Prime Minister Shinzo Abe has consistently clarified that the protection of the liberal, rules-based order in the Asia-Pacific and beyond represents Japan’s top-priority foreign-policy goal. To achieve that goal, Abe has been trying to establish an “Indo-Pacific strategy” and use it as a tool, in cooperation with other liberal democracies, to curb and counter China’s increasing assertiveness.

Abe has been consistent in his determination to make Japan a country that takes a leading role in protecting the existing liberal, rules-based order in the Indo-Pacific. In his address at the TICAD VI in Nairobi on August 27, 2016, in which he announced Japan’s FOIP strategy¹⁶, Prime Minister Abe maintained that “Japan bears the responsibility of fostering the confluence of the Pacific and Indian Oceans and of Asia and Africa into a place that values freedom, the rule of law, and the market economy, free from force or coercion, and making it prosperous”. He emphasized that, “Japan wants to work

¹⁶ In the address, the phrase “Freedom and Open Indo-Pacific Strategy” did not appear, but the Japanese government stated in *Diplomatic Bluebook 2017* that Abe “announced” the strategy in this address. MOFA, *Diplomatic Bluebook 2017*, p. 7.

together with you in Africa in order to make the seas that connect the two continents into peaceful seas that are governed by the rule of law¹⁷”. Although Abe did not explicitly mention China, his remarks that he would like to foster “the confluence of ... Asia and Africa into a place that values freedom, the rule of law, and the market economy, free from force or coercion” was obviously based on his acknowledgment that China was progressively trying to change the status quo by force, if necessary without hesitation, particularly in the South China Sea and East China Sea.

Despite the recent advancement in the Japan–China relations, Abe’s top-priority foreign-policy goal remains unchanged. On October 28, 2018, the day after he returned from Beijing that signaled a considerable advancement in relations between Japan and China, Abe invited Indian Prime Minister Narendra Modi to his vacation cottage near Mt. Fuji, as the first foreign leader to be invited to that residence. The following day, Abe and Modi had a summit meeting in Tokyo and issued the “Japan–India Vision Statement”, in which:

Prime Minister Abe underscored the basic importance of Japan-India relationship for the regional order and is determined to advancing the “new era in Japan-India relations” so as to further cooperate for peace, stability and prosperity of Indo-Pacific. Based on their shared vision, the two Prime Ministers reiterated their unwavering commitment to working together towards a FOIP.

The Vision Statement also declared:

The two leaders’ vision for the Indo-Pacific is based on a rules-based order that respects sovereignty and territorial integrity of nations, ensures freedom of navigation and overflight as well as unimpeded lawful commerce, and seeks peaceful resolution of disputes with full respect for legal and diplomatic processes in accordance with the universally recognized principles of international law, including those reflected in the UNCLOS, without resorting to threat or use of force¹⁸.

According to a high-ranking MOFA official, Prime Minister Modi’s visit to Japan was

¹⁷ “Address by Prime Minister Abe at the Opening session of the Sixth Tokyo International Conference on African Development (TICAD VI), August 27, 2016.

https://japan.kantei.go.jp/97_abe/statement/201608/1218850_11013.html

¹⁸ “Japan-India Vision Statement”, signed at Tokyo on October 29, 2018.

<https://www.mofa.go.jp/files/000413507.pdf>

intentionally scheduled to immediately follow Abe’s return home from China to demonstrate to the world that Japan’s basic stance in its Indo-Pacific strategy would be unchanged, regardless of improvements in the Japan–China relations¹⁹. During Modi’s visit, Abe demonstrated his determination to maintain a rules-based order in the Indo-Pacific by strengthening Japan–India cooperation under the FOIP.

JAPAN’S FREE AND OPEN INDO-PACIFIC STRATEGY: NOT ANTI-CHINA, BUT COUNTER-CHINA

Tokyo has stressed that Japan’s FOIP strategy (vision) is open to all countries, including China. Therefore, it is not an anti-China strategy. On the other hand, it has a counter-China strategy dimension. Given that the Japanese government has maintained that the FOIP is “inclusive” to every country does not negate the fact that Japan’s FOIP includes the aspect of “competitive strategy”, because its “inclusiveness” is not unconditional. In his Policy Speech to the Diet on January 28, 2019, Prime Minister Abe declared:

We will make the vast seas and skies from the Indian Ocean to the Pacific Ocean the foundation of peace and prosperity from which every country, whether large or small, can benefit. Japan will create a “FOIP”, working together with all the countries that share this vision²⁰.

Here, the expression “peace and prosperity from which every country, whether large or small, can benefit” suggests that what matters is peace and prosperity based on rules that do not allow large countries to oppress small ones by force in pursuit of their national interests. Consequently, this remark by Abe can be construed to suggest that China’s attitude of respecting the Japanese “vision” of the “rule-based Indo-Pacific order” would be a prerequisite for Japan to cooperate with China in the Indo-Pacific. In other words, China will be welcomed to participate in Japan’s FOIP if and only if China adheres to the existing liberal, open, rules-based order in the region. That represents the consistent intention of Japan.

¹⁹ Remarks of an anonymous MOFA official in a private conversation with the author in November 2018. The same official exclaimed to the author that it was for reasons of circumstantial coordination with the Chinese side on Abe’s trip to Beijing that led to Modi’s visit on the very next day of his return home.

²⁰ “Policy Speech by Prime Minister Shinzo Abe’ to the 198th Session of the Diet”, January 28, 2019. https://japan.kantei.go.jp/98_abe/statement/201801/_00003.html

IN LIEU OF CONCLUSION

Among the two contrasting aspects of Japan’s FOIP strategy/vision, i.e., the aspect of “competitive strategy” and the aspect of “cooperative strategy” toward China, the former are more fundamental for Japan. The basic stimulus for Japan to pursue its FOIP is to counter China to build a desirable international order in this region, by cooperating with the countries that share the basic values and ideals with Japan, such as the United States, Australia, and India. Why, then, does Tokyo repeatedly emphasize the inclusiveness of Japan’s FOIP? Why does the Japanese government insist that Japan seeks for peace and stability in the region by including China in its strategic vision as much as possible and to promote cooperation with China? Is it a mere hypocrisy, or is there any strategic reason for Japan to pursue that?

As the present author argued elsewhere, Japan has a strategic reason for this seemingly inconsistent coexistence of the two opposite directions toward “competitive strategy” and “cooperative strategy” regarding China in its FOIP. For Japan’s “competitive strategy” to succeed, it needs a “cooperative strategy²¹”.

Any international order cannot be constructed merely by unilateral efforts of particular countries. With regard to the FOIP, Japan and the United States, the two main promoters of the concept, are the first and the third largest economies in the world in terms of GDP²². The United States also represents the world’s top military power. Nonetheless, it would be impossible, with the efforts of Japan and the United States alone, to build a “free and open order” in the Indo-Pacific. A “FOIP” will come into existence only when other countries are ready to accept such an order concept.

If Japan is earnest about the realization of “FOIP”, it needs to make serious efforts to attract other countries to its vision. ASEAN countries, India, and Australia are particularly important countries from this perspective. If Japan’s Indo-Pacific strategy

²¹ Mataka Kamiya, ““Cooperative Strategy” to Realize “Competitive Strategy”:
The composite structure of Japan’s “Free and Open Indo-Pacific” strategy (vision)”, *Security Studies*,
Vol. 1-2 (April 2019). This paper can also be obtained at the website of the Society of Security and
Diplomatic Policy Studies. <http://ssdpaki.la.coocan.jp/en/proposals/26.html>

²² The U.S. vision of the FOIP bears a nuance somewhat different from the Japanese vision.

were to underline its aspect of a “competitive strategy” against China too much, these countries are likely to withdraw from the Japanese vision. To avoid this, Japan needs to stress that its Indo-Pacific vision also includes the aspect of a “cooperative strategy” toward China²³. In other words, if Japan wants to succeed in its FOIP as a “competitive strategy” against China, it needs to consider the aspect of “cooperative strategy” toward China of its FOIP.

It is challenging to pursue a strategy that involves these two contrasting policy directions. Whether Japan’s “FOIP” strategy (vision) succeeds will depend on whether its diplomacy can find measures to overcome this challenge.

²³ Kamiya, ““Cooperative Strategy” to Realize “Competitive Strategy””.

CHAPTER 4

Japan and Regional Connectivity in the Indo-Pacific: Changing Approach and the Impact of the Belt and Road Initiative

Nikolay Murashkin

Griffith University

INTRODUCTION

Since the 2013 announcement of China's Belt and Road megaproject and subsequent infrastructural initiatives advanced by Japan, Sino-Japanese relations in this field have been predominantly interpreted with the emphases on Japan's reactivity and Sino-Japanese power rivalry. Viewing these interpretations as reductionist, this paper will showcase, firstly, how Japan's approach towards regional connectivity infrastructure and associated financing has been changing before and after the BRI. Secondly, I will examine how the BRI has shifted Japan's behaviour and how external factors have shifted Japan's position vis-à-vis the BRI. The paper will highlight Japan's foreign and financial policies regarding infrastructure finance in Asia and the New Silk Road since the end of the Cold War with a focus on the past decade.¹

I argue that factors influencing Japan's infrastructural policy should not be reduced to China's impact, as many of them stem from the macroeconomic environment and Japanese economic policy, as opposed to strictly hard-power distribution between states. Furthermore, I stress important cooperative postures that Japan's foreign policy in Asian infrastructure finance has featured toward China, especially within multilateral development banks. In that regard, the role of policy entrepreneurs and institutional

¹ Parts of this paper were published in Nikolay Murashkin (2020). *Japan and the New Silk Road. Diplomacy, Development and Connectivity*. London: Routledge, <https://doi.org/10.4324/9780429024184>.

change was crucial for Japan's evolving role in Asian infrastructure and its associated relations with China and has potential to continue shaping Japan's infrastructural policies in the Indo-Pacific. To show that, I emphasise the underappreciated dynamics of Japan's cooperation with China, as well as Japan's accommodation and socialisation of China in concessional lending, comparing them with competitive dynamics frequently observed in the current scholarship.

When examining infrastructure finance, this paper will refer to official development assistance (ODA), especially loan aid, and to concessional lending and investment in general, either disbursed on bilateral basis or via multilateral development banks (MDBs). For the purposes of this article, I use the term 'connectivity infrastructure' in a broad sense: it encompasses transport, telecoms, communications, utilities and power – in particular, *strategic* transport infrastructure in transit regions. In that sense, the term connectivity is different from such of its synonyms as connectivity inside value chains, connectivity of infrastructures, or automobile connectivity.

Together, the importance of infrastructure and its financing in government foreign policies comes from their potential and actual usage as instruments of technological and financial statecraft by governments, especially in the current macroeconomic environment where the role of sovereign lenders is increasing. It is particularly relevant for the soft power of major East Asian developmental states, such as Japan and China, especially as their foreign policy options in the field of hard power projection may be restricted or self-restrained.

THE INDO-PACIFIC AND THE BELT AND ROAD INITIATIVE: THE CHICKEN-AND-EGG DEBATE

Both Japan's infrastructural push in Asia and its promotion of the Indo-Pacific concept² are often associated with Tokyo's reaction to the launch of the Belt and Road Initiative (BRI) by Chinese President Xi Jinping in 2013. This association is only partially valid. While the BRI is indeed unprecedented in declared scale and Sino-centric model, Japan

² The latest wording of the Free and Open Indo-Pacific emphasises that it is a "vision", replacing the earlier used "Indo-Pacific Strategy", as the term "strategy" has negative connotations in Japanese (戦略) and Chinese (战略) languages.

is neither a newcomer to large-scale connectivity infrastructure in Asia, nor an exclusively ‘catch-up’ player or a reactive state lacking strategy in that field.

The origins of regional infrastructural projects with central role of Japan can be traced to the 1990s, when Japan-led Asian Development Bank (ADB) had started promoting connectivity infrastructure programmes in Southeast (Greater Mekong Subregion), Central (CAREC) and South Asia (SASEC)³. Bilaterally, Japan’s Ministry of International Trade and Industry (present-day METI) launched a master plan for connectivity infrastructure in 1987 called the New Asian Industries Development (New AID). Senior officials in Tokyo have proposed various types of diplomatic and infrastructural initiatives referring to the New Silk Road between 1997 and 2009.

History and context equally matter when it comes to the quadrilateral partnership involving Australia, India, Japan, and the United States, which was mentioned as a potential platform for infrastructural cooperation and balancing China. The Quad regained traction after China’s launch of Belt and Road and assertiveness in the Indian Ocean and the South China Sea. However, its origins can also be traced well beyond the BRI and the latest iteration of Sino-Japanese tensions. In 2006, then Secretary General of the Cabinet of Ministers Shinzo Abe published a manifesto book “Toward a beautiful country”, where he made the case for increased cooperation between ‘the Asia-Oceanic Democratic G3+America’⁴. Abe’s first premiership (2006-2007), which featured several key members of the foreign policy team active in his second premiership (2012-present), made value-oriented diplomacy a key element of Tokyo’s diplomatic agenda.

As we can see, Japan’s track record in regional connectivity infrastructure, its financing as well as in partnering with like-minded countries in the Asia-Pacific has been long-established before the BRI era. However, Japan’s ambitions in infrastructural finance differed from China’s and where the BRI may have made its key impact is in readjusting the priority of drivers behind Japan’s foreign infrastructural policies.

³ Nikolay Murashkin, “Not-So-New Silk Roads: Japan’s Foreign Policies on Asian Connectivity Infrastructure under the Radar”, *Australian Journal of International Affairs*, Vol. 72-5 (2018), pp. 455-472.

⁴ Shinzo Abe, *Utsukushii kuni-e* [Towards a Beautiful Country], Tokyo: Bungeishunjū, 2006, p. 160.

MERCANTILISM, DEVELOPMENT AND POWER POLITICS: JAPAN'S MIXED RATIONALE FOR INFRASTRUCTURAL INITIATIVES BEFORE THE BRI

Japan's primary motivation for pursuing an active policy of building and financing infrastructure in Asian countries can be divided into three main types of reasons: mercantile, developmental, and strategic. Japanese mercantilism and developmentalism has been exhibited historically throughout the post-war period and often went hand in hand with each other. The strategic component became tangible in the post-Cold War era, when Japanese political elites rediscovered geopolitics⁵, and came to the fore during Shinzo Abe's second premiership. The key impact made by the BRI's launch and ensuing Indo-Pacific response is the crystallisation of supply-side rivalry between Japan and China over concessional lending and infrastructure building. This competition enhances the mercantile and strategic component in Japan's approach toward connectivity infrastructure to the detriment of the developmental aspect. This developmental aspect, in turn, includes both benefits for developing countries and the potentially positive impact that China's growing capability as international infrastructure provider could make. The challenge for Japan, therefore, will be to avoid sacrificing its credentials as global development sponsor, while also maintaining the competitiveness of its exports.

Traditional post-war mercantilism in Japanese infrastructural exports was further stimulated in the aftermath of the 2008 global financial crisis and by a need to maintain Japan's 'king-of-the-hill' position in this sector amid emerging international competition. Starting from 2009, cabinets formed by the Democratic Party of Japan (DPJ) both sought a rapprochement with Beijing and started boosting the promotion of Japanese infrastructural exports as one of the country's competitive advantages in the global economy. In other words, Tokyo's infrastructural policies during the DPJ rule were naturally located in the context of international commercial competition, however, they were not construed as geopolitically antithetical to China.

Shinzo Abe's second premiership (2012-present) strengthened the role of the state in the promotion of infrastructural exports. In 2013, a key government institution that saw its foreign-policy powers increase under Abe's tenure, the Prime Minister's Office, established the Management Council for Infrastructure Strategy. The Council's work

⁵ Takeshi Yuasa, "Central Asia in the Context of Japanese-Russian Relations", *China and Eurasia Forum Quarterly*, Vol. 8-2 (2010), p. 134.

encompassed a global geography and involved the participation of senior officials up to the prime minister. A year later, the Japanese government set up another institution to promote Japanese infrastructural exports – Japan Overseas Infrastructure Investment Corporation for Transport and Urban Development (JOIN). JOIN became Japan’s first and only private-public sponsored fund, focusing on overseas infrastructure investment and collaborating with companies, banks, government bodies and state financial institutions. These institutional innovations occurred either before the BRI or too soon after its launch to be considered a reaction to China’s advances.

The combination of mercantilism and developmentalism was demonstrated by Japan’s involvement in the New Silk Road projects since the 1990s, bilaterally and via the ADB. Tokyo’s approach included the elements of, firstly, pragmatic resource diplomacy in countries with rich mineral endowments and, secondly, development contribution via financing connectivity infrastructure, as these states were reforming their economies. For post-socialist countries of Central Asia, going through market transition, Japan’s and East Asian developmental state was an attractive role model, while some Japanese officials advocated for gradualist reforms as opposed to the shock therapy of the Washington Consensus⁶. Inter alia, Japanese officials sought to improve the export capacities of developing countries experiencing connectivity issues and reduce their reliance on existing economic partners, such as China or Russia, via the diversification of trade and transport routes.

At the multilateral level, there were at least two notable albeit unmaterialised proposals in the field of Asian infrastructure voiced within the ADB. Firstly, following the 2008 global financial crisis, the ASEAN Plus Three and the Tokyo-based ADB Institute (ADBI) mooted a dedicated Asian infrastructure institution in the late 2000s as part of the Asian Bond Market Initiative (ABMI). Namely, high-profile economists affiliated with the ADBI proposed establishing “an Asian Infrastructure Investment Fund (AIIF) as a mechanism for channelling funds towards meeting the region’s various infrastructural needs, which has been one of the key objectives of the ABMI”⁷. Although this proposal

⁶ Nikolay Murashkin, “Japanese involvement in Central Asia.”, *Asian Journal of Social Science*, Vol. 43-1/2 (January 2015), pp. 50-79.

⁷ Christopher M. Dent, “Organizing the Wider East Asia Region”, ADB Working Paper Series on Regional Economic Integration No. 62, p.19, Manila: Asian Development Bank, November 2010. <https://www.adb.org/sites/default/files/publication/28544/wp62-dent-organizing-wider-east-asia-region.pdf>

was not followed through, it showed that the ADB was considering an institutional design similar to the China-led Asian Infrastructure Investment Bank several years before Xi's launch of the new bank in 2015. Secondly, The ADBI's dean at the time, Masahiro Kawai, made the case for the establishment of a dedicated Northeast Asian Infrastructure Investment Fund (NEAIF) and against the creation of a new MDB. Kawai explained the latter argument by the lack of resources and willingness of dominant lenders – Japan, Europe and the United States – to venture into creating a new MDB, possibly indicating the underestimation of China's resolve at the time⁸.

ENTER THE BRI

China's launch of the BRI challenged the historical dominance of Japan, Western Europe and North America in the global development landscape and, in particular, Japan's position as the go-to provider of infrastructure in Asia. As evidenced by multiple policy responses to the BRI from Japan, such as Partnership for Quality Infrastructure and Asia-Africa Growth Corridor, the BRI visibly spurred competition between the second and third global economies. Lucrative tenders for high-speed railways in Southeast Asia and South Asia are arguably the most conspicuous examples of this competition.

Nevertheless, there are four important qualifications to the observation of newly-sparked Sino-Japanese infrastructural competition. Firstly, several years into the BRI's and the AIIB's existence, the materialisation of strictly new initiatives, without taking into account existing projects subsequently placed under the BRI umbrella, has been limited to several billion dollars as opposed to pledged tens and even hundreds of billions. As of early 2018, cumulative Japanese infrastructure investment in Southeast Asia was still exceeding the Chinese one by a wide margin of some US\$75 billion⁹. AIIB's disbursements were done in co-financing and reflected prudence, probably conditioned by the bank's motivation to maintain an investment-grade credit rating. By contrast, multiple countries markedly increased their dependency on Chinese bilateral lending: for

⁸ Masahiro Kawai, "Financing Development Cooperation in Northeast Asia", *ADB Working Paper Series*, No. 407 (February 2013).

⁹ Siegfried Alegado, "Japan Still Beating China in Southeast Asia Infrastructure Race", *Bloomberg*, February 9, 2018.
<https://www.bloomberg.com/news/articles/2018-02-08/japan-still-beating-china-in-southeast-asia-infrastructure-race>

instance, Sri Lanka, Kyrgyzstan and Tajikistan. In the case of Tajikistan, the ADB even decided to temporarily limit its financing to this country to grants in order to avoid making the Tajik debt burden even heavier.

Secondly, competitive dynamics were particularly notable in the field of rhetoric and strategic communications, such as the debt-trap narrative regularly present in the coverage of BRI in Japanese and international media. In that sense, competitive Sino-Japanese postures in the field of infrastructure included a soft-power battle of narratives, whereby the BRI represented a redux of the earlier ‘peaceful rise’ narrative, while Japanese criticism of the BRI, pointing to the issues of creditworthiness, infrastructure quality and sustainability, was used as a tool for both checking and socialising. The intensity of Japanese media criticism of the BRI somewhat subsided or was predominantly portrayed as commercial competition as opposed to geostrategic one in 2018 and early 2019, as Japan and China marked the 40th anniversary of the 1978 Treaty of Peace and Friendship and the Japanese government prepared to host the Group of Twenty summit.

Thirdly, the drivers of Sino-Japanese infrastructural rivalry are not limited to internal factors of the bilateral relationship. Third countries, for instance Indonesia, encouraged supply-side competition between Japan and China, viewing it as beneficial for their self-interest as borrowers and recipients of concessional funds and customers of Japanese and Chinese infrastructure services¹⁰. The perception of Japanese and Chinese interests in third-country infrastructure projects as mutually antithetical is partially limited by the fact that both countries tend to display a different focus when it comes to the type of infrastructure. For instance, in Central Asia, China’s infrastructural projects focus on the creation of energy and transportation infrastructure, whereas Japan’s focus in that region is on maintenance, upgrade, and rehabilitation of existing infrastructure¹¹. However, in the case of maritime Indo-Pacific, unlike in Central Asia, Japanese businesses are present in both of the aforementioned types of infrastructure, which increases the likelihood of competition.

¹⁰ Interview with a Japanese expert, Tokyo, 2018.

¹¹ Timur Dadabaev, “Japanese and Chinese infrastructure development strategies in Central Asia”, *Japanese Journal of Political Science*, Vol. 19-3 (September 2018), pp. 542-561.

Fourthly, Japan exhibited both cooperative (especially, on the multilateral level) and competitive (bilaterally) behaviour, pointing to the continuity of combining engagement and balancing in an ultimately hedging posture vis-à-vis China, as opposed to strictly zero-sum game thinking. Bilaterally, Japan's cooperative postures towards the BRI were to a large extent transactional and used as stimuli to elicit a cooperative stance from Beijing over other issues (such as the North Korean nuclear and missile programme) or as an insurance policy against President Trump's uncertainty from 2017 onward. At the same time, 52 memorandums signed between Japan and China in October 2018 over various infrastructure projects in third countries, showed that Tokyo's cooperative stance on the BRI went beyond lip service, even if the aggregate value of the projects was modest.

JAPAN'S DILEMMAS

The propensity toward engagement was the most tangible in the ADB, which engaged in co-financing with the AIIB and indicated openness to cooperate with the BRI as well as various other initiatives and institutions, ranging between the aforementioned Partnership for Quality Infrastructure and the Shanghai Cooperation Organisation. In turn, the ADB's position can be explained by four drivers: firstly, leading by example and demonstrating commitment to open regionalism; secondly, encouraging the AIIB as prudent and fiscally conservative facet of China's concessional lending expansion; thirdly, encouraging China's financial contribution as it diversifies financial risks for existing lenders, and, fourthly, the dominance of officials from the Ministry of Finance (MOF) in the bank.

Many officials at the MOF were similar to METI in adopting the perception of the BRI as a source of opportunities for Japanese corporates¹². This attitude seemingly differed from a more risk-averse position of the Ministry of Foreign Affairs and the Japanese security establishment. MOF's relatively more engaging position was based not only on the perception of the BRI as opportunity but also on the past experience of interaction with Chinese officials within the ADB, where the incumbent president of the AIIB Jin Liqun had served as the ADB's first ever Chinese Vice-President. During his tenure at the ADB, Jin covered Central, West and South Asia and was succeeded in this office by Zhao Xiaoyu and Zhang Wencai.

¹² Lindsay Black, "Japan's Aspirations for Regional Leadership – Is the Goose Finally Cooked?", *Japanese Studies*, Vol. 37-2 (September 2017), p. 161.

These divergence approaches toward China and the BRI between Japanese ministries reflects a long-established rift between accommodative and balancing schools of thought. On the one hand, senior officials in the LDP and the Cabinet Office favoured cooperation and economic engagement with China. On the other hand, senior officials in the National Security Council and at the very top of MOF exercised caution in order not to encourage China's assertiveness in the East China Sea and South China Sea. While Tokyo seeks to preserve its centrality in the Asian infrastructural sector, it is also keen to avoid the 'abandonment' scenario similar to the US-Chinese rapprochement in the early 1970s, whereby the United States would engage with either the BRI or the AIIB without adequate prior consultation with Japan. While this scenario may seem rather unlikely, the uncertainty and unpredictability of the Trump administration's foreign policy remains a source of concern for Tokyo.

CONCLUSION

The Belt and Road Initiative acted as a major additional catalyst for Japan's promotion of infrastructural exports, which was already ongoing but has since acquired a strategic dimension. As a result, the Indo-Pacific vision marked the return of grand designs in Japan's connectivity infrastructure policies. While pledging to provide an alternative to emerging Chinese offer with higher quality, sustainability and emphasis on creditworthiness considerations, Japan also seeks to avoid confining the Indo-Pacific to strictly the security domain and anti-Chinese containment.

In that regard, infrastructure is a useful opportunity for establishing a positive diplomatic agenda. This has already been evidenced by the 2018 memorandum of understanding between Australian, American and Japanese governments on the Trilateral Partnership for Infrastructure Investment in the Indo-Pacific, as well as by Japan's increased aid commitment to the South Pacific. Another potential avenue for win-win functionalist infrastructural cooperation can be the development of LNG infrastructure in Asia, important for Japan, China, India and Southeast Asian countries as gas consumers and for Australia and the United States, as gas exporters.

Bilaterally and multilaterally, Australia and Japan have the potential to cooperate as responsible stakeholders through sharing experience and socialising the course of Chinese initiatives by maintaining the emphasis on debt sustainability and infrastructure justifiability. Unlike Japan, Australia is indirectly involved in the BRI through developing projects of the Northern Territory and the city of Darwin and is also one of founding members of the AIIB¹³. At the same time, both Japan and Australia are key members of the ADB, one of the AIIB's main co-financing partners. Both countries are experienced in devising hedging postures vis-à-vis China and can experiment with strengthening their minilateral unity in multilateral institutions involving China, such as the Group of Twenty and the ADB.

¹³ Amos Aikman, "Darwin deal touted by China as part of Xi's BRI", *The Australian*, December 4, 2018. <https://www.theaustralian.com.au/national-affairs/foreign-affairs/darwin-deal-touted-by-china-as-part-of-xis-bri/news-story/ed3356920763f98a890a78547d913fc9>

CHAPTER 5

India and the Belt and Road Initiative: A Developmental Challenge, a Strategic Opportunity, and a Lesson

*Ian Hall*¹

Griffith University

INTRODUCTION

For New Delhi, China's Belt and Road Initiative (BRI) involves a significant geopolitical problem and poses a major geostrategic dilemma². The geopolitical problem has kept India out of the BRI, and will likely continue to do so for some time to come. The problem is easily stated: parts of the China Pakistan Economic Corridor (CPEC), a major BRI project, runs through territory in the contested area of Kashmir that India claims as its own. For New Delhi, CPEC – and by default BRI – violate its sovereignty, and therefore India cannot involve itself in the wider Initiative. New Delhi has been crystal clear on this point since CPEC was first announced during Xi Jinping's visit to Pakistan in April 2015.

This situation is not ideal for India. The country has considerable need for substantial investment in connectivity and infrastructure, both inside the country and in the South Asian region, linking it into transport networks beyond, in Central and Southeast Asia. In principle, the BRI offers a chance to address a shortcoming that is holding back

¹ Ian Hall is a Professor of International Relations at Griffith University, Queensland, Australia, and the Deputy Director (Research) of the Griffith Asia Institute. He is an Academic Fellow of the Australia India Institute and a co-editor, with Sara E. Davies, of the *Australian Journal of International Affairs*. His most recent book is *Modi and the Reinvention of Indian Foreign Policy* (2019).

² On the evolution and intent of BRI, see especially Nadège Rolland, *China's Eurasian Century? Political and Strategic Implications of the Belt and Road Initiative*, Washington DC: National Bureau of Asian Research, 2017.

regional economic integration in the least integrated part of the world, putting the brakes on efficiency, productivity, and growth. However, the way in which the BRI has developed since its first, somewhat vague, outlines were sketched by Xi towards the end of 2013 has generated concerns about China's practices and intentions in many states in the Indo-Pacific. India, like many states, wants the kind of investment schemes like the BRI might offer, but is wary of the potential strategic consequences.

Given that India is locked out, however, it is able to take advantage of another opportunity: using the BRI to pressure Beijing. Perceived problems with the BRI and anxieties about its strategic drivers – some well-founded, and others perhaps more arguable – provide critics of Beijing, including India, with a way to push back against growing Chinese power and influence in South Asia and the Indian Ocean regions.

For states like India, the BRI generates a intriguing dilemma: signing up to Xi's grand vision of connectivity and growing economic interdependence might deliver better infrastructure and greater prosperity, but standing apart and criticising it might also be advantageous, in terms of the wider tussle for hearts and minds in the Indo-Pacific. The fact that the BRI is so closely identified with Xi himself and that it is written into China's Constitution makes the second course of action appealing. There is great pressure on Chinese officials and businesspeople to ensure that the BRI succeeds, given its importance to the current regime in Beijing, its legitimacy, and its capacity to deliver greater prosperity to ordinary Chinese citizens. The BRI is a sensitive pressure point, as well as a hugely ambitious geoeconomic scheme, especially when mistakes or missteps have been made – pointing out such failings when they occur constitutes a direct, almost personal, criticism of Beijing and Xi's leadership.

This paper explores how India came to the point of using BRI for this purpose, and the apparent effects of its criticisms of the Initiative. The first section looks at New Delhi's initial responses to the BRI, which were wary and cautious, and at the turn it took towards a much more critical stance after CPEC was unveiled. The second section examines India's strongly worded critique of Initiative on the eve of the inaugural Belt and Road Forum (BRF) conference in Beijing in May 2017 and the underlying logic of the position taken. The third part discusses New Delhi's behaviour after the BRF, partly in the wake of the Doklam crisis in mid-2017, during which units from the Indian army confronted the People's Liberation Army in a contested area of Bhutan. The conclusion addresses the lessons that might be learned from India's approach to managing BRI.

Waiting and Watching

Xi's first sketches of what became BRI, outlined in speeches in Kazakhstan and Indonesia in September and October 2013, emerged at a difficult time for India, in the dying days of Manmohan Singh's Congress Party-led United Progressive Alliance government. New Delhi nevertheless offered a guardedly positive response to China's infrastructure ambitions. In December 2013, it agreed to participate in the Bangladesh-China-India-Myanmar (BCIM) transport corridor project, which at that point lay outside BRI. In February 2014, Singh publically welcomed the idea of the overland Silk Road, but refused to be drawn on its maritime equivalent³. This muted, uncritical stance was also taken by Narendra Modi's Bharatiya Janata Party-led government, elected in May 2014, despite a series of attempts by Beijing to secure a more positive endorsement. No mention of the BRI was made in the joint statement released after Xi's visit to India in September 2014, although reference was made to the BCIM project⁴.

New Delhi's decisive turn against BRI came later, in April 2015. During Xi's State Visit to Pakistan, the CPEC was announced, and declared to be an integral part of the Initiative. Citing the fact that the Corridor was planned to run through what Pakistan calls Gilgit-Baltistan, which India claims as part of Kashmir, Modi lodged a protest about the infringement of Indian sovereignty when he visited Beijing in May 2015⁵. Thereafter, Indian officials began periodically to air relatively restrained, but nevertheless public criticisms of the BRI. In Singapore in September 2015, for example, Foreign Secretary Subrahmanyam Jaishankar dismissed Chinese claims that the BRI is designed for the common interest of the region, calling it a 'national Chinese initiative' designed to serve its 'national interest'⁶. Elsewhere, Indian officials observed that while they welcomed

³ BRICS Post, "China, India conclude "very positive" talks", 12 February 2014.
<http://thebricspost.com/china-india-conclude-very-positive-talks/>

⁴ Ministry of External Affairs, India, "Joint Statement between the Republic of India and the People's Republic of China on Building a Closer Developmental Partnership", 19 September 2014.
<http://mea.gov.in/bilateral-documents.htm?dtl/24022>

⁵ Elizabeth Roche, "India protests China's plans for \$46 billion PoK investments", *LiveMint*, May 14, 2015.
<http://www.livemint.com/Politics/NX9251BYbqEXgIBM9Ch55L/India-protests-Chinas-plans-for-PoK-investments.html>

⁶ S. Jaishankar, "India, the United States and China", International Institute for Strategic Studies Fullerton Lecture, July 19, 2015.

projects that would enhance regional connectivity, New Delhi was concerned about the lack of properly multilateral decision-making and consultation processes in the BRI⁷. Moreover, India put the brakes on the BCIM project, insisting that confidence building was required and that details needed to be worked out in minilateral study groups before any substantive work could begin⁸.

Taking a Stand

In both principle and practice, the announcement of the CPEC in April 2015 prevented India from involvement in the BRI. It did not, however, determine New Delhi's public stance on the Initiative. The Modi government had the option of staying quiet about the BRI, barring formal diplomatic protests about the CPEC, or offering public criticism. For two years, between Xi's unveiling of the CPEC and the first Belt and Road Forum (BRF) in Beijing in May 2017. It chose the first course of action. On the eve of the BRF, however, New Delhi changed its behaviour.

A day before the BRF opened the Ministry of External Affairs issued a statement to explain why it would not be sending a high-level representative to the event. It opened with a reference to the CPEC and to India's concerns about its sovereignty. But then it went on to offer a lengthy critique of the BRI. India believed, it stated that:

...connectivity initiatives must be based on universally recognized international norms, good governance, rule of law, openness, transparency and equality. Connectivity initiatives must follow principles of financial responsibility to avoid projects that would create unsustainable debt burden for communities; balanced ecological and environmental protection and preservation standards;

<https://www.youtube.com/watch?v=et2ihw8jHaY&feature=youtu.be&t=46m27s>

In the Indian system, the Foreign Secretary is the chief official in the Ministry of External Affairs (MEA), under the External Affairs Minister.

⁷ Tanvi Madan, "What India thinks about China's One Belt, One Road initiative (but doesn't explicitly say)", *Order from Chaos* blog, Brookings Institution, March 14, 2016.

<https://www.brookings.edu/blog/order-from-chaos/2016/03/14/what-india-thinks-about-chinas-one-belt-one-road-initiative-but-doesnt-explicitly-say/>

⁸ K. Yhome, "The BCIM economic corridor: Prospects and challenges", *Observer Research Foundation Commentaries*, February 10, 2017.

<https://www.orfonline.org/research/the-bcim-economic-corridor-prospects-and-challenges/>

transparent assessment of project costs; and skill and technology transfer to help long term running and maintenance of the assets created by local communities⁹.

Moreover, New Delhi accused Beijing of refusing to ‘engage in meaningful dialogue’ on the BRI and the manner in which projects were agreed.

Directly criticizing Chinese policy in this way is out of step with the way in which India generally manages bilateral disagreements. It was however consistent with the markedly more assertive stance frequently taken by the Modi government after it came to power in mid-2014¹⁰. From the start, the new Prime Minister had signaled to Beijing that he was not to be constrained by its rules – for this reason, Modi invited both the head of the Tibetan government-in-exile and Taiwan’s most senior diplomatic representative in New Delhi to attend his swearing-in ceremony¹¹. During Xi’s visit to India later that year, the Modi again departed from convention to criticize Beijing over alleged trespassing by units of the People’s Liberation Army (PLA) over the Line of Actual Control (LAC) between China and India¹². The intention was to try to get Beijing to deal with New Delhi on a more equal footing, with ‘reciprocity’ central to the relationship¹³. In sum, the MEA’s complaint about a lack of meaningful dialogue and proper consultation in its BRF statement reflected and extended this broader effort.

From Doklam to Wuhan

The question of whether or not the Modi government stand over the BRF paid dividends is difficult to answer, but it is possible, I think, to trace some connection between its

⁹ Ministry of External Affairs, India, “Official Spokesperson's response to a query on participation of India in OBOR/BRI Forum”, May 13, 2017.

<http://www.mea.gov.in/media-briefings.htm?dtl/28463/Official+Spokespersons+response+to+a+query+on+participation+of+India+in+OBORBRI+Forum>.

¹⁰ Kanti Bajpai, “Narendra Modi's Pakistan and China policy: assertive bilateral diplomacy, active coalition diplomacy”, *International Affairs*, Vol. 93-1 (January 2017), pp. 69-92.

¹¹ Nitin A. Gokhale, *Securing India the Modi Way: Pathankot, Surgical Strikes and More*, New Delhi: Bloomsbury, 2017, pp. 5-6.

¹² *India Today*, “As Modi raises border issue, Xi agrees with a Chinese yes”, September 18, 2014. <https://www.indiatoday.in/india/north/story/chinese-president-xi-jinping-india-narendra-modi-293124-2014-09-18>

¹³ Harsh V. Pant, *Indian Foreign Policy: The Modi Era*, New Delhi: Haranand Publications, 2019, p. 130.

public criticisms and later diplomatic advantage. Some argue that some states in South Asia and the Indian Ocean region, and indeed elsewhere, have grown more wary of the risks BRI may pose, and it may be that India's vocal criticisms and diplomatic entreaties helped to bring this about¹⁴. It is also the case, I suggest, that India was itself able to extract concessions from Beijing as a direct result of those actions.

What complicates this story, however, is the fact that soon after the BRF, the Sino-Indian relationship was overshadowed by a major crisis that also had significance consequences. In mid June 2017, Indian border guards observed PLA units engaged in building a road in an area of Bhutan known as Doklam (or Donglang in Chinese), which is claimed by Beijing. They confronted the Chinese troops, preventing them from working, and a standoff began that lasted for more than two months. New Delhi insisted that the PLA should withdraw; Beijing responded with an escalating series of threats to punish India if it did not back down. The episode was eventually resolved by diplomacy¹⁵, with both sides apparently withdrawing its forces, though the exact details of the deal remain unclear¹⁶.

Tension between China and India remained palpable during the rest of 2017 and the beginning of the following year. In May 2018, however, Modi travelled to Wuhan, in China's Hubei province, for a so-called 'informal summit' with Xi that was clearly designed to try to address at least some of the problems that had emerged in the bilateral relationship. Both sides subsequently declared the summit a success, hailing a new 'Wuhan spirit'. Both also published somewhat vague accounts of what had been discussed at the meeting. They 'agreed that proper management of the bilateral relationship will be conducive for the development and prosperity of the region' and that 'maturity and wisdom' was required 'to handle the differences through peaceful discussion within the context of the overall relationship, bearing in mind the importance

¹⁴ See, for example, Christopher Balding, "Why Democracies Are Turning Against Belt and Road: Corruption, Debt, and Backlash", *Foreign Affairs*, October 24, 2018.

<https://www.foreignaffairs.com/articles/china/2018-10-24/why-democracies-are-turning-against-belt-and-road>

¹⁵ See India's very brief statement, Ministry of External Affairs, India, "Press Statement on Doklam disengagement understanding", August 28, 2017.

https://mea.gov.in/press-releases.htm?dtl/28893/Press_Statement_on_Doklam_disengagement_understanding

¹⁶ Sumit Ganguly and Andrew Scobell, "The Himalayan Impasse: Sino-Indian Rivalry in the Wake of Doklam", *The Washington Quarterly*, Vol. 41-3 (September 2018), pp. 177-190.

of respecting each other's sensitivities, concerns and aspirations'¹⁷. In short, it appears that Modi and Xi agreed to dial back their criticisms of each others' actions and their attempts to block each others' initiatives in order to provide the former with some breathing space prior to the general election a year later and the latter with room to push forward with BRI and other projects¹⁸.

Perhaps for this reason, Modi did not refer to the BRI in any direct way in his significant address to the Shangri La Dialogue in Singapore, a few weeks after Wuhan. It should be noted, however, that his remarks on regional infrastructure and connectivity initiatives were consistent with the MEA statement released on the eve of the BRF. It is worth quoting what Modi said at length:

We understand the benefits of connectivity. There are many connectivity initiatives in the region. If these have to succeed, we must not only build infrastructure, we must also build bridges of trust. And for that, these initiatives must be based on respect for sovereignty and territorial integrity, consultation, good governance, transparency, viability and sustainability. They must empower nations, not place them under impossible debt burden. They must promote trade, not strategic competition. On these principles, we are prepared to work with everyone. India is doing its part, by itself and in partnership with others like Japan.... And, we are important stakeholders in New Development Bank and the Asian Infrastructure Investment Bank¹⁹.

The references to sovereignty and territorial integrity cleared referred to CPEC; the others, concerning transparency and debt and so on, to BRI more broadly. China was not singled out by name in any of this, of course. And the 'Wuhan spirit' was adhered to in Modi's discussion of the many-layered nature of the Sino-Indian relationship and his declaration

¹⁷Ministry of External Affairs, India, "India-China Informal Summit at Wuhan", April 28, 2018. https://mea.gov.in/press-releases.htm?dtl/29853/IndiaChina_Informal_Summit_at_Wuhan

¹⁸Shruti Godbole, "Wuhan Summit: An important signal of intent by India and China", *Brookings India*, May 23, 2018.

<https://www.brookings.edu/blog/up-front/2018/05/23/wuhan-summit-an-important-signal-of-intent-by-india-and-china/>.

¹⁹Narendra Modi, "Prime Minister's Keynote Address at Shangri La Dialogue (June 01, 2018)", Ministry of External Affairs, June 1, 2018.

<https://www.mea.gov.in/Speeches-Statements.htm?dtl/29943/Prime+Ministers+Keynote+Address+at+Shangri+La+Dialogue+June+01+2018>.

that ‘Asia and the world will have a better future when India and China work together in trust and confidence, sensitive to each other's interests’²⁰.

On the Chinese side, there was also some movement towards positions that took greater account of India’s concerns. The most notable sign was the apparent delinking of the BCIM Corridor from the BRI by the Chinese. This occurred at around the same time as the second BRF in Beijing, in later April 2019, which was also the first anniversary of the Wuhan summit. As before, New Delhi did not send an official representative to the BRF, but equally, it did not issue the kind of critical statement that the MEA released in 2017. In any case, Beijing revised its account of which projects were included in the BRI in the materials released to coincide with the 2019 BRF, and the BCIM was no longer listed as an integral part of the Initiative²¹. This change was clearly designed to encourage India’s participation in the project, which is intended to provide parts of southern China with access not just to markets in Bangladesh, India, and Myanmar, but also to major Indian Ocean ports²².

Conclusion

The CPEC project made it impossible for New Delhi to endorse the BRI after April 2015, but India was not compelled in any way to air its wider concerns – beyond those related to its sovereignty and territorial integrity – about the Initiative. It did – and in a dramatic and unusual fashion, just before Xi’s inaugural BRF – because the Modi government saw an opportunity to use the BRI to pressure Beijing. To be sure, New Delhi was and remains concerned about the strategic implications of a successful BRI, in which Beijing’s vision for the Initiative are realised. But also determined that Xi and his government had invested so heavily in its success that had become a potential vulnerability. Effectively excluded from the BRI by the rollout of the CPEC, the Modi

²⁰ Ibid.

²¹ Atul Aneja, “Bangladesh-China-India-Myanmar (BCIM) Economic Corridor no longer listed under BRI umbrella”, *The Hindu*, April 28, 2019.

<https://www.thehindu.com/news/international/bangladesh-china-india-myanmar-bcim-economic-corridor-no-longer-listed-under-bri-umbrella/article26971613.ece>

²² Ananth Krishnan, “China and India look to cooperate despite belt and road disagreements”, *South China Morning Post*, April 25, 2019. <https://www.scmp.com/week-asia/opinion/article/3007588/belt-and-road-differences-aside-china-and-india-agree-disagree>

government was moreover free to exploit that weakness if it chose, since it had, in effect, little or nothing to lose.

While the Doklam episode and the Wuhan summit complicate matters, making it difficult clearly to trace the relationship between the Modi government's criticisms and Beijing's change to the status of the BCIM Corridor, it is at least plausible to suggest that the two are related. Keener to see the BCIM project realised than New Delhi, it appears that Beijing has been willing to take the significant step of delinking it from the BRI. This represents a win for the Modi government's approach, but also suggests that states concerned about the BRI and its implications have more leverage over Chinese decision-making than some have suggested. In effect, Beijing's deep political investment in the BRI has made it susceptible to hardnosed bargaining on the part of states willing to take a public stand and hold out on key elements central to the Initiative and Chinese ambitions. India's management of the challenge posed by the BRI appears to offer, then, an intriguing lesson to others.

CHAPTER 6

Modi's Principle and Reality of "SAGAR" in the Indo-Pacific Region

Toru Ito

National Defense Academy

INDIA AS A NEW STRATEGIC PARTNER

Since the end of the Cold War, nearly all of the major powers have approached the emerging and democratic India. All these major powers have different motivations to engage India. While the United States, Japan, and Australia would want to contain or balance an increasingly assertive China in the Indo-Pacific Region, China might need India from the perspective of its strategy for dealing with the United States. Russia might be eager to attract India into its multilateral frameworks, Shanghai Cooperation Organization (SCO), Russia-India-China, and Brazil-Russia-India-China-South Africa not only to balance the US power but also to counter Chinese influence. Indeed, a new emerging market is too attractive for any global investors to squander such a great opportunity. India has become a new strategic partner that is essential for each nation to survive the 21st-century volatile world.

India is reluctant to take sides and to strengthen its relation with a specific nation, welcoming and harnessing the approach by major powers. Even the Bharatiya Janata Party (BJP)-led administration under Prime Minister Narendra Modi established in May 2014, who appears to be free from nostalgia for the old ideology of "nonalignment", has avoided any formal alliance with any power. Some observers believe that Modi has increased proximity to the West practically because his administration decided to establish Japan-US-India trilateral meeting of foreign ministers to accept constant participation of Japan Maritime Self-Defense Force to the Indo-US Malabar exercise, to

agree to regeneration of the Japan-US-Australia-India quadrilateral framework, and so on. However, soon after the quadrilateral meeting, Foreign Secretary S. Jaishankar, Modi's closest advisor, downplayed the meeting, contending that it was one of the several groupings that India is part of, and that India would avoid rigid alliances¹. It is reported that India has refused to involve Australia in the Malabar exercise². The Modi administration joined Asian Infrastructure Investment Bank as its founding member and SCO as a formal member, and Modi himself accepted the invitation to each informal summit meeting with Xi Jinping and Putin.

India's hesitation is based in several reasons. One of them is the tradition of nonalignment or strategic autonomy as a "DNA" in Indian foreign policy. Even PM Modi has emphasized the importance of strategic autonomy in the context of India's strategic partnership with Russia in his keynote address at the Shangri-La Dialog in June 2018³. Second, India faces a direct and immediate threat from China across the unresolved land border, and therefore, has had to adopt a more cautious approach to China without any alliance partners. Third, India needs China in terms of economy as an essential partner to change the global economic order as the developing and emerging countries, which is seen as Indo-China cooperation in World Trade Organization, United Nations Framework Convention on Climate Change, and so on. Moreover, Modi government has strived to develop and improve its bilateral economic relations by inviting Chinese investments to realize his project of "Make in India"⁴.

¹ Kallol Bhattacharjee, "Rigid alliances will be avoided: India", *The Hindu*, November 20, 2017. <https://www.thehindu.com/news/national/rigid-alliances-will-be-avoided-india/article20604985.ece>
S Jaishankar was appointed as Foreign Secretary on the morning of January 29, 2015, irregularly two days ahead of his scheduled retirement as India's ambassador to the United States. He retired in January 2018 after a prolonged term of office.

² Suhasini Haidar, Josy Joseph, "No Australian presence in naval drills", *The Hindu*, April 29, 2018. <https://www.thehindu.com/news/national/no-australian-presence-in-naval-drills/article23714285.ece>

³ "It is a measure of our strategic autonomy that India's Strategic Partnership, with Russia, has matured to be special and privileged". Ministry of External Affairs, "Prime Minister's Keynote Address at Shangri La Dialogue", June 1, 2018. <https://mea.gov.in/outgoing-visit-detail.htm?29943/Prime+Ministers+Keynote+Address+at+Shangri+La+Dialogue+June+01+2018>

⁴ India welcomed Chinese pledge to invest US\$ 20 billion in India in five years including infrastructure at the summit meeting between Modi and Xi in September 2014. Ministry of External Affairs, "Joint Statement between the Republic of India and the People's Republic of China on Building a Closer Developmental Partnership", September 19, 2014. <https://www.mea.gov.in/incoming-visit-detail.htm?24022/Joint+Statement+between+the+Republic+of+India+and+the+Peoples+Republic+of+China+on+Building+a+Closer+Developmental+Partnership>

INDIA'S GROWING INTEREST IN THE INDO-PACIFIC REGION

Modi administration has demonstrated its growing interest in the Indo-Pacific Region under the conditions of increasingly aggressive Chinese interest in the region. The discourse of string of pearls or the initiative of One Belt One Road/ Belt & Road has been actualized in India's immediate neighbors, South Asia, as seen in Hambantota port in Sri Lanka and China-Pakistan Economic Corridor in Pakistan and in its extended neighborhood, Association of Southeast Asian Nations (ASEAN), Central and West Asia, East Africa. China's assertive behavior in South China Sea might endanger India's Look or Act East policy.

Amid China's growing influence and assertive behavior in the region, Modi administration has started to move boldly to advocate for the "Indo-Pacific" concept. Only within half year after assuming the office, PM Modi traveled to Australia, which was the first bilateral visit by an Indian prime minister in 28 years as well as to Japan and to the United States. India accepted the concept of "Indo-Pacific" officially, which had been advocated by the United States, Japan, and Australia at its first trilateral foreign ministers' meeting with the United States and Japan in September 2015⁵. Since then, India has displayed no hesitation in using the term of "Indo-Pacific".

Modi administration has also been eager to approach its immediate and extended neighbors from day one to counter Chinese influence. India invited all the heads of South Asian Association for Regional Cooperation (SAARC) countries to Modi's inaugural celebration and Modi himself visited all SAARC countries except for Maldives within one and half year of assuming office⁶. On appointing S. Jaishankar as foreign secretary, PM Modi ordered him to start SAARC Yatra, that is, trip. In spite of

⁵ "The three Ministers highlighted the growing convergence of their respective countries' interests in the Indo-Pacific region. They also underscored the importance of international law and peaceful settlement of disputes; freedom of navigation and overflight; and unimpeded lawful commerce, including in the South China Sea". Ministry of External Affairs, "Inaugural U.S.-India-Japan Trilateral Ministerial Dialogue in New York", September 30, 2015.

[https://mea.gov.in/press-](https://mea.gov.in/press-releases.htm?dtl/25868/inaugural+usindiajapan+trilateral+ministerial+dialogue+in+new+york)

[releases.htm?dtl/25868/inaugural+usindiajapan+trilateral+ministerial+dialogue+in+new+york](https://mea.gov.in/press-releases.htm?dtl/25868/inaugural+usindiajapan+trilateral+ministerial+dialogue+in+new+york)

⁶ PM Modi shied away from visiting Maldives under President Yameen rule, which was not only authoritarian but also pro-China. After Yameen was ousted in elections, PM Modi traveled to the Maldives to attend the new president, Soli's inauguration in November 2018.

opposition from Trump administration, Modi administration proceeded with Iran's Chabahar port and North-South Transport Corridor project. The third India-Africa Forum summit was held. PM Modi invited all the heads of ASEAN countries to India's Republic day celebrations in January 2018.

In addition to such active diplomacy, Modi administration has made efforts to strengthen India's military capabilities vis-à-vis China, improving its backward border infrastructure along the Line of Actual Control with China and enhancing its maritime power.

MODI'S NEW CONCEPT IN THE REGION

Adopting the term of "Indo-Pacific", PM Modi does not describe it as a strategy for China containment policy. In his speech at Shangri-La Dialog, he stated, "India does not see the Indo-Pacific Region as a strategy or as a club of limited members". He clarified India's viewpoint on "Indo-Pacific" at the dialog. The following is the main points addressed;

- 1) It stands for a free, open, inclusive region that includes all nations.
- 2) Southeast Asia, ASEAN is at its center.
- 3) We should evolve, through dialog, a common rules-based order for the region. Such an order must believe in sovereignty and territorial integrity, as well as equality of all nations, irrespective of size and strength.
- 4) We should all have equal access as a right under international law to the use of common spaces on sea and in the air that would require freedom of navigation, unimpeded commerce, and peaceful settlement of disputes in accordance with international law.
- 5) Against the growing protectionism, India stands for open and stable international trade regime. We will also support rule-based, open, balanced, and stable trade environment in the Indo-Pacific Region, which uplifts all nations on the tide of trade and investment.
- 6) Connectivity is vital. The connectivity initiatives must be based on respect for sovereignty and territorial integrity, consultation, good governance, transparency, viability, and sustainability. They must empower nations, not place them under impossible debt burden.

7) Asia of cooperation will shape this century⁷.

PM Modi also referred to his coined term, "SAGAR", in his speech, which had found first mention in Mauritius in March 2015. He defined SAGAR, which meant originally "ocean" or "sea" in Hindi as an abbreviation for "Security and Growth for All in the Region". Initially, PM Modi expressed the concept of SAGAR almost entirely in the context of Indian Ocean Region. Based on his speech in Mauritius, launching the Indian offshore patrol vessel Barracuda, India's role in the Indian Ocean Region can be summarized as follows;

- 1) India will do everything to safeguard its mainland and islands and defend our interests. Equally, India will work to ensure a safe, secure, and stable Indian Ocean Region.
- 2) India will deepen its economic and security cooperation.
- 3) India will lead and support collective action and cooperation for peace and security.
- 4) India will seek a more integrated and cooperative future in the region that increases the prospects for sustainable development for all.
- 5) Those who live in the region have the primary responsibility for peace, stability, and prosperity in the Indian Ocean. India is deeply engaged with them through dialog, visits, exercises, capacity building, and economic partnership. India stands for respect for international maritime rules and norms by all countries and the peaceful resolution of maritime issues⁸.

"SAGAR" has been reiterated by other Indian ministers and officials so often since then. Three years later, PM Modi emphasized it at Shangri-La Dialog in terms of Indo-Pacific Region, saying "that is the creed we follow to our East now even more vigorously through our Act East Policy by seeking to join India, especially her East and North-East, with our land and maritime partners to the East". Modi's pronouncement of his view on "Indo-

⁷ Ministry of External Affairs, "Prime Minister's Keynote Address at Shangri La Dialogue", June 1, 2018.

⁸ Ministry of External Affairs, "Prime Minister's Remarks at the Commissioning of Offshore Patrol Vessel (OPV) Barracuda in Mauritius", March 12, 2015. <https://mea.gov.in/outgoing-visit-detail.htm?24912/Prime+Ministers+Remarks+at+the+Commissioning+of+Offshore+Patrol+Vessel+OPV+Barracuda+in+Mauritius+March+12+2015>

Pacific" is clearly founded on his previous idea of "SAGAR".

India's position on "Indo-Pacific" is reflected in the idea of "Asia-Africa Growth Corridor (AAGC)". Soon after boycotting Chinese Belt & Road Forum in Beijing, in May 2017, India launched a vision document for AAGC in collaboration with Japan at the African Development Bank meeting in Gujarat. It aims for Indo-Japanese collaboration to promote connectivity between and within Asia and Africa, which would undertake the realization of a free and open Indo-Pacific region. Originally, the idea of AAGC itself had emerged in the joint declaration issued by PM Modi and PM Abe in November 2016 that India and Japan would "work jointly and cooperatively with the international community to promote the development of industrial corridors and industrial network in Asia and Africa"⁹.

According to the vision document published by think-tanks in India, Japan, and Indonesia, the AAGC will be founded on four pillars: enhancing capacities and skills, quality infrastructure and institutional connectivity, development and cooperation projects, and people-to-people partnership¹⁰. Greater synergy is expected to emerge between Japan's technology and capital and India's strong network and experiences in Africa, as Japanese ambassador to India, Kenji Hiramatsu, stated¹¹.

However, AAGC is said to have ended up as an empty slogan or idea without substance. In fact, at the bilateral summit meeting in Tokyo in October 2018, "Fact Sheet" on "India-Japan Development Cooperation in the Indo-Pacific, including Africa" was published, which provided some examples of Indo-Japan development cooperation in third countries in the Indo-Pacific Region; LNG-related infrastructure in Sri Lanka; housing, education, and electrification projects in Myanmar; four-laning of road and reconstruction of bridges in Bangladesh; and organizing a development seminar and developing a cancer hospital

⁹ Ministry of External Affairs, "India-Japan Joint Statement during the visit of Prime Minister to Japan", November 11, 2016.

<https://mea.gov.in/bilateral-documents.htm?dtl/27599/IndiaJapan+Joint+Statement+during+the+visit+of+Prime+Minister+to+Japan>

¹⁰ RIS, ERIA, and IDE-JETRO, "Asia Africa Growth Corridor: Partnership for Sustainable and Innovative Development; A Vision Document", May 2017.

<http://www.eria.org/Asia-Africa-Growth-Corridor-Documents.pdf>

¹¹ Vikas Dhoot, "An Abe-Modi plan for Africa", *The Hindu*, May 25, 2017.

<https://www.thehindu.com/news/national/abe-modi-plan-unveiled/article18572502.ece>

in Kenya¹². However, every project does not appear strategically so important and the scale looks very limited in contrast to bigger Chinese projects. Moreover, majority of the projects had already started before the announcement of AAGC.

ACTUALIZATION OF SAGAR; INDIA'S DERAILED PROJECTS IN THE ISLAND NATIONS

Then, in fact, India has advanced its projects based on the idea of SAGAR even without Japanese cooperation, which it considers to be strategically important, especially in South-West Indian Ocean where Japan has not shown adequate interests, for example, Seychelles and Mauritius where the author made research trips twice each in 2018.

During PM Modi's three-island nations' tour to Seychelles, Mauritius, and Sri Lanka in March 2015, in addition to proposing the idea of SAGAR, he signed agreements for the development of infrastructure on Assumption Island in Seychelles and Agalega Islands in Mauritius as actualization of SAGAR.

As the first Indian prime minister to travel to Seychelles in 33 years, Modi was greeted with enthusiasm. PM Modi signed an agreement on Assumption Island, an uninhabited island, located over 1100 km south-west from its capital Victoria with the president of Seychelles, James Michel, at that time. While its details are undisclosed, it is believed to include renovating the airstrip and upgrading the jetty in the island far from the mainland. India is said to have offered to construct quarters for Seychelles Coast Guard. However, India's ambition in the project is also speculated. Under the Seychelles constitution, the parliament shall ratify an agreement to enforce it. However, as a result of the general election in 2016 in Seychelles, a coalition of opposition parties had majority for the first time. At that time, the copy of agreement was shared with a few leaders of the opposition. It is said that they showed some concern about the original agreement, so the ratification was postponed. PM Modi sent Foreign Secretary Jaishankar to Seychelles and revised the agreement in January 2018. Some Indian newspaper reported that the hurdles to build India's military infrastructure in Assumption Island was

¹² Ministry of External Affairs, "India-Japan Fact Sheets", October 29, 2018. <https://www.mea.gov.in/outgoing-visit-detail.htm?30544/IndiaJapan+Fact+Sheets>

finally removed¹³.

That was an overly optimistic view. In March 2018, the text of agreements, secret side letter, and classified Detailed Project Report were leaked online. It was speculated to be from within Seychelles¹⁴. According to the leaked documents, the facilities in the Assumption Island will be jointly managed with India, while the island continues to be owned by Seychelles. India shall deploy an Indian Naval officer for operation and maintenance. Indian personnel stationed at facilities are allowed to carry arms for "military purposes" in the revised 2018 text, not limited for "military exercise" as in the 2015 text. Consequently, public opinion against the project heated up in the Seychelles and the opposition parties led by Persons of Indian Origin (PIOs) expressed their objections¹⁵. President Danny Faure, who succeeded Michel, had to announce the cancelation of the Agreement just before his visit to Delhi in June 2018.

The second case is Agalega project in Mauritius. In fact, Mauritius has maintained a "special relationship" with India so far. Mauritius is known as "Little India" because nearly 70% of its total population are PIOs. Based on the cultural bond, Mauritius has assumed an India-first policy. The prime minister of Mauritius was the only foreign guest outside of SAARC for Modi's inaugural celebrations in 2014. Earlier, every Mauritius national security advisor has always been an ex-Indian intelligence officer, and its coast guard has included Indian Naval personnel. In terms of economy, Mauritius has earned by way of fees from owing to the bilateral Double Taxation Avoidance Treaty with India. However, after the publication of Panama papers, India was forced to amend the treaty which would end the benefits.

Even in the 2000s, there existed the idea of development of Agalega Islands, about 1000 km north of its capital, Port Louis. However, it took shape when Modi visited in March

¹³ Indrani Bagchi, "Seychelles allows India military infra on island", *Times of India*, January 28, 2018. <https://timesofindia.indiatimes.com/india/india-seychelles-sign-revised-agreement-over-building-infrastructure-on-assumption-island/articleshow/62674542.cms>

¹⁴ An Accusatorial video has been uploaded on Youtube.

<https://www.youtube.com/watch?v=qOwG9JhRZxE>

We can access some data of texts from the site.

https://drive.google.com/drive/folders/1WLBV0LF0fhTFD_FM3iP6oRtX4506uIzF

¹⁵ Mr. Wavel Ramkalawan, whose grandfather was from Bihar, the state of eastern India, is the most influential opposition leader in Seychelles. Modi administration invited him to the first PIOs Parliamentary Conference in Delhi early 2018 as a "special guest" in order to persuade him, only to fail.

2015 and signed an MoU on the project. According to both the governments, it aims to set up and upgrade infrastructure for improving sea and air connectivity at the Outer Island of Mauritius which will contribute significantly in ameliorating the condition of the inhabitants of these remote islands. The facilities will enhance the capabilities of the Mauritian Defense Forces in safeguarding their interests in the Outer Island. However, no details were disclosed here as well. It is recognized that there are plans to extend the length of airstrips and to build the jetty. On the other hand, there is some speculation that India wants its military base with radar or transponder system here. For that purpose, Agalegas might be leased to India, which might be second Chagos, Diego Garcia. There are some opposition from the local people and opposition leaders against the project, which have caused delay in construction.

CONCLUSIONS AND IMPLICATIONS

Modi administration has keen interest in developing multilateral forms, engaging its neighbors as well as boosting its own military power in the Indo-Pacific Region, securing its "strategic autonomy". Based on the idea of SAGAR, it is keen on providing infrastructure in the strategically important region even without cooperation from other powers. However, India's own strategic projects in the region, especially in the island nations, are facing resistance and obstacles.

Some interviews and questionnaire surveys conducted in Seychelles and Mauritius indicate that India's poor diplomacy as well as growing Chinese economic and financial influence in their small-sized societies have hampered India's strategic projects. Chinese market and investment are far too large for the small nations to ignore. Consequently, even the island nations in the Indian Ocean with which India had enjoyed close relationships founded on traditional bond with large diaspora are more cautious about leaning toward India and involving in its projects for strategy against China. Indo-China rivalry is easily connected with power game within such nations. Any government persuaded to forge closer strategic relations with India has often been criticized and boxed into a corner by opposition parties.

India's diplomacy does not appear to have fully understood the local complicated political situations nor succeeded in nurturing pro-Indian group and in minimizing opponents in

the island nations. It is likely that India's overweening ambition for major power and its arrogant perspective that occasionally provoke the disapproval of the local people. In fact, India has boasted its overwhelming presence in Mauritius and Seychelles as well as in Sri Lanka and Maldives for a long. However, India is facing a challenge that Chinese power would weaken India's relative influence in the region now.

In this respect, Japan has a good chance of cooperating with India to contribute to the realization of "Free and Open Indo-Pacific" proposed by Abe administration. Japan has maintained friendly relations with nearly all the nations in the Indian Ocean Region and is not seen as a power with ambition for hegemony, but as a pacifist nation in the region. A more active role of the Japanese in the improvement of infrastructure and capacity building in the island nations in which it has not had a suitable stake would be doubtfully welcomed.

CHAPTER 7**Creating a New Region in a Competitive Environment**

Tsutomu Kikuchi

Aoyama Gakuin University

INTRODUCTION: CONSTRUCTING A NEW REGION IN THE INDO-PACIFIC

Several nations are introducing their respective “Indo-Pacific” visions/strategies to respond to increased geo-economic and -strategic insecurity and uncertainty.

With regard to the political and economic dynamism emerging in the Indo-Pacific, one of the most notable is that between the region connecting India and South East Asia through the Bay of Bengal. This region is located along the prominent sea lane of communication connecting the Pacific and Indian Oceans. The region is divided and fragmented into different economies that do not actively interact. The region was, thus, divided into two separate subregions: “South Asia” and “Southeast Asia”. The region is, however, progressing toward a historical economically integrated subregion.

The present study analyzes this new development as follows.

First, the underlying tenet of this “Indo-Pacific” project is to construct a more coherent, integrated, and economically dynamic area surrounding the region connecting India with Southeast Asia. The Bay of Bengal will occupy the center of this new region.

Second, the political, economic, and security dynamisms of developing a new region will fundamentally change the regional landscape in the long term. A shift may be observed

in the center of political and economic gravity to south, from East Asia to the region connecting India and Southeast Asia and its surrounding regions.

Third, the projected region is economically and strategically located along one of the most important oceans. Therefore, the region should be peaceful, free, open, and rules-based, organized according to the internationally endorsed rules and standards. The principles of freedom of navigation and overflight should be strictly observed. The region should not be subject to intimidation and coercion.

Fourth, when a new region is being constructed, one must look beyond the US–China relations. Both have significant roles to play in the new region-construction. However, the region’s future will be defined by neither the US nor China nor the US–China relations.

“The rest of Asia” or “the rest of the Indo-Pacific” (countries except the United States and China) will play critical roles in constructing a new region. Therefore, the old-fashioned mindset of seeing the future of the region only from the perspective of major powers should be curbed.

Fifth, the issues of connectivity (including responses to China’s Belt and Road Initiative (BRI)) should be addressed in this context of constructing a new economically dynamic region connecting India and Southeast Asia.

The future of this project will largely depend on how “the rest of the Indo-Pacific”, in particular the small and medium-sized countries, develop their respective external policies.

However, in general, the small and medium-sized countries in the region are not resilient enough to resist against intimidation and bullying from outside. Therefore, the project of creating a new region should focus on making these countries more resilient internally and externally.

Sixth, infrastructure building is critical; however, it should be part of a broader engagement to strengthen national resilience, including human resource development and

institutional reform.

This study is presented as follows.

The first two sections deal with a deep sense of insecurity and uncertainty shared by the countries of the region and various responses to a new regional environment. The third section examines new developments in the region connecting India and Southeast Asia through the Bay of Bengal. It highlights the creation of a new economically integrated subregion along the strategically important sea lane of communication of the Indo-Pacific. This might dramatically change not only the landscape of the subregion but also the overall economic and political relations of the Indo-Pacific as a whole. The study also highlights that the medium and even small-sized countries could play critical roles in shaping the new regional order on the Indo-Pacific.

The study contends that the countries of the region are highly obsessed with the old-fashioned mindset that regional order is mainly defined by the major powers. It should be recognized that the present-day international relations of the Indo-Pacific vastly differ from those witnessed in the textbooks of the international political in the past. Therefore, the study focuses on how medium and small-sized countries around the Bay of Bengal are struggling to reintegrate the fragmented subregion.

Finally, the study deals with the issues of connectivity, China, and One Belt One Road (BRI), followed by Japan's engagements in the context of designing and implementing a new project of creating a new region.

THE ASIAN REGIONAL ORDER IN FLUX

The Asian regional order is in a deep flux. Long-standing conflicts such as those in the Korean Peninsula, North Korea's nuclear development, and cross-strait relations between China and Taiwan continue to destabilize the region. Disputes over maritime sovereignty and interests are worsening. There is a concern about possible military clashes in East and South China Seas.

Rising nationalisms are pushing the respective governments to take tougher positions on the issues of concern, which raises the challenges for these governments to assume moderate positions to reduce tensions.

“Geo-economic” is returning to Asia. Asian economies demonstrated remarkable development by joining regional economic interdependence. However, economic relations are becoming increasingly competitive. There is rising uncertainty in the region’s economic future. The US–China trade conflict further exacerbates the sense of economic insecurity and uncertainty around the region.

“Geopolitics” has returned to Asia. There is a shift in the power relations among the major powers. In the present day, there exists a possibility of “power shift/transition” such as probable conflicts between the existing hegemon (the United States) and a rising power (China). The relations among the major powers are getting tense, unstable, and unpredictable.

Furthermore, competition over normative foundations regulating international relations of the region is being observed. Distinct differences are emerging among the countries over policy preferences, especially on domestic affairs such as democracy, human rights, good governance, and rule of law. There is serious competition over “postmodern” values versus “modern” values in the Indo-Pacific region.

RESPONDING TO INSECURITY AND UNCERTAINTY

These developments are mirroring the rising sense of insecurity and uncertainty in the region. In response to the rising sense of insecurity and uncertainty, the countries of the region are adopting various policy measures, including strengthening alliances, pursuing new security partnerships (bilateral, trilateral, and quadrilateral), modernizing military power, introducing new power projection capabilities (submarines, airpower, etc.), and establishing new economic architectures such as TPP-11(PT TPP) and RCEP (FTA among East Asian 16 countries). Nearly all the countries of the region are engaged in new bilateral and minilateral economic agreements such as the QUAD—a dialogue forum between the United States, Japan, Australia, and India.

The present study examines the ongoing new project of constructing a new region called “the Indo-Pacific”. In the present day, several countries, such as Japan, India, the United States and Australia, are framing their respective “Indo-Pacific” policy or strategy.

The Abe administration in Japan is advancing a “Free and Open Indo-Pacific (FOIP) Strategy”. The United States announced its FOIP strategy when President Trump visited Vietnam in November 2017. China is developing its own version of the “Indo-Pacific” strategy under the China-led Maritime Silk Road as part of BRI. ASEAN (Association of Southeast Asian Nations) countries were reluctant to join the discussions over the concept owing to their fears of marginalization in the region. However, under Indonesia’s leadership, ASEAN countries have been working on a collective response to the emerging efforts to construct the new region called Indo-Pacific. The ASEAN adopted its “ASEAN Outlook on the Indo-Pacific” at the summit in July 2019. ASEAN has been trying to control the narratives over the Indo-Pacific and maintain its centrality in an emerging new regional architecture.

Why is the project of constructing a new region connecting the India and Southeast Asia being initiated? What are the factors that are driving so many countries to carry out the project¹?

First, new opportunities are emerging in this region. It has lagged behind the economic dynamisms witnessed in East Asia in the past few decades. By contrast, the countries of this region have demonstrated a remarkable economic growth in recent times. Several economic opportunities of being a new center of economic gravity are arising from abundant young labor to natural resources.

The countries of the region have adopted a more forward-looking attitude of regional cooperation.

India has been striving to overcome its traditional inward-looking economic policy and is actively engaged in economic, political, and strategic interactions with the countries

¹ New Connectivity in the Bay of Bengal, SWP Comment No.53 December 2018

around the Bay of Bengal and Southeast Asia under the “Act East Policy”.

The countries around the Bay of Bengal are also keen on improving regional cooperation.

Southeast Asian countries are active in “Looking West” to promote and diversify their relations with other countries. The attendance of 10 ASEAN leaders at India’s Republic Day in 2018 demonstrates their willingness to nurture new relations with India.

Countries outside this region are willing to cooperate with the ASEAN countries.

Second, there is a need for a new market for investment and trade and is closely related to China and its recent external behavior. There is a heightened sense of vulnerability and insecurity among the Indo-Pacific countries.

There is a deep sense of overexposure to China in terms of economy and political relationships.

China had advocated the so-called theory of peaceful development, and never becoming a coercive power. However, on powerful, China is turning more assertive and coercive and has used its economic leverage in obtaining politico-security concessions from others.

In addition, given the inherent internal structural problems, there is uncertainty regarding China’s economy and its continued growth.

Thus, it is believed that, in the long run, China will not be able to maintain peace and prosperity in the region, and that there is overexposure to an uncertain China economically and politically.

In response to this sense of vulnerability and insecurity, the countries of the Indo-Pacific are preparing for a shift in their respective economic and political relations in the long term to mitigate the damages arising from distancing themselves from China.

There is a need to diversify economic (and political) relations and to be engaged in reorienting the regional center of economic gravity away from China by pursuing new interdependence with other potentially promising regions.

Can a more integrated subregion connecting India and Southeast Asia be created? There are numerous difficulties, obstacles, vulnerabilities, and shortcomings in the region, such as weak domestic institutions, lack of infrastructure, historically deep-seated mutual antipathy and mistrust, and lack of practice of regional cooperation. These may hinder the creation of an economically integrated region.

Nevertheless, according to the experiences of Pacific and Asia-Pacific cooperation, these difficulties and vulnerabilities could be overcome.

The project of creating “the Pacific” and “the Asia-Pacific” regions connecting the North America and Asia (Pacific Asia) through the networks of investment and trade began in the late 1970s².

Overall, this project has been fairly successful. The countries of the Asia-Pacific region are connected through dense cross-border networks of investment and trade. It has become one of the centers of economic gravity of the world. The countries of the Asia-Pacific have enjoyed economic development and regional stability and the regional institutions such as Asia-Pacific Economic Cooperation (APEC) have played a key role in creating the “Asia-Pacific” region.

When the project was launched, there was much negative response, given the diversity of the region. The author of the present study has been personally involved in the project at the forum called Pacific Economic Cooperation Conference (PECC) since the late 1970s under the leadership of late Japanese Foreign Minister Dr. Saburo Okita. During that time, many people have claimed that the Pacific and Asia-Pacific cooperation was just a dream, never to be realized and dreams never come true.

² Japanese and Australian academics played crucial roles in promoting the concept of “Pacific (Economic) Cooperation”.

Only a few believed in a mutually interdependent Asia-Pacific at the beginning of the project.

Given this past record of constructing a new region in the Asia-Pacific, one should not be pessimistic about building an economically integrated region connecting India and Southeast Asia.

Third, caution must be exercised. Power politics must be managed among the major powers to realize the region-construction.

When construction of a new region of “the Pacific” and “Asia-Pacific” was in progress in the late 1970s, the overall security situation was relatively stable. The countries of the region accepted the primacy of the United States. The relations among the major powers were relatively stable with no serious geopolitical competitions among them. China had just started its “Open and Reform policy” and desperately needed the support and cooperation from outside, such as official development assistance and foreign direct investment. We could focus on economic affairs.

However, in the present day, we are witnessing strategic competition among major powers in the Indo-Pacific region. The region connecting India and Southeast Asia is not an exception in this regard, given its important strategic location.

We could be engaged in the construction of the Asia-Pacific region in a relatively peaceful environment. However, the new project of constructing the Indo-Pacific region is ongoing in the midst of major power competition.

Fourth, how can we manage rising security competition and tensions?

Considering the rising Chinese power, we need to keep the United States engaged in the project. This is a fundamental condition to maintain a stable regional security environment. The United States is expected to continue to play the stabilizing force.

Japan has been striving to keep the United States engaged in the region and undertaken

various initiatives to strengthen the alliance, such as the adoption of new security registrations, re-interpretation of Japanese constitution over collective self-defense, and the revision of the US–Japan defense cooperation guideline.

This reflects, among others, Japan’s concern about the US security commitment to their defense as well as its continued engagement to the region. Considering the rising tensions around Japan, only the United States could provide substantial military power to deter potential adversaries from assuming an aggressive stance against Japan.

In addition, the alliance with Japan is indispensable for US engagement in Asia, which has provided a basic foundation for a stable regional security environment for the past decades.

However, considering the divided politics in Washington and the inward-looking attitude of the US public against its foreign engagements, new policy measures are required to make the United States be more firmly engaged in Japan’s defense and regional security.

Japan, for the first time in the postwar era, is seriously considering how to convince the US government and the people that it is a trustworthy ally for the US to willingly sacrifice itself for the defense of Japan.

The alliance is not just on paper, but it must be continuously improved and vitalized, which requires consistent collective efforts.

Under the Abe administration, Japan’s recent policy toward the United States clearly reflects this understanding and consideration of the current challenges. Japan clearly recognizes that it must move forward to further convince the US government and people of it being a reliable and trustworthy ally of the United States.

This consideration has been prompting Japan to take various security measures. This may be termed as Japanese strategy of “entrapping” the United States into defending it as well as regional security in Asia. In this regard, Japan recognizes that it should contribute more toward strengthening regional security that have been underlined by the

US security commitments to the region.

The importance of keeping the United States engaged economically, politically, and militarily in the region has been gradually shared by the countries in the Indo-Pacific, including India.

Since many years India has been seeking the multipolar world /Asia. The US-dominated unipolar world after the end of the Cold War was not desirable for India.

To realize a multipolar world/Asia, India improved its relations with other emerging economies such as China and Russia through forums such as BRICS. India's foreign policy behaviors/positions were closer to China and Russia than the United States and other developed countries.

Since the global financial crisis in 2008, the United States has been facing serious economic troubles. China as well as Russia, on the other hand, at least on the surface, demonstrated a remarkable economic development. This could be good for India in terms of creating a multipolar world/Asia.

However, China's attitude (i.e., unilateral, assertive, and coercive behaviors backed by military powers in both the Pacific and Indian Oceans) changed India's perceptions of and attitudes toward the United States.

India now clearly recognizes that the rise of China and decline of the US power will not lead to the multipolar world/Asia, but to China-centric regional dominance.

This recognition has led to a change in India's policies in the Indo-Pacific. India is eager to invite and attract the United States and other developed democracies such as Japan and Australia into the regional affairs in the Indian Ocean. Ironically, it needs the active engagement of the United States to make Asia/Indo-Pacific more multipolar, avoiding the emergence of a China-centered unipolar Indo-Pacific

THE ERA OF THE “REST OF THE INDO-PACIFIC”

However, the United States appears more reluctant to share the burden of sustaining a regional order in the Indo-Pacific. Of course, withdrawal of the United States from the region is unfathomable. However, the US commitment to the Asia-Pacific will become more uncertain and unpredictable. We need to address the challenge of designing “Plan B”. In other words, we must engage in a new region-building with a less-engaged United States.

Therefore, a unique characteristic of the international relations of the Indo-Pacific must be highlighted³.

Conventional view contends that the regional order/structure of the international relations is defined by major powers. In the context of the Indo-Pacific region, it has been repeatedly highlighted that the key factor defining the future regional order is the US–China relations.

However, contrary to the conventional view, the future of the region will be defined by neither the United States nor China nor the US–China relations.

On the one hand, there are numerous constraints and vulnerabilities in both the United States and China internally and externally.

Both the countries are powerful, but not powerful enough to construct and sustain a regional order alone. The United States is no longer a complete hegemon and China is not a full-fledged rising power. They have several vulnerabilities internally and externally.

³ Tsutomu Kikuchi, “Beyond US-China Relations: ASEAN in an Evolving Regional Security Order in Asia”, *AJISS Commentary*, No.235 (September 2016)

On the other hand, “the rest of the Indo-Pacific” is not just pawns in the US–China competition and cooperation. These countries have substantial economic, political, and military powers. They have the will, strength, and determination to influence the future of the region. “The rest of the Indo-Pacific”, including small and medium-sized countries, have the leverage and influence in defining the future of the region.

The countries of the Bay of Bengal are located along one of the most important sea lanes of communication in the world. Indeed, in the region connecting India and Southeast Asia, Bangladesh and Myanmar have become the hearts of the Bay of Bengal and economic bridges connecting India and Southeast Asia, while Sri Lanka is emerging as an Indian Ocean maritime hub. The Mekong subregion impacts the India–Southeast Asian connection.

Thus, how these countries (“the rest of the Indo-Pacific”) steer their respective policies in the coming years and decades will significantly affect the future of the Indo-Pacific. They are pivotal players in a “Great Game” over the future of the region.

We are much too preoccupied with the old-fashioned mindset of seeing the future of the Indo-Pacific only from the perspective of the US–China competition and cooperation. Such mindset must be curbed to look beyond the US–China relations, when the future of the regional order of the Indo-Pacific can be discussed.

WHAT IMPLICATIONS DOES THE REGION-CONSTRUCTION HAVE FOR CONNECTIVITY AND REGIONAL SECURITY?

First, connectivity (both hard and soft) should be considered as important instruments to construct a new region, not just responding to China’s policies such as BRI. Connectivity should be regarded as an instrument to transform the fragmented region into more integrated and economically dynamic. India’s “Act East” policy serves to promote the connection between India and Southeast Asia.

Second, improved connectivity by developing hard and soft infrastructure will form the basis to further facilitate region-wide cross-border production networks.

East Asian economies developed their respective economies by integrating regional cross-border production networks and supply chains in the 1990s and 2000s. These production networks/supply chains could expand to include littoral states in the Indian Ocean and beyond through the countries of the Bay of Bengal.

Consider the example of Japan-based multinationals, which have been moving south and southwest. Japan's FDI to Southeast Asia and South Asia has been increasing dramatically, much larger than the investment in China. These multinationals have established fairly sophisticated regional production/supply chains since the 1980s in Southeast Asia and China.

These networks are expanding to include the Bay of Bengal and Indian Ocean regions.

Third, the project of constructing a new region must be underlined by a stable security structure. Developing a region-wide security architecture that covers the emerging Indo-Pacific would occur over time. New bilateral and minilateral security partnerships are being forged to respond to the changing security environments. The quadrilateral security forum (the United States, Japan, India, and Australia) would serve as a forum to coordinate various policies framed by respective members.

These new security relations will contribute to stabilizing the transitional process.

Fourth, there is a need to design some region-wide institutions covering the India Ocean–Southeast Asia subregion. Outside countries should be included in this institution; one option would be to expand the existing memberships of BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation) to include extra-regional countries.

Finally, the future of the project of constructing a region will depend largely on how the countries in the region become resilient internally and externally, because the countries of the projected region are overall weak and fragile, easily subject to intimidation and bullying from outside.

JAPAN AND THE PROJECT OF CONSTRUCTING A NEW REGION

On the one hand, in response to the heightened sense of insecurity and uncertainty, especially under the current Abe administration, Japan has been enhancing the alliance with the United States. On the other hand, Japan has been moving southward. It has been playing a pivotal role in “the rest of Indo-Pacific”, especially those in the region connecting India and Southeast Asia.

In terms of economic cooperation, Japan has engaged in various projects to strengthen connectivity in trade, investment, and infrastructure building. It also has been supporting capacity-building such as human resource development, creating business environment, and facilitating institutional reform.

Japan has been supporting ASEAN’s community building and is deeply involved in the development plans in the Mekong subregion.

Established in late 2017, the “Act East Forum” of Japan and India could contribute greatly to construct a new region by developing soft and hard infrastructure connecting India’s northeast and Southeast Asia through Bangladesh and Myanmar.

With regard to security cooperation, Japan has been contributing to upgrading law enforcement capability, providing coast guard vessels and training, conducting joint exercises bilaterally and multilaterally. Japan has been improving security and defense relations with Southeast Asian countries, such as Vietnam and Indonesia, and India and Australia. Japan is also a regular member of the Malabar naval exercise with the United States and India.

As mentioned so far, constructing a new economically dynamic and integrated region in and around the Bay of Bengal is a significant project in the Indo-Pacific to respond to the rising sense of insecurity and uncertainty over the future of the region. If successful, this project will change the fundamental landscape of the entire Indo-Pacific region.

SEMINAR PROGRAM**The 8th Annual Australia-Japan Dialogue
The implications of connectivity agendas
for our economic well-being and our security**

Monday, November 12th, 2018

At the Conference Room No.2, Main Administration Building
National Defense Academy

1-10-20 Hashirimizu, Yokosuka City, Kanagawa, 239-8686, JAPAN

9:45-10:00 Registration and Arrival Tea/Coffee

10:00-10:30 Welcome and Opening Remarks

Mr Kensuke Nagaoka, Deputy Assistant Minister, Foreign Policy Bureau,
Ministry of Foreign Affairs, Japan

Professor Hideya Kurata, Director, Center for Global Security, National
Defense Academy

Professor Caitlin Byrne, Director, Griffith Asia Institute, Griffith University

10:30-11:15 Session One: Xi Jinping's China and Regional Security Dynamics

Chair

Professor Hideya Kurata, National Defense Academy

Panel

Professor Andrew O'Neil, Griffith University: "The Hardening of Australia's
China Policy

Professor Shino Watanabe, Sophia University: "China's Belt and Road
Initiative and Its Implications for the Indo-Pacific

Dr Sheryn Lee, Macquarie University: "Xi Jinping's China and Northeast Asian
Security"

11:15-11:45 Morning Tea

11:45-13:00 Session Two: Enhancing Regional Connectivity: Security Implications

Chair

Professor Caitlin Byrne, Griffith University

Panel

Professor Mataka Kamiya, National Defense Academy: "Asia's Democratic Security Diamond' Revisited: The Origin of Japan's Free and Open Indo-Pacific Strategy

Dr Jennifer Hunt, Australian National University: "Connectivity and Regional Security"

Professor Ian Hall, Griffith University: "India's Critique of China's BRI"

13:00-14:00 Lunch

Keynote Speaker: Mr Bassim Blazey, Minister and Deputy Head of Mission, Australian Embassy in Japan

14:00-15:15 Session Three: Bilateral, Trilateral, and Quadrilateral Connectivity

Initiatives: Australia-India-Japan-United States

Chair

Professor Teruhiko Fukushima, National Defense Academy

Panel

Professor Tsutomu Kikuchi, Aoyama Gakuin University: "Connectivity Initiatives to Construct a New Region in a Competitive Environment"

Dr Nikolay Murashkin, Griffith University: "Japan and Regional Connectivity"

Associate Professor Toru Ito, National Defense Academy: "Modi's Principle and Reality of 'SAGAR' in the Indo-Pacific Region"

15:15-15:45 Afternoon Tea

15:45-17:00 Session Four: Enhancing Australia-Japan Security Cooperation

Chair

Professor Ian Hall, Griffith University

Panel

Associate Professor Michael Heazle, Griffith University

Professor Hideya Kurata, National Defense Academy

Professor Teruhiko Fukushima, National Defense Academy

Dr Rebecca Strating, LaTrobe University

Professor Ben Schreer, Macquarie University

Professor Shutaro Sano, National Defense Academy

17:00-17:30 Close-Final Remarks

Professor Catlin Byrne, Director, Griffith Asia Institute, Griffith University and

Professor Hideya Kurata, Director, Center for Global Security, National

Defense Academy

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