

Analysing the United States' Vision for the Indo-Pacific

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Summary

The Institute of South Asian Studies at the National University of Singapore and the Atlantic Council, United States, jointly organised a workshop on 'Analysing the United States' Vision for the Indo-Pacific' on 20 November 2018. The discussion hosted experts who discussed the 'Indo-Pacific' concept of the American administration, which seeks to promote economics, governance and security in Asia.

Introduction

On 20 November 2018, the Institute of South Asian Studies (ISAS) at the National University of Singapore (NUS) and the Atlantic Council, United States (US), jointly organised a public discussion on 'Analysing the United States' Vision for the Indo-Pacific'.

The panellists for the workshop were Professor C Raja Mohan, Director, ISAS; Dr Bharath Gopalaswamy, Director of the Atlantic Council's South Centre; Dr Matthew Kroenig, Deputy Director for Strategy at the Atlantic Council's Scowcroft Center for Strategy and Security; and Dr Rani Mullen, Visiting Research Fellow, ISAS.

Presentations

Dr Kroenig began the session by presenting a brief history of the Atlantic Council. He then presented on US President Donald Trump administration's Indo-Pacific strategy in three segments.

The first segment focused on the Indo Pacific 'vision' and the commitment to a 'free and open Indo-Pacific' (FOIP). The 'free' part refers to international freedom for countries, freedom from coercion, and the protection of sovereignty and territorial integrity. It also involves a domestic commitment to freedom, with values such as good governance, anti-corruption, and greater transparency for the other countries of the region. The 'open' part relates to trade, open sea-lines of communication (SLOCs) and open logistics. The United States (US) is committed to 'free, fair and reciprocal trade', and open SLOCs which are critical for international trade. The US seeks to promote open investment in Asia, opportunities for foreign direct investment for American companies and others; and also create a better investment climate for entrepreneurs and innovators in the region. On open logistics, there is an infrastructure gap in Asia, and the US is committed to improving infrastructure in the region to facilitate economic growth.

The second segment focused on how the Indo-Pacific approach is different from past approaches. To some degree, the Indo-Pacific is not different; these are values that the US and its allies have promoted since the end of World War II (WWII). The rules-based

international order that the US and its allies put in place after WWII greatly benefitted the US and the rest of the world. In a sense, the vision laid out in the FOIP is not different but some things have changed.

Firstly, Asia is more important; it is the centre of great power political competition and global economic activity. Two-thirds of global trade happens in Asia, half the world's population is in Asia, and there are five or six nuclear powers (depending on how they are counted). Asia has become in many ways, the centre of global politics and the US is pivoting to Asia.

The second major difference is that the US recognises India as key to the FOIP. India and the US are arguably the two largest democracies. India has a shared interest with the US in making sure that there is an FOIP, and it is a very capable partner to help the US achieve this objective. Ensuring India plays an important role in the region and becomes increasingly influential, and improving US-India relations, is a key part of the US strategy.

The final change is the challenge from China. In looking at what the US has always promoted in security, economics, and values, China is, in some ways, threatening the vision of the FOIP. In security, it is taking contested territory from other states by military coercion (such as its island building campaign in the South China Sea). Economically, while many were excited at the prospects of doing business in China, that did not materialise. It has proved difficult to do business with one-sided policies and forced technology transfers in China. Even in trade, China was allowed into the World Trade Organization and the international world order, but it has preyed on that world order by not playing by the rules and engaging in unfair trade practices. China's efforts to address the infrastructure gap in the region are good but it has used its Belt and Road Initiative (BRI) to coerce countries and put them in an uncomfortable situation. The port situation in Sri Lanka is a good recent example of this. Chinese infrastructure led to indebtedness and eventual control over the port. On values, China is not committed to the freedom that the US has traditionally supported. There are many examples of this, most recently the Uyghur re-education camps in Xinjiang China where Muslim citizens are being forced to re-educate.

The final segment of Dr Kroenig's remarks focused on specific policy activities undertaken since the announcement of the grand vision. There have been a lot of specific policy activities designed to implement the FOIP. Firstly, the US seized the security challenge from China very clearly. The US National Defence Strategy indicates that the greatest threat to the US' economic well-being and security is the return of great power competition with Russia and China. The Trump administration has increased the defence budget to deal with these challenges. The US also recently withdrew from the Intermediate-Range Nuclear Forces treaty – a treaty between Russia and the US. One of the major reasons for the pull-out was to be able to deal with China. The US has conducted freedom of navigation operations in Asia – in the South China Sea – to demonstrate its commitment to international law, freedom of navigation and overflight, consistent with international law.

The US realises that it cannot go it alone in security, it needs to rely on partners in the region and therefore, the 'Quad' concept has been energized with greater defence cooperation between the US and India, Japan, and Australia. One manifestation of greater

'intra-Asian' security cooperation was the recent trilateral exercise with the US, India, and Japan. The US has provided more foreign military financing in this region than in the previous three years combined and has taken other actions as well, such as working with the Philippines against the Islamic State (ISIS), and with the international community to resolve the North Korea situation.

Economically, the US has renegotiated the US-Korea Free Trade Agreement, it is pursuing a bilateral trade agreement with Japan, and it is getting tougher with China. The tariffs on China are not meant to start a trade war, they are meant to show China the consequences of not playing by the rules. The Trump administration has been very clear that the purpose of the tariffs is to convince China to stop unfair trade practices and join the international standards that the rest of the world abides by. On investment, the US has stepped up development financing and has tried to incentivise the private sector (in contrast to Chinese investment backed by state-owned enterprises). The US has doubled its financing capacity to nearly US\$60 billion (S\$81.3 billion) to drive private sector investment in the region. The total combined investment in the Indo-Pacific now is US\$1.4 trillion (S\$1.9 trillion), which is greater than China, South Korean and Japanese investment in the region combined, when the US private sector is taken into account. The US is also investing US\$10 billion (S\$13.5 billion) with Japan in the region's energy infrastructure. A recent US-ASEAN Smart City partnership that was announced aims to strengthen the cyber-economy of the region. On values, the US announced a new Indo-Pacific Transparency Initiative with more than US\$400 million (S\$542.1 million) in funding to help citizens combat corruption and strengthen sovereignty.

Dr Kroenig concluded by explaining that the US wants to have a constructive relationship with China and for China to be a constructive player in the rules-based international order that has been in existence for the last 70 years. The US is worried that China is going in the opposite direction and it will resist this where necessary. The US also will not force other countries to choose between itself and China.

Dr Gopalaswamy, in his remarks, referred to US Secretary of State Mike Pompeo's speech at the US Chamber of Commerce last year. The Atlantic Council subsequently held a consultative session with Mr Brian Hook, then-Director of Policy Planning at the US Department. Mr Hook emphasised his strong views on the subject and encouraged the Council to take the lead in developing an intellectual consensus of what the strategy ought to be, where it ought to go, and what should be done to implement it.

Dr Gopalaswamy stated that there has been a continuity in the US administration in paying attention to Asia. There is an urgency and sense of importance to it which is not going to go away. On economic engagement, it is instrumental to note that Secretary Pompeo gave his speech at the US Chamber of Commerce; and he was joined by the Secretaries of Energy and Commerce. There is a sense of symbolism in this that these are the areas that the US needs to pay attention to.

The emphasis of Pompeo's speech was that the economic model should be of high quality, transparent and financially sustainable. It gave the message that America gives the region a sense of protection to their own economies; it seeks participation and not domination. It

was an acknowledgement that countries have a choice/alternatives and America is not necessarily interested in a 'dominating' model but more of an equal partnership model when it comes to growth and development. Pompeo's remarks also emphasised that the lead has to be taken by the US' private sector and the private sector is a force for good; it will play a primary role in the model. There was a de-emphasis to suggest that this is an alternative to the BRI.

Dr Gopaldaswamy stated that the question remains as to where the resources for this vision will come from. The recent Asia-Pacific Economic Cooperation (APEC) Summit was an opportunity to elaborate what the strategy is, where the US is headed; and how it will implement the strategy. The Summit was an opportunity for the US and China to articulate and advance their competing visions for the region's future and economic integration. The US administration, so far, has, as best as it could, laid out its vision and articulated it, but a large amount of things need to be 'stretched out'. US Vice President Mike Pence's remarks at APEC particularly stressed on recent large-scale public-private partnerships whereas China defended its own BRI. A fundamental difference to be noted in this strategy is that this for the first time, there is an emphasis on infrastructure financing, not seen before. For example, the 'BUILD' (Better Utilization of Investments Leading to Development) Act was passed by the US recently and the 'OPIC' (Overseas Private Investment Corporation – the US government's development finance arm) has doubled down on infrastructure financing expenses. In a recent Washington Post op-ed, Pence outlined that it would be 'business and not bureaucrats' that would drive and fulfil the vision.

Dr Gopaldaswamy concluded his remarks by stating that this is one of the rare issues which has bipartisan consensus in Washington, on where the US is vis-à-vis China. In this political climate, that needs to be emphasised.

Dr Mullen began her remarks by stating that there are concerns in ASEAN about the 'battle' between the US and China, largely over trade, but more ostensibly, the different visions of development and views are now clashing. In the meetings that Pence had in Singapore during the US-ASEAN Summit and at APEC in Papua New Guinea, there is clearly a ratcheting up of tensions and coming together of two very different visions of development.

Pence outlined a kind of three-pronged strategy encompassing economics, governance, and security. Dr Mullen questioned whether the US' monetary initiatives towards Asia (such as the BUILD Act and a possible US international development finance corporation) would really be able to compete. Firstly, there is an issue of 'first-mover advantage' as China is well established in many places where it is providing aid. The other is the issue of purchasing power parity. China gets half the World Bank contracts for infrastructure and it can just deliver at much lower costs. This raises the question of whether the US is really an alternative for finance there.

On governance, Dr Mullen noted that the US' vision of more transparency is, of course, in response to cases such as Hambantota port in Sri Lanka and ports across the Indo-Pacific such as Darwin in Australia. China's building up of these raises the question of debt for equity and issue of sovereignty.

Finally, Dr Mullen observed that security has been sort of the main turning point. Starting with the South China Sea, there are now increasingly, questions about whether Chinese ports in Sri Lanka, Pakistan, and Djibouti going to be able to host submarines and other security vessels. There is a larger question of whether this vision for reengagement by the US in the Indo-Pacific is going to be able to meet the challenge. The ASEAN countries feel caught in a way between these two competing visions of the US and China.

Interactive Session

The remarks by the panellists were followed by an interactive session with the audience. The discussion covered topics such as differences in the current administration with respect to its efforts to promote the private sector as the engine of growth in Asia, differences between the new model and the Washington Consensus, the US' intention of preferred market access through the model, how much of the Indo-Pacific is about security and containment, the prospects of the new situation where America has receded from its global responsibilities (such as in Europe) under the Trump administration's 'America First' approach, if and how Southeast Asia's fits into the FOIP, the sustainability of the FOIP without India, the impact of sustained US disengagement on the US domestic federalist structure, and the if US policymakers' engagement with India was premised upon viewing India as a non-threat.

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