Established in 1993, the Council for Security Cooperation in the Asia Pacific (CSCAP) is the premier Track Two organization in the Asia Pacific region and counterpart to the Track One processes dealing with security issues, namely, the ASEAN Regional Forum (ARF), the East Asia Summit (EAS) and the ASEAN Defence Ministers Plus Forum. It provides an informal mechanism for scholars, officials and others in their private capacities to discuss political and security issues and challenges facing the region. It provides policy recommendations to various intergovernmental bodies, convenes regional and international meetings and establishes linkages with institutions and organisations in other parts of the world to exchange information, insights and experiences in the area of regional political-security cooperation.

Front cover image
The DPRK’s test launch of the road-mobile Hwasong-14, a potential ICBM, on 8 August 2017.
Source KCNA/UPI.

Back cover image
Mekong river near Vientiane. Source: Jan Huisken.

CSCAP thanks the Coral Bell School of Asia Pacific Affairs, The Australian National University, for their support with this publication.

Designed and printed by CanPrint Communications, Canberra, Australia.

ISBN: 978-0-9942248-3-5

Copyright © 2018 by CSCAP
www.cscap.org
CONTENTS

4   Introduction - Ron Huisken
7   USA - Zack Cooper
10  China - Yunzhu Yao
13  Japan - Tsuneo “Nabe” Watanabe
16  Russia - Andrey Volodin
19  India - Biren Nanda
23  ROK - Seong-ho Sheen
26  Indonesia - Marty Natalegawa
29  Australia - Nick Bisley
32  Thailand - Kasit Piromya
34  Philippines - Richard Javad Heydarian
38  Myanmar - Muang Aung Myoe

41  Belt and Road Initiative
41  China - Xue Li & Cheng Zhangxi
44  USA - Charles E. Morrison
47  Japan - Yoshinobu Yamamoto
50  India - Hemant Krishan Singh & Arun Sahgal
53  Russia - Alexander Gabuev
56  Indonesia - Jusuf Wanundi

59  Postscript
60  Transparency - APLN
The Regional Security Outlook in the Indo-Pacific: an Indian Perspective

Biren Nanda

China’s unprecedented economic and military rise, its aggressive behaviour, its territorial assertions and the geostrategic shift this is bringing about, is the principal cause of rising tensions in the Indo-Pacific. The regional balance has been upset and its restoration is the key to ensuring regional stability in the future. This article explores the broader strategic picture in the Indo-Pacific and focuses on what other powers, global and regional, must do to restore the power balance in the region.

What have been the core developments shaping the strategic outlook in the Indo-Pacific? First, after the Global Financial Crisis (2007-08), there was a relative decline in US power and China made the most of a period of strategic opportunity by occupying the strategic space left vacant by a United States preoccupied with the domestic economic crisis and its two wars in Afghanistan and Iraq.
Second, China began to act aggressively with neighbours on its periphery, asserting historical territorial claims unilaterally, first through cartographic aggression, and then by creeping occupation—as was attempted by the PLA at Doklam, Bhutan, in June – August 2017, and by land reclamation and militarisation of reefs in the South China Sea. Chinese provocations have, similarly, been a cause of rising tensions over the Senkaku Islands in the East China Sea since 2010. This was accompanied by soft coercion through threatening statements made by Chinese official spokespersons and the official media. Chinese fishing fleets were also used to assert territorial claims in the South China Sea against Vietnam and the Philippines, on the Senkaku Islands against Japan and the Natuna Islands against Indonesia. Furthermore, China’s vigorous pursuit of its Belt Road Initiative threatens to impose a neo-colonial style dominance over countries that are recipients of the Chinese largesse.

Third, ASEAN-centric security institutions failed to address the hard security issues that came to the fore with China’s rise. The economic interdependence between ASEAN and China and China’s soft coercion and offers of investment funds, induced some ASEAN countries to fall in line. As a consequence, ASEAN unity on Chinese claims against the Spratly and Paracel island groups in the South China Sea has been broken since 2012. While Vietnam and Indonesia continue to stand firm, the Philippines, Cambodia and Laos have fallen in line and taken an accommodative stance in the face of Chinese pressure.

Fourth, the strategic collusion between China and Pakistan and China and the DPRK exacerbates security challenges for India, Japan, South Korea and the United States. In South Asia, China’s support to Pakistan – which has included nuclear and missile proliferation – encourages the latter to indulge in brinkmanship with India. On the Korean peninsula, China’s unwillingness or inability to rein in the DPRK allows the latter to engage in nuclear brinkmanship with the ROK, Japan and the US. China has periodically displayed an ability to help defuse crises and bring the DPRK to the conference table, though without any lasting results. This gives China considerable leverage over those countries – Japan, ROK and the US - which are most affected by the DPRK’s rogue state behaviour. Nuclear and missile proliferation activities between the DPRK and Pakistan, are another dimension that has been seriously detrimental to India’s national security.

Fifth, China is building a “blue water navy” that can defend its sea-lanes of communication and become a dominant force in the Indian and Pacific Oceans. China’s port building activities in the Indian Ocean littoral and the establishment of naval bases in Gwadar, Pakistan and Djibouti have led to concerns that this is part of a larger strategy to bring about the strategic encirclement of India.

Effective management of these developments depends crucially on understanding what is driving Chinese assertiveness at the present time. This is an intrinsically difficult issue but, in my view, an important part of the answer can be found along the following lines. In 2010 China became the world’s second largest economy. Since 2012, the new central leadership under Xi Jinping has taken China toward a new foreign policy approach more commensurate with its new status and contrasting sharply with the low profile that China’s leaders had preferred since Deng Xiaoping in the 1980s. Xi’s ‘China Dream’ narrative is certainly consistent with the view that China is now a great power and needs to display the aspirations and attitudes of a great power. The new Chinese diplomacy perceives a ‘period of strategic opportunity’ for China to assert its claims. This perception, and the belief that the period of strategic opportunity will soon close, is driving the push for China’s territorial assertions on its periphery.

Not all regional security issues are strategic in nature or related to China’s rise. The following security developments pose a threat to countries in the region at a tactical rather than at a strategic level, but nevertheless remain extremely significant.

In South Asia, terror groups like the Lashkar e Taiba, Jaish e Mohammed and the Taliban, which the Pakistan military and the Inter-Services Intelligence trains, directs, harbors and funds, continue to be utilised as instruments of terror against India and Afghanistan. The phenomenon of cross border terror is a continuing source of strife and tensions in India-Pakistan relations. China’s stepped up commitment and assistance to Pakistan, including the China-Pakistan Economic Corridor launched as part of the Belt Road Initiative, has once again emboldened Pakistan to support cross border terrorism and engage in brinkmanship with India.

Pakistan’s support to cross-border terror is a permanent preoccupation for India and effectively prevents it from participating as a balancer in the region. Over the years this constraint on India’s behaviour has been, and continues to be a significant part of the collateral damage associated with US
assistance to Pakistan. President Trump’s new Afghanistan – Pakistan policy could be a game changer in South Asia if it stays the course and deters Pakistan from its support for terror groups that it has nurtured as instruments of a proxy war against India and Afghanistan.

The problem of insurgency and terrorism may have been resolved in Indonesia’s Aceh, but continues in Southern Thailand and in the Philippines. Indeed, terrorism has found new expression in groups claiming allegiance to the Daesh phenomenon in Indonesia, Malaysia and the Philippines. Non-traditional security issues such as piracy, transnational crime and cyber-attacks also continue to pose a rising threat to the Indo-Pacific region.

The Rohingya refugee crisis is shaping up as the largest political and security risk facing the India-Myanmar-Bangladesh border region – alongside being one of the worst humanitarian crises in the world. It underlines the potential destabilising effect of a sudden movement of refugees across international borders. There are also fears that the impoverished and traumatised refugees could become easy targets of Islamic radicalisation.

Finally, continued instability in the Middle East - which is home to more than six million Indian citizens and is vital to India’s energy mix - adversely affects India’s national security.

India is reacting to these developments in a number of ways. First, from a strategic perspective India has moved closer to the United States. The visible strengthening of India-US ties since the signing of the civil nuclear cooperation agreement, the deepening of the bilateral engagement across various sectors, the growth in bilateral defence ties and the emergence of the United States as a major source of defence equipment and technology are visible manifestations of the shift in India’s geopolitical positioning in the Indo-Pacific.

Second, India has pursued comprehensive engagement with China based on the belief that there is enough strategic space in Asia to support the phenomenal rise of China and the accelerating rise of India. The simultaneous emergence of India and China is a mega development that has to be handled with wisdom and sagacity so that the two countries can emerge without becoming adversaries. For this to happen each country has to be aware of the others red lines and make sure that these red lines are never crossed.

Third, India has developed closer strategic ties with other powers in the region including Japan, Vietnam and Australia. These growing relationships are based on a convergence of views on the prevailing threats and opportunities in the Indo-Pacific.

Japan’s official development assistance to India can be regarded as a strategic instrument fashioned to help India’s economic rise as an Asian power. The current dialogue with Japan on transfers of defence equipment and technology, has the potential to be a major milestone in the development of our strategic partnership, and of Japan’s own evolution as a great power.

Fourth, with its “Act East Policy” India is working vigorously to strengthen relations with ASEAN countries, bilaterally and through active participation in ASEAN dialogue forums. Physical connectivity with ASEAN through Myanmar and Thailand, reinforces the priority Indian diplomacy attaches to deeper economic integration and closer people to people ties with its ASEAN neighbours.

Finally, India is engaged in a national mission to build-up its own military power and its capacity to deal with the emerging traditional and non-traditional security threats in the region.

Looking to the future, there are options available to all of India’s regional partners to enable a stronger contribution to the common interest of a stable and secure region. In the case of the United States, most importantly, the persisting inconsistencies and lack of an overarching strategic framework in the Trump Administration policy towards Asia undermines the prospects for stability and security in the region.

Second, China has consistently been a strategic proliferator and has assisted North Korea’s nuclear and missile programs, thereby undermining the security of the United States and its allies – Japan and South Korea. The US must, therefore, base its policies towards Northeast Asia on the understanding that China is the problem and cannot be part of the solution.

Third, the United States and its partners – India, Japan and Australia – need to examine political and military options to deal with an assertive and territorially unsatiated China.

Fourth, to restore the global balance of power and the regional balance in Northeast Asia, the United States must reverse the downward spiral in US-Russia relations and desist from pushing Russia further into the Chinese embrace.

Fifth, the US has to lift itself out of its current inward-looking
isolationist mood and show leadership on global issues ranging from the world economy to climate change. Ceding leadership on such issues undermines the United States’ soft power.

In the case of Japan, following Abe’s resounding electoral victory on October 24, 2017 the Japanese Self-Defense Force must participate effectively in the regional balance in Northeast Asia, in the South China Sea and in the Indian Ocean as well. For this to happen Japan has to become a ‘normal’ country and free itself from the self-imposed constitutional restraints that effectively limit its military role as a great power.

Similarly, Japan must continue to build upon institutional mechanisms which enable sales of defence equipment and technology to friendly powers like India in order to enhance their capacity to counter rising threats to their security.

In order to strengthen its position in the power balance in Northeast Asia, Japan must energetically pursue a settlement of the Northern Territories issue with Russia on the basis of a compromise. Historical precedents suggest that current attempts to secure the return of the islands by offering economic incentives to Russia are likely to end in continued failure.

Notwithstanding its alliance with the United States the time has come for Japan to assert itself regionally as an autonomous actor in diplomacy and in national defence. The DPRK’s claims that continental United States is within the range of its missiles, if assessed to be accurate, must eventually call into question the value of the United States’ extended deterrence.

Australia, for its part, should worry a lot less about the short-term costs of confronting China on specific regional issues and worry more about the medium and long-term prospects of having to live in Pax Sinica.

One way of reducing China’s leverage in economic matters would be by diversifying Australia’s trade and investment partners and reducing excessive dependence on exports to China.

Taken together, three broad objectives appear to be of critical importance. First, as part of its “Act East Policy”, India should work towards deepening its integration - in commerce, connectivity, culture and security - with the Indo-Pacific region.

Second, China’s rise has upset the regional balance, and the Indo-Pacific region, has as a consequence, been witnessing a rise in tensions and conflict. By acting in concert, the United States and regional powers like India, Japan and Australia must nudge China towards a greater recognition of multi-polarity in Asia and work to moderate the geopolitical and geo-economic leverage enjoyed by China globally and in Asia. This calls for a reduction in the degree of economic interdependence with China and the diversification of trade, investment and economic partnerships in order to restore geo-economic balance in ties with China.

To fully restore the regional power balance and lower tensions in the Indo-Pacific, the US and regional powers need to significantly reorder their priorities and work in concert to balance China’s rise.

Biren Nanda

Senior fellow, Delhi Policy Group.
DIFFUSION OF SOFT POWER OR PURSUIT OF HEGEMONY?
AN INDIAN PERSPECTIVE

Hemant Krishan Singh and Arun Sahgal

A number of inter-related factors largely determine how the world perceives China’s Belt and Road Initiative (BRI). First, according to Miles’ Law, where you stand depends on where you sit. Thus, the security and economic perceptions of nations impacted by the BRI differ based on where each nation “sits”, its historical experience, and its own specific interests. Second, votaries of the post-1991 liberal economic order, linking “end of history” scenarios of perpetual peace with globalisation and economic interdependence, are more likely to hold benign views of the BRI. Those recognising the inevitable reprise of geopolitical competition in an era marked by a major flux in global power equations, between the West and Asia and within Asia, tend to be more sceptical. It follows that nations in West Europe, for instance, who are no longer invested in emerging Asia’s power balances, appear to embrace the BRI for its presumed business potential from which they can benefit. So, to varying degrees, do countries in the Asia Pacific and elsewhere, who are heavily “dependent” on China trade and finance. Other Asian nations who seek greater accommodation and balancing of major and emerging power interests, thereby bolstering multipolarity, a rules-based security architecture and respect for sovereignty and territorial integrity, are far less sanguine about the purpose and regional impact of the BRI. That is where India “sits”.

This article provides the authors’ perspective on how India views the BRI. It is not intended to detail the various elements of the BRI, but only to deconstruct the broader strategic dimensions of the initiative, as well as to examine BRI segments that impact India. Finally, we outline India’s official response and corresponding policies towards regional connectivity.

To understand the BRI, it is useful to begin by recalling a few distinctive characteristics of China’s external economic policies and the nature of its domestic economy. To begin with, as a non-free market economy, China subordinates market forces and trade relations to suit its mercantilist and national interests; the Communist Party of China (CPC) enjoys enormous power to orchestrate outcomes in the Chinese economy. Not surprisingly, China has derived asymmetric gains from the liberal economic order, which it now professes to champion. Second, Chinese government is a critical pre-condition for the successful pursuit of trade and economic relations with China. Foreign partners have to willingly compromise their democratic values and free market principles to ensure access to China’s attractive market and finance. Failing to attach importance to China’s core interests and major concerns can swiftly attract orchestrated reprisals and painful boycotts. Japan, the Philippines, and more recently South Korea can testify to this reality. These elements, among others, have ensured China’s unprecedented and unconstrained rise to great power status. China has now become too big to fault.

With such a track record, it would be truly remarkable if the BRI represents a change of course towards an altruistic “win-win” regional development initiative, as the BRI is...
often projected. This is all the more so as Xi Jinping pursues nationalist “rejuvenation” and China’s geopolitical behaviour is marked by unilateral assertions of “historical” rights which are the principal cause of regional tensions in Asia today.

Now let us turn to the BRI itself. Its humbler origins appear to lie in pressures on the CPC leadership to develop China’s western provinces and, even more importantly, to counter the impact of China’s economic slowdown. The BRI has thereafter evolved into a mega project and grand strategy to integrate China’s markets, gain access to resources, utilise excess domestic capacity, strengthen China’s periphery, secure military access and enlist “all-weather friends”. The BRI is a unilaterally conceived national initiative designed to align the economic and strategic landscape from Eurasia to East Asia, Southeast Asia to South Asia, to China’s singular advantage. It most certainly is not a multilaterally structured or negotiated initiative. Significantly, all strands of the BRI have a backward linkage to China alone in terms of economic benefit.

It is well recognised that the BRI lacks a formal institutional structure and that there is lack of transparency about BRI decision making. Essentially, the initiative is propelled by bilateral agreements between China and enlisted countries under which Chinese companies gain preferential access to low/medium cost economies that need capital to upgrade their infrastructure. Investment decisions, generally announced as outcomes of high-level visits by China’s leaders, emanate from collusive political understandings with national elites, flowing from which projects are awarded to major Chinese companies without competitive bidding. The average rate of interest of Chinese loans for the BRI is significantly higher than multilateral financing from institutions such as the ADB. Overall, these elements reflect China’s revisionist pursuit of preferential, non-competitive and exclusionary arrangements that propel its ambitions to create economic dependencies, gain political influence and eventually impose hegemonic power.

Finally, the BRI is closely linked to China’s core security objectives that include enhancing its strategic periphery through the consolidation of relations with immediate neighbours. The different strands of BRI’s continental (Silk Road Economic Belt) and oceanic (Maritime Silk Road) corridors enable China to wield military power by creating arteries for force projection.

For the geo-strategist, the BRI combines Mahan’s recipe for global domination through control of the seas with Mackinder’s prescription that such domination requires control of the “heartland”. The BRI is the economic face of a grand strategy to leverage China’s soft and hard power to gain hegemony over Mackinder’s “world island”. It is also part and parcel of China’s “revitalisation” dream and the creation of a world order with “Chinese characteristics.”

Now let us turn our attention to aspects of the BRI which impact India. To begin with, it is noteworthy that no element of the BRI seeks to provide direct connectivity between China and India, even though BRI segments include terrestrial components to the west (CPEC) and the east (BCIM) of India, while the MSR encircles India in the maritime domain of the Indian Ocean where India is dominant because of its geographical location. There could be two main reasons for this. The India-China boundary is not settled and China appears inclined to keep the dispute alive as coercive leverage. Second, provisioning of major connectivity, even in small pockets where the boundary is in fact mutually accepted, such as the Indian state of Sikkim, carries the potential for democratic India’s soft power to trickle back into restive and subjugated Tibet. Given Tibet’s remoteness and meagre population, the focus of China’s connectivity infrastructure inside Tibet is largely related to its security interests and defence posture.

CPEC is unquestionably the centrepiece of the BRI, carrying the promise of some $62 billion in loans and grants, of which $14 billion has already been committed. While power plants comprise a major component of CPEC, it is in fact a broad-based initiative to boost Pakistan’s domestic economy, create maritime equities adjacent to the Persian Gulf and provide strategic linkage to the restive Xinjiang province. According to a report published in the major Pakistani paper Dawn in May 2017, the CPEC master plan calls for “a deep and broad-based penetration of most sectors of Pakistan’s economy as well as its society by Chinese enterprises and culture.” CPEC is thus designed to secure a major stake in Pakistan’s transportation, communications and energy infrastructure; trade and commerce; agriculture; media; and defence (China is already Pakistan’s largest supplier of military hardware). Whether CPEC will be a “game changer” that re-orient a de-globalising Pakistan towards developmental pursuits and away from its Islamist predilections, or “game over” for that country, remains to be seen. Thus far, elements among the Pakistani elites appear to be enthused, while the general public remains largely unmoved and the military holds the key. The stakes are steadily rising as China gets increasingly involved with the
domestic affairs of Pakistan.

India has already made it clear, officially, that the CPEC violates India’s territorial sovereignty in Jammu & Kashmir. China’s growing military presence in Pakistan-occupied Kashmir is a cause of considerable security concern for India. In terms of regional transit and connectivity, India’s historic access routes to its natural hinterland in Central Asia and West Asia have been disrupted by Pakistan since 1947. There is no indication of any Chinese efforts to press their “iron brother” Pakistan to grant India normal trade and transit rights across Pakistani territory. The CPEC delivers strategic depth for China in Pakistan but only continued access denial and strategic containment for India.

To India’s east, the BCIM corridor makes even less economic sense, as it would provide one-sided advantages to China in terms of market access to Myanmar, Bangladesh and India as well as strategic access to the Bay of Bengal. Besides, the corridor would pass through India’s security sensitive Northeast, where China lays territorial claim to large parts of Arunachal Pradesh. Apart from India’s concerns about BCIM, Myanmar too is wary about such instruments of Chinese penetration.

MSR, the maritime component of the BRI, is substantially linked to bolstering China’s security presence in the Indian Ocean. This includes China’s unprecedented naval expansion, increased naval deployments in the Indian Ocean, operationalisation of its first overseas base at Djibouti (with Gwadar more than likely destined to be the second) and creation of a host of logistic support facilities in the form of MSR ports surrounding India. China is undertaking a massive expansion of PLAN amphibious capability, increasing the size of its marine corps fivefold to 100,000 personnel, and modifying its laws to permit deployment of security personnel abroad. There is very good reason for India to closely monitor MSR inroads in the Indian Ocean.

Despite enormous Chinese pressure and warnings of adverse consequences, India declined to attend the BRI Forum held in Beijing on May 14-16, 2017. In an official statement made on May 13, 2017 India announced that connectivity initiatives must be based on “universally recognised international norms, good governance, rule of law, openness, transparency and equality,” must follow the principles of financial responsibility as well as environmental sustainability; and must be pursued in a manner that respects sovereignty and territorial integrity. The statement went on to remind Beijing that “... we have been urging China to engage in meaningful dialogue on its connectivity initiative, ‘One Belt, One Road’ which was later renamed as ‘Belt and Road Initiative’. We are awaiting a positive response from the Chinese side”. That this response has not been forthcoming for the past two years speaks for itself.

From the overall Indian perspective, the fact is that with an obstructionist Pakistan to India’s west and a disputed boundary with China to its north and east, the BRI holds little promise.

Taking into account these geopolitical realities, India is shaping its own approach towards its strategic neighbourhood, based on the conviction that both historically and geographically, India is well placed to champion the “connectivity” cause as a pivotal power of Asia. India’s reference to universally recognised norms and respect for sovereignty of regional states draws direct linkages between initiatives for physical connectivity and the quest for regional peace and stability. India’s official discourse rejects any connotation that its connectivity vision is premised on geopolitical competition. It follows that for Indian policymakers, connectivity initiatives must be collaborative rather than exclusionary.

Accordingly, India’s own connectivity outreach is being structured through rules based, demand and consensus driven, bilateral or multilateral frameworks such as BBIN and BIMSTEC, or the newly launched Asia-Africa Growth Corridor (AAGC). With the closer alignment of India’s Act East Policy and Japan’s Free and Open Indo-Pacific Strategy, Japan has emerged as India’s preferred partner for translating their shared vision for Indo-Pacific connectivity into reality.

Conclusion

The BRI is an integral part of China’s grand strategy to enhance strategic influence and reach; BRI projects are essentially “China First” initiatives with backward connections to China. The BRI has no India-China component.

India’s interests are best served by its unimpeded maritime access to the Indian Ocean and the extension of ongoing programmes for domestic connectivity and port infrastructure development, to eastward connectivity between India’s northeast and South-East Asia. The announcement of the Japan-India Act East Forum to drive this process forward on September 14, 2017 is the latest pointer in that direction.

Hemant Krishan Singh, Director General, Delhi Policy Group

Arun Sahgal, Senior Fellow, Delhi Policy Group.