

Think

new things

Make

new connections

**The Indo-Pacific:
how can we best
promote strategic
stability, economic
growth and the rule of
law in the region?**

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DITCHILEY

Terms of Reference

The Indo-Pacific region is the growth engine of the world and will soon become the centre of gravity of the global middle-class consumer too. Sixty percent of world trade passes through its shipping lanes. It is also set to become one of the main theatres for the playing out of systemic geopolitical competition and encompasses a series of potential flashpoints, as emphasised by recent announcements on western defence cooperation. How can the risks be best contained, economic growth and development maximised, whilst addressing climate change, and the rule of law and human rights be promoted?

This Ditchley conference will bring together a global group of policy makers, business leaders and experts to explore the opportunities and dilemmas of this vast region. Pragmatically but also as a signal of intent, the schedule will take Pacific time zones as its centre of gravity. The event will be hybrid, with a group meeting face to face at Ditchley, connecting with others around the world virtually.

We will explore relationships, trends and strategy in the Indo-Pacific from several perspectives, with the conference splitting into working groups for the middle part of the discussion to allow more detailed conversation.

With so many countries and factors to consider, clearly the working groups will not be able to address all aspects of the issues at stake. The group Chairs will work with those participating to focus discussion on the issues where the group has most relevant expertise and strong interest. The questions below therefore should be seen as options for discussion, rather than an agenda to be followed strictly and fully.

Group A: promotion of the rule of law, human rights and stability

How can the geopolitical competition between democracies and authoritarian countries best be handled in the region, so as to balance freedom and order, political empowerment of people and geopolitical stability? How can we converge on common values? Aspects to discuss might include:

Will making more explicit democratic alliances in the region contribute to promotion of the rule of law in the region, or should the emphasis be on institutions and frameworks that bind both democracies and authoritarian countries into shared approaches and habits of consultation and dialogue? What assurances can competing countries and systems give each other so as to reduce the risks of misinterpretation and further polarisation? What guardrails do we need to construct? How do we build political bridges between China, the West and the democracies of the Indo-Pacific? And should that be the objective? How can tension between Australia and China be de-escalated? How could the relationship between China and India as current and future superpowers be best developed? What stabilising roles can multilateral organisations, for example ASEAN, play on regional politics? Do we have the right range of channels for effective communication across divides?

Group B: promotion of innovation, development and economic growth, and climate change

How can economic competition be shaped to deliver benefits for all and support global growth, alongside effective action on climate and a better understanding of regional climate risks? How can economic cooperation and action on climate change be separated from geopolitical competition between China and the West? How does trade policy need to evolve? Aspects to discuss might include:

What are the implications for the region of a shift to more localised and diversified supply chains as a result of the pandemic, climate resilience and of geopolitical competition with China? What will be the impact of export restrictions on technological know-how, for example on semiconductors? What is the right approach for states in the region to Chinese investment in different sectors of the economy? How far might China open up and internationalise its economy? How far might the renminbi become established as a reserve currency in the region? How can India turn the corner on infrastructure and bureaucracy to unleash its full economic potential in the region? What are the implications of long-term demographic trends – for example a smaller China? Is there a potentially productive overlap of interests between Chinese initiatives such as Belt and Road and the Asian Infrastructure Investment Bank and international aid, the World Bank and IMF, and regionally the CPTPP?

Group C: promotion of strategic stability and management of flashpoints

How can tensions over flashpoints in the region, for example Taiwan and navigation of the South China Sea, best be managed so as to avoid spinning into a crisis? Does setting clear red lines on each side help or create more risk? Is it possible to distinguish between guardrails and red lines? Aspects to discuss might include:

How will increased defence cooperation between the US, the UK and Australia, for example as with the agreement to supply nuclear powered submarines, impact on stability? How will the evolution of Chinese military capabilities change the balance in the region? What defensive and technological capabilities should other Indo-Pacific states look to develop? What prospects are there for finding joint security interests to pursue – for example on terrorism and piracy? How can space capabilities be developed to serve mutual ends – for example climate monitoring – rather than create new sources of anxiety? How can cyber deterrence doctrine be developed in the region? Can cooperation be further developed on counter proliferation to prevent the spread of dangerous weapons systems? The region will be at the forefront of the development of AI supported weapons systems, how can this be managed to contain tensions and avoid runaway arms races? What is the right role for European allies in the Indo-Pacific? Are European defensive capabilities and deterrence best focused in the northern hemisphere and the Mediterranean and Middle East (as Lloyd Austin commented recently), or is a global approach required from Europe and the UK?

Context for the discussion

The geographical term 'Indo-Pacific' was brought to prominence by Japanese Prime Minister Abe in 2007 and gained currency after its use by Prime Minister Modi and President Trump in 2017. Prime Minister Modi subsequently described the Indian vision as "a common pursuit of progress and prosperity ... not directed against any country ... (albeit based on) our principled commitment to rule of law."

Like all human geographical descriptions, the term ‘Indo-Pacific’ carries some descriptive truth but also political intent. The two great oceans, the Indian and the Pacific, are linked for shipping by the Straits of Malacca, 1.5 nautical miles wide at the narrowest point. Although it would not take much to separate the oceans, two thirds of world trade passes through the Straits. Two thirds of global growth is driven by the economies of the region and 90 percent of the 2.4 billion people expected to reach middle-class income levels in coming years will be in the region, turning the region from a place primarily where modern goods are made to one where they are also consumed in large quantities. It makes some sense to think of the region as a single eco-system.

The political intent of the description of the region as the Indo-Pacific sets authoritarian China, en route at present to becoming the world’s largest economic power, in the context of a vibrant and innovative economic neighbourhood of 2 billion people with a collective GDP of similar size and a wide variety of forms of government, including established and nascent democracies with the US at the fore. The Indo-Pacific is set therefore to be the prime stage for the systemic geopolitical competition of the 21st century. In contrast to the Cold War, both ‘systems’ aim at economic success in a globally integrated economy. Rivalry is going to have to be combined with economic entanglement.

An increasing number of nation states and multilateral groupings have an interest in the region from both geo-strategic and economic perspectives. The US, India, Japan and Australia together form a revived informal ‘quad’ as leading democracies, but all come to the group with different perspectives. All see the sense of balancing the growing influence and assertiveness of China, but independently minded India, and Japan too, would not want to be seen as part of an American-led alliance framed to contain China. Australia, under its current government, has spoken out against Chinese interference and is paying a diplomatic and economic price. But it still relies heavily on trade with China, which is at record levels despite Chinese sanctions, due to China’s need for Australian iron ore.

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership ‘free’ trade zone includes many countries in the region but not China and not, as was once hoped, the US. Others from outside, such as the UK, are eager to join and to be closely integrated into growth in the region. The ASEAN grouping helps the smaller countries in the region to foster a sense of communal identity in response to the regional giants but there is no sign as yet that the collegiate form will become substance. China prefers to deal bilaterally in turn with the ASEAN states and it is not clear how ASEAN could induce a change. As well as the UK, the EU is looking to expand its Indo-Pacific engagement, with a variety of aid and economic initiatives laid out in its new strategy. On the Chinese side, Belt and Road initiatives and investments pepper the region. The Chinese-inspired Asian Infrastructure Investment Bank, meanwhile, counts many western democracies, including the UK and Germany, amongst its members, but not the US. There is huge opportunity for investment in innovation and the private sector in the region, if the risks of political division can be navigated.

Geostrategic and military power is, as yet, more the preserve of nation states in the Indo-Pacific, although there are musings on the role of NATO. NATO member states UK, France and Germany are, with varying degrees of prominence, committed to maintaining freedom of navigation in the Pacific and the South China Sea in particular, alongside the US. US naval navigation of the South China Sea, Chinese countermeasures and island building, and Taiwan remain the most likely flashpoints between China and the West in the region, in addition to

the permanent tensions and periodic clashes along the Indian and Chinese border. Nuclear strategic stability rests with the US, China, India and Russia, barring a historic and unexpected break with the past by Japan. The US, China, India and Russia all also have substantial cyber and information warfare capabilities.

With regard to the global pandemic, the Indo-Pacific region is split. China, Taiwan, Japan, South Korea, Singapore and Australia reacted decisively, learning from the lessons of SARS and taking advantage of relative geographic isolation in the case of Australia. India, meanwhile, is likely to struggle with the disease for years to come but at the same time is made resilient by a young population and a society accustomed to avoidable death from disease. The pandemic and its aftermath have created new divisions in an already intricately fractured map with as yet uncertain implications.

If the region is going to contribute sixty percent of global growth in the years to come, then it follows that greening its development is going to be crucial to effective global action on climate change. How can development aid and international partnerships contribute to this shift? How does the collective and cooperative action required fit with geopolitical and economic competition?