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Conference Summary

**Indo-Pacific Strategy:
how can we best
develop a coherent
strategy for a free,
prosperous and
peaceful Indo-Pacific?**

St Michael's, Chesapeake Bay, VA

29 September to 1 October 2024

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EXECUTIVE SUMMARY

We explored the strategic challenges and opportunities for security in the Indo-Pacific region, particularly concerning China's growing ambitions and the potential threat to Taiwan, as well as the interests of smaller countries in the region.

China's ambitions and the need for deterrence: China's actions are driven by a complex mix of motivations, including nationalism, security concerns, and economic interests. Deterrence, therefore, requires a united front, clear communication with Beijing, and strengthened alliances. Taiwan holds particular significance for the Chinese Communist Party (CCP), requiring a careful approach to strengthening its resilience without provoking escalation.

The US role and international collaboration: US interests demand a more proactive strategy in the region, including deeper engagement with ASEAN and countering China's influence. Aligning European and US approaches will require some understanding of Europe's economic vulnerabilities and political sensitivities. Continued engagement with China is essential, but must be accompanied by pushback on assertive behaviour and unfair economic practices.

Economic and technological considerations: Reducing economic interdependence with China, while fostering substitutes, poses significant challenges. Within this arena, technological leadership in frontier and existing scalable technologies is critical, while ensuring allies' and the private sector's buy-in for economic measures is essential.

Soft power and diplomatic influence: A compelling narrative and proactive approach are needed to counter China's influence, and this narrative should emphasise shared interests, collaboration, and a positive vision for the future. Investing in diverse channels of influence and addressing inconsistencies in Western messaging are crucial.

In conclusion, the conference emphasised the urgency of addressing the challenges in the Indo-Pacific, stressing that coordinated action and policy coherence among democratic nations are essential. Building trust and offering concrete economic partnerships with the Global South are also vital. A pluralistic approach to Indo-Pacific security, involving a diverse group of nations, is key to promoting stability and prosperity in the region and will gather more support than competition framed solely around the US and China.

People

The conference brought together a diverse group of individuals from various sectors and regions, primarily focused on international relations and security. Participants included senior leaders from the US military, the US State Department, the US National Security Council, and other countries; academics and researchers from prominent think tanks and universities (RAND Corporation, Hoover Institution, IISS, Australia's National Security College, Institut d'études internationales de Montréal); and not-for-profits. Private sector participants came from finance and consulting (Neuberger Berman, WestExec Advisors and Barclays). The geographic representation spanned North America, Asia, Europe, and Australia, highlighting the global nature of the discussions.

FULL REPORT

Strategic Challenges and Opportunities in the Indo-Pacific

The Indo-Pacific region is both a stage for immense global opportunity and a crucible of geopolitical competition. A diverse mix of voices from a number of democratic nations were brought together for frank discussions on how to balance China's growing influence with the need to protect international norms and maintain peace.

The opening session centred on the growing concerns over China's ambitions in the region and the potential threat to Taiwan. Participants emphasised the need to deter Chinese aggression by demonstrating both capability and will, ensuring that any potential gains for China are outweighed by the risks. This requires clear communication and a feedback loop with Beijing, built on a foundation of strengthened alliances and partnerships. Expanding the battlespace and presenting a united front are crucial to foreclosing China's ability to achieve its objectives through coercion or force.

A key theme was the importance of avoiding miscalculations by Chinese President Xi Jinping due to misunderstandings or lack of accurate information. High-level engagement and candid dialogue are essential to convey concerns, ensure China acts responsibly, and to foster collaboration on common interests. The discussion underscored that challenges to Indo-Pacific security have global implications that could affect the rules-based order. Participants also noted China's tactical shifts in response to domestic economic difficulties, adding another layer of complexity to the situation.

Discussions emphasised the need for genuine engagement with regional partners, building trust through action, and demonstrating commitment to their concerns. The Taiwan issue and South China Sea disputes were highlighted as critical areas where understanding China's core ambitions is paramount. To truly grasp the complexity of these situations, it is essential to decipher the specific mix of motivations driving China's actions. Is it primarily nationalist sentiment, security concerns, or economic interests, or is it a combination of all these factors? This mix will likely vary between the Taiwan issue and the South China Sea. Taiwan, in particular, holds a visceral significance for the CCP, tied to its legitimacy and the unfinished business of the revolution, and therefore making it a higher priority than the South China Sea islands. This raises the crucial question: what can realistically be done to build Taiwanese resilience without crossing thresholds of provocation? Strengthening Taiwan's defences, deepening economic ties, and fostering international support are all vital steps, but they must be carefully calibrated to avoid escalating tensions and jeopardising regional stability.

China's influence has created divisions within ASEAN, and the US needs to adopt a more proactive strategy to address this. Cambodia and Laos, in particular, are seeking to diversify their strategic partnerships, presenting an opportunity for the US to strengthen its engagement in the region. To effectively navigate the complexities of Southeast Asian geopolitics, the US needs to deepen its understanding of ASEAN dynamics, cultivate stronger relationships with key players and build trust. This includes fostering dialogue through established interlocutors and leveraging existing regional institutions. Japan's strong leadership in the Indo-Pacific provides a valuable example for the US to emulate.

The wider geopolitical landscape must be considered, particularly the symbiotic relationships between Russia, North Korea, China, and Iran. These transactional but increasingly embedded partnerships, involving the exchange of weapons and military technology, further complicate the security environment.

The session also touched upon the complexities of aligning European and US approaches to the Indo-Pacific. Europe, grappling with its own internal political shifts and economic anxieties, views the region through a different lens than the US. Two primary concerns dominate European thinking: China's economic influence and the potential repercussions of being forced to choose sides between

Washington and Beijing. While the political advantages of aligning with the US are clear, doing so carries significant economic costs, particularly given the European continent's reliance on trade with China. This internal struggle is further complicated by Europe's own divisions on China, with countries like Lithuania taking a hard line while others, such as Hungary, maintain closer ties.

This dynamic plays out in various ways across the continent. In Germany, for example, a fierce debate rages over the impact of Chinese electric vehicles (EVs) on the domestic car industry. While EVs are crucial for achieving global climate goals, the affordability of Chinese brands like BYD compared to German brands like BMW poses a difficult dilemma. This complex situation requires a nuanced approach from the US. Simply demanding alignment against China is unlikely to be effective, especially if it is perceived as aggressive protectionism. Instead, a European participant urged the US to engage with Europe as a partner, acknowledging the continent's unique concerns and the volatile political climate fuelled by the rise of far-right and far-left movements, some of which harbour pro-China, pro-Russia, and anti-US sentiments. The US could not take Europe's political ability to align with US positions for granted and would need to work with Europe as a partner.

The View from Beijing

The discussion offered valuable insights into the complexities of US-China relations and highlighted the underlying power competition between the two nations, driven by fundamental differences in values and approaches to security. China's growing military strength, particularly its air and naval capabilities, poses a challenge to the US and its allies, exemplified by intimidation tactics against the Philippines and Japan. Furthermore, concerns were raised about China's economic practices, including dumping and intellectual property theft, which have implications for the global economy and particularly for the Global South.

Despite these challenges, participants emphasised the importance of maintaining communication and engagement with China. To drive down the probability of conflict stemming from an escalating incident, strong government-to-government connections are crucial. These connections serve as channels for de-escalation and crisis management. While acknowledging the competitive nature of the relationship, participants also stressed the need to prevent decoupling and foster people-to-people exchanges. The COVID-19 pandemic severely disrupted these connections and rebuilding them will take time and effort. The decline in tourism, student exchanges, and direct flights has hindered mutual understanding and created a potential knowledge gap in the future, with fewer Americans gaining firsthand experience in China.

The session also delved into the opaque nature of Chinese decision-making, now even more concentrated under President Xi's leadership. This "leadership of one" has fostered a more fearful environment within the government, where officials are hesitant to speak openly or meet with foreigners, a stark contrast to the situation a decade ago. Divergent views are suppressed, and those who dare to challenge the prevailing orthodoxy are not tolerated. Concerns were raised about the difficulties in ensuring effective communication channels and the potential for a situation where messages may not reach the top, i.e. while we may communicate with officials, there's no guarantee that those messages are relayed to their superiors. Although some progress has been made in establishing high-level dialogues, such as those between US officials and China's Foreign Minister Wang Yi, challenges remain in agreeing on basic facts and navigating a more fearful and closed environment within the Chinese government. This fear and fealty to the party often lead to situations where even agreeing on simple facts becomes impossible.

While acknowledging the need to address China's assertive behaviour and unfair economic practices, participants stressed the importance of continued engagement, open communication, and a nuanced understanding of the evolving dynamics within China's political system.

The conference split into three Working Groups to consider Indo-Pacific security, economic interdependence and technological collaboration, and diplomatic influence and soft power in the region.

Indo-Pacific Security

This Working Group grappled with the complex challenge of fostering peaceful coexistence in the region. Recognising the need for a clear strategy, participants debated how best to prioritise goals in the face of China's growing ambition. China's multifaceted approach includes economic and military expansion, as well as incremental steps aimed at achieving long-term strategic objectives. A key concern was understanding China's intentions. Although these seem primarily centred on ensuring the continued power of the Communist Party, it will be important to determine whether these intentions are fixed or open to influence, and to understand what China's legitimate security interests are. The group acknowledged the difficulty in deciphering China's internal and external ambitions, particularly regarding its desire for regional and global influence. Adding to the complexity, the group noted the dilemma surrounding the timescale of China's ambitions regarding Taiwan, where China can bide its time while it increases its capabilities to take the island by force, but the longer time goes on the more distant the Taiwanese populace grows and therefore less eager for reunification. This was characterised as a "status quo dilemma": China had been comfortable with the status quo of separation from Taiwan when it saw reunification as slow but inevitable. It was not clear that China would feel the same way about the status quo if it saw that as cementing separation for the long term.

Economic interdependence emerged as another crucial and complex dilemma. While it could potentially constrain China, it also poses risks to strategic independence for other nations. The potential effectiveness of export controls and their economic consequences were debated, with no easy solutions in sight and care needing to be taken to avoid unintended harm to ourselves and our potential future allies. Despite these complexities, the group highlighted the urgent need to address the central problem: China's growing power and its potential use of force against weaker neighbours. Diplomatic and economic tools were deemed insufficient, underlining the necessity for robust political and military strategies, including effective military instruments and collective resource investment. The group also discussed the possibility of China employing a "slow squeeze" tactic against Taiwan, similar to its approach with Hong Kong, but questioned whether this strategy would be counter-productive for China from a technology competition stance, as this time could be used by the US and its allies to make progress on reshoring chip manufacturing.

The Working Group also discussed the importance of long-term strategic thinking, noting that an important part of China's strategy is to take small incremental steps that ultimately allow them to achieve their grand strategic goals. China's ability to take the long view, on technological advancements like fusion or the approach to Taiwan, underscores the need for a similarly long-term perspective from the West. The related question was raised: if China is not on track to achieve its objectives, will it change its goals or its methods? Participants explored potential strategic shifts, such as economic slowdown in China, and their possible impact on regional dynamics.

Concerns were raised about China's disregard for the rule of law domestically and what would happen if it were to export this model to its neighbours. The resilience of countries in the region to China's political and economic influence was highlighted, with particular attention paid to the vulnerability of fragile societies and the need for countries to build immunity to Chinese influence. This can take many years, as has been seen in the case of Australia.

The role of the United States in maintaining Indo-Pacific security generated considerable debate. While the need for clarity and leadership from the US was emphasised, the group acknowledged that the specific nature and extent of US involvement in the region remained a source of contention. This lack of clarity could severely hamper efforts to address the challenges posed by China. The group also highlighted the challenge posed by hybrid and cyber warfare, which could allow China to achieve

its objectives without triggering a significant military response. China's actions in the Philippines were cited as an example of this strategy, with the group stressing the danger of inaction and the need to establish clear red lines. Accepting the need for the US to shoulder a significant burden, the group discussed the difficulties of burden-sharing, questioning the capabilities and willingness of partners and emphasising the need for clear expectations and roles. Japan was identified as a potential exception due to its geographical location, capabilities, and perception of the Chinese challenge. The group also touched upon the complexities of building coalitions, noting the need to balance inclusivity with the risk of China exploiting divisions. South Korea was flagged as an important component and, although it may now be drawing closer to the US, given the potential shifts in political alignment under its five-year leadership cycle, drawing long-term conclusions can be challenging.

Finally, the importance of the UN Law of the Sea Convention, which the US has not ratified, was discussed. Concerns were raised about China's potential dominance in deep sea mining and the need for the US to engage more actively in this area. A call was made to educate US senators on the significance of this issue and to develop a plan to secure their support.

Economic Interdependence and Technological Collaboration

Undoubtedly, the economic dimension is central to US-China competition and hence a key component of Indo-Pacific stability. While defining the necessary course of action was straightforward – reduce economic interdependence with China across various dimensions and foster substitutes – the execution poses significant challenges with potential long-term economic impacts. This decoupling, driven by measures like tariffs, raises concerns about the trade policies for allies in the Indo-Pacific region, emphasising the need for a holistic and sustained effort, a generational challenge rather than a short-term fix. Unlike the US, which tends to compartmentalise military security and economics, China employs a more integrated approach.

Gaining buy-in from allies and the private sector for these economic measures, while ensuring political palatability and sustainability, is crucial. Communicating the long-term benefits of aligning with the US economy, particularly to sceptical allies and third countries hesitant to choose sides, is essential. The narrative that tying oneself to the US and liberal democracies leads to greater economic prosperity needs to be reinforced, without forcing an either/or choice.

Technological leadership emerged as another key area, with discussions focusing on frontier technologies (AI, quantum, biotech) and existing technologies already deployed at scale where China currently holds advantages (clean tech, manufacturing inputs). Protecting frontier technologies while addressing deficiencies in existing ones by leveraging allies' strengths, such as South Korea's shipbuilding capabilities, is vital. Concerns were raised over US ability to match China's long-term investments in biotech and quantum, highlighting the need for more flexible capital mechanisms. China has more economic levers than many market economies, for example its ability to back-stop losses in frontier technologies.

The group debated the extent of decoupling and, if this reaches full decoupling, the potential discomfort it might cause among our allies. Ensuring the economic benefits of this approach for the Indo-Pacific region in the long term, despite short-term costs, requires strong political leadership. Countering China's narrative by showcasing the economic growth of countries partnering with the US and liberal democracies is equally important.

Discussions also touched upon the need for clear communication from the US and assurance to its allies. South Korea's experience with its free trade agreement with China serves as a cautionary tale, highlighting the complexities of balancing economic and security interests. India's position in the Western orbit, while currently favourable, was acknowledged as potentially fluid, underscoring the dynamic nature of geopolitical alignments. We should expect diplomatic innovation from China aimed at separating India politically from the West. The role of Gulf countries, particularly their

investments in AI infrastructure, was recognised. The impact of these economic shifts on less developed countries and the Global South, with potential implications for political willingness, needs careful consideration. Influencing the flow of capital into China remains another challenge.

The need for sustained funding and long-term investments was noted. Attracting private sector interest in national security initiatives, particularly in capital-intensive projects, requires innovative approaches and government support. Sectors like mining, where it can take two decades to pay off investments, highlight the importance of working on a 15- to 25-year timescale. The success of companies like Anduril demonstrates the potential for public-private partnerships in this domain.

Finally, the group acknowledged the differing views on whether the goal is to achieve an advantage for the US and its allies while disadvantaging China, or to achieve an advantage irrespective of China. Framing the approach in a way that avoids feeding Chinese nationalism and addresses the concerns of third countries, particularly those with populist governments, is critical. Offering viable alternatives to Chinese partnerships, especially for developing economies, is essential for the success of this strategy. Developing economies may say that the corollary to disadvantaging China is to disadvantage them. If they no longer receive Chinese capital to pay for infrastructure, or access to the frontier tech that China would be offering at low costs, is that an attractive proposition? We cannot push China out of the equation without offering an alternative for these economies.

Diplomatic Influence and Soft Power in the Region

The discussions in this Working Group highlighted the need for a compelling narrative and proactive approach to counter China's growing influence in the region.

Participants emphasised the importance of crafting a clear and positive message that resonates with the region. This narrative should go beyond simply promoting Western products and values and should instead focus on shared interests and a collaborative vision for the future. The "five Ps" were identified as key principles to guide this effort:

- **Positive.** It is crucial to project a positive and hopeful vision for the future, underlining the benefits of cooperation and a free and open Indo-Pacific. This approach should replace defensive posturing with an optimistic narrative that resonates with the aspirations of regional partners.
- **Partnership.** Cultivating genuine partnerships based on shared interests and mutual respect is essential. Rather than prescribing solutions or imposing Western models, the focus should be on co-creating solutions and fostering a sense of ownership among regional partners.
- **Persistence.** Demonstrating a long-term commitment to the region is vital for building trust and credibility. Unlike the perception of the US as a "fair weather friend," consistent and enduring engagement, akin to Japan's approach, is crucial for fostering lasting relationships.
- **Proactive.** Western nations need to adopt a proactive stance, actively shaping the narrative and setting the agenda. This requires moving beyond Cold War paradigms and embracing innovative approaches tailored to the unique challenges and opportunities of the 21st century.
- **Pluralistic.** Harnessing the power of diverse voices and channels is essential for amplifying the message and reaching a wider audience. This includes investing in universities, media outlets, cultural figures like Taylor Swift, and sporting events to create a chorus of positive messaging that resonates with diverse communities. This pluralistic approach stands in stark contrast to the top-down, propagandistic tactics employed by China.

A recurring theme was the need to move away from an "us vs. them" mentality and instead present an affirmative vision of a "China vs. alternative order." This alternative order should emphasise the

benefits of a free and open Indo-Pacific, highlighting the advantages of collaboration and shared prosperity.

Central to this discussion was the recognition of China's multifaceted soft power strategy. While initiatives like Confucius Institutes have seen mixed results, with closures in the US contrasting with slow growth in Southeast Asia and Africa, China's broader information operations paint a more complex picture. This Working Group acknowledged the effectiveness of China's media engagement in Africa, where freely available Chinese satellite TV channels and educational initiatives by companies like Huawei are filling a void left by the West. This "AWOL" status of Western powers in the information space presents a significant challenge.

Participants also identified several challenges, including the need for greater consistency and coordination among Western nations. Concerns were raised about perceived double standards on issues like human rights, which can undermine Western credibility. It was suggested that the ongoing situation in Gaza has done a lot of damage to the image of the US in countries like Indonesia and Malaysia, which have majority Muslim populations. The importance of avoiding a "proselytising" approach to human rights was emphasised, suggesting a more nuanced and collaborative approach.

The Working Group grappled with the question of accommodating China's legitimate interests, while also maintaining a firm stance on core principles. There was no clear consensus on this issue, with some advocating for mutual accommodation and others favouring a more assertive approach.

Overall, this group's discussion underscored the need for a more strategic and proactive approach to soft power in the Indo-Pacific. This includes developing a compelling narrative, investing in diverse channels of influence, and addressing internal challenges like inconsistency and double standards. By embracing the "five Ps," Western nations can work towards a more collaborative and prosperous future for the region.

Conclusions

The conference concluded with a sense of urgency and a recognition of the complex challenges facing the region. A key takeaway was the evolving nature of the "status quo dilemma" regarding Taiwan. If status quo is interpreted as a gradual movement towards potential unification, that would be acceptable to China, but if status quo is interpreted as a permanent separation, that would be considered unacceptable. This dilemma is further underscored by China's unwavering support for Russia's war in Ukraine. Some argued that their purpose was to help prevent Russia losing the war, but their support has clearly gone beyond that, with a willingness to support the use of force to achieve political aims, matched by a disregard for the human cost of conflict. Despite this, re-established communication channels between the US and China offer a glimmer of hope in preventing unintended escalation, although fundamental differences remain.

The conference highlighted the need for coordinated action and policy coherence among democratic nations, particularly in the face of political transitions. This includes developing strategies to counter China's assertive behaviour and exploring effective means of engagement with its leadership. Furthermore, participants emphasised the importance of building trust and offering concrete economic partnerships with the Global South, focusing on infrastructure development, green transformation, and digital innovation in collaboration with the private sector.

Beyond the Indo-Pacific region, the conference acknowledged the broader implications of these challenges for a multipolar world. The need for a nuanced approach to engaging with diverse ASEAN countries was stressed, along with the importance of addressing global governance issues and the interconnectedness of conflicts. Concerns were raised about the impact of the Israel-Palestine conflict on perceptions in the Global South, particularly in Muslim-majority nations like Malaysia and Indonesia, highlighting the need for coordinated messaging and action to address these concerns.

Finally, the conference highlighted the importance of a "pluralistic" approach to Indo-Pacific security, moving away from a rigid division of responsibilities between the US and Europe. This necessitates an integrated strategy involving a diverse group of nations sharing the burden and working together to promote stability and prosperity in the region. Crucially, this requires ongoing policy coherence, especially in the face of democratic transitions. Participants emphasised the need to support the continuation of proactive US diplomacy under the next administration and called for a wider public discussion in democracies on the US presence in the region. This collaborative approach, with sustained commitment from all involved, is key to navigating the complexities of the Indo-Pacific.

This summary reflects the writer's personal impressions of the conference. No participant is in any way committed to its content or expression.

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