

U.S.-JAPAN COOPERATION ON
INDO-PACIFIC REGIONAL ARCHITECTURE

ASIA STRATEGY INITIATIVE

POLICY MEMORANDUM #3

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About the Asia Strategy Initiative

The U.S.-Japan alliance remains the cornerstone of regional security and prosperity, but it is vital that Washington and Tokyo pursue an ambitious agenda to deepen, broaden, and sustain the alliance. The Asia Strategy Initiative brings together leading experts to develop detailed policy proposals to form the foundation for the next set of efforts to enhance the U.S.-Japan alliance. The Asia Strategy Initiative seeks to stimulate debate in both capitals about how to move the alliance forward by identifying, developing, and disseminating novel policy proposals. To that end, the Asia Strategy Initiative issues policy memos with specific and actionable recommendations, which are authored jointly by experts from both countries. Although the findings and recommendations are discussed by all members of the group, the specific proposals remain those of the individual authors. The Asia Strategy Initiative was established under Japan-U.S. Program of the Sasakawa Peace Foundation in 2017 and it meets regularly in Washington and Tokyo.

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Introduction

The Free and Open Indo-Pacific has become one of the leading geopolitical and geoeconomic concepts in Japanese and American foreign policy. Japanese Prime Minister Shinzo Abe officially endorsed the FOIP concept at the Sixth Tokyo International Conference on African Development (TICAD) in August 2016. Abe spoke of the need to create synergy between “two continents” (Asia and Africa) and “two free and open seas” (the Pacific and Indian Oceans). U.S. President Donald Trump then unveiled a new “free and open” vision for the Indo-Pacific in November 2017. The U.S. National Security Strategy also identified the Indo-Pacific as the center of a geopolitical competition between free and repressive visions of world order.

Japan and the United States both benefit from actively engaging in the dynamic Indo-Pacific region. Each country has an interest in a future regional order that is based on the rule of law, transparent governance, secure sea lanes, high-quality development, and free and open rules for trade and investment. This policy memo assesses the current trajectories of both countries’ Indo-Pacific strategies and puts forward actionable recommendations for advancing regional architecture.

Assessment

Over the last two years, the term “Indo-Pacific” has gained importance as a geostrategic and geoeconomic concept for regional players across Asia. This is particularly true of the members of the so-called Quad: Japan, the United States, Australia, and India. These four states have proposed five basic principles for maintaining a rules-based order in the Indo-Pacific: 1) promoting economic prosperity through open economies and free markets; 2) ensuring maritime security and the freedom of navigation and overflights; 3) resolving disputes through peaceful means in accordance with international rules and norms; 4) reconfirming the centrality and unity of the Association of Southeast Asian Nations (ASEAN); and 5) emphasizing an inclusive concept of the Indo-Pacific. Based on these principles, the Quad states have sought to enhance cooperation both among themselves and with other regional partners. The Association of Southeast Asian Nations (ASEAN) published its own “Outlook on the Indo-Pacific” also encouraging a platform for inclusive cooperation in the Indo-Pacific. Yet, the Indo-Pacific is not a one-size-fits-all concept. Different visions and priorities continue to challenge cohesive policy coordination among the major players.

Differences in Indo-Pacific Strategies

There are three important differences in how regional countries have defined the region and envisioned Indo-Pacific strategies.

First, there is significant difference in the geographical coverage of the Indo-Pacific. The United States describes the Indo-Pacific region as ranging from the west coast of India to the western shores of the United States, aligned with the Indo-Pacific Command’s area of responsibility. Meanwhile, Japan, Australia, and India define the Indo-Pacific as including the entire Indian Ocean from the eastern coast of Africa across the Pacific Ocean to the Americas. ASEAN does not regard it as a contiguous territorial space but as a closely integrated and interconnected region. Further,

these players have different conceptualizations and priorities regarding the ends, ways, and means of regional engagement.

Second, regional players differ on whether the Indo-Pacific concept is intended to encourage collective balancing against China. The Quad states do not emphasize their Indo-Pacific strategies as counters to China, instead underscoring the concept's positive benefits. However, utilizing the Indo-Pacific as a competitive strategy vis-à-vis China has become more frequent as leaders from each state have simultaneously taken harder lines against Chinese behavior. American leaders have called China a revisionist power; Japan has emphasized the need for "international standards" in infrastructure development; Australia has expounded the importance of Indo-Pacific democracies; and India has more actively promoted a rules-based regional order. As a result, many observers have conflated the Indo-Pacific concept with efforts to balance China's rise.

Third, it is still unclear how ASEAN centrality and unity relate to the Indo-Pacific concept. The Quad states have emphasized the importance of ASEAN centrality and unity, but their definition and expectations remain ambiguous. Indeed, ASEAN's view of the Indo-Pacific concept has been cautious, with legitimate concerns over triggering further great power competition in Southeast Asia. There are real concerns that the Quad framework could also marginalize the role of ASEAN in the region. Thus, it is necessary to clarify the role of ASEAN member states and ASEAN-led regional institutions in the Indo-Pacific concept.

Evolving Regional Architecture in the Indo-Pacific

The traditional regional architecture in the Asia-Pacific/East Asia has been structured in three layers: U.S. bilateral alliances, ad-hoc cooperative frameworks, and ASEAN-led multilateralism. The first layer is the U.S. alliance network—the so-called "hub-and-spokes" system—consisting of alliances with Japan, Australia, South Korea, the Philippines, and Thailand. These alliances have checked rising powers and deterred efforts to shift the regional status quo. The second layer includes ad-hoc cooperative frameworks, such as the Trilateral Coordination and Oversight Group, the Six Party Talks, the Asian Senior-level Talks on Non-Proliferation, the Proliferation Security Initiative, and the Container Security Initiative. The third layer is ASEAN-led multilateralism. This derives from the proliferation of regional institutions that ASEAN established in the post-Cold War period, including the ASEAN Regional Forum (ARF), ASEAN+3, East Asia Summit (EAS), ASEAN Defense Ministers Meeting (ADMM)Plus, and Expanded ASEAN Maritime Forum. Today, the Regional Comprehensive Economic Partnership (RCEP) is also an important framework, as is the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). This three-layered architecture has remained since the end of the Cold War.

However, this three-layered model has been increasingly challenged by the rapidly changing strategic environment in Asia. Foremost among these challenges has been the increasing salience of non-traditional security issues, particularly international terrorism; Chinese gray zone activities in the East and South China Seas; extra-regional threats to the current international order, such as Russia's control over Crimea; and China's expanded outreach throughout the region.

Regional institutions have been forced to adapt to these challenges. The hub-and-spokes system has become more networked as the spokes have become strategically connected with each other. Examples include the Trilateral Strategic Dialogue, Japan-Australia security cooperation, and Australia-South Korea security cooperation. CPTPP also aims to create new, high-standard rules and norms for international economic transactions. New minilateralism has also emerged. By reaching out to new partners, such as India, the United States and its allies have started linking other states to the U.S. alliance network by creating frameworks such as the Quad, the U.S.-Japan-India trilateral, and the U.S.-Australia-India dialogue. Japan has also strengthened security links with ASEAN through capacity-building programs and joint military exercises, as illustrated by the 2016 Vientiane Vision.

Ad-hoc cooperation between regional states and external actors is also emerging. European states, such as the United Kingdom, France, and Germany, have increased their presence in Asia via enhanced cooperation with Australia, Japan, Singapore, and other states. More specifically, the Five Power Defence Arrangement (FPDA) aims to increase its presence in the Indo-Pacific region and the U.S.-Australia-New Zealand dialogue was renewed in 2018. India and France have also increased security cooperation in the western part of the Indian Ocean. Nevertheless, the level of commitment of external actors such as those in Europe will need to be further explored and clarified through specific initiatives and projects.

These new security relationships have complicated existing institutional arrangements in the Indo-Pacific, but ASEAN-led multilateralism has been challenged most fundamentally by Chinese efforts. China is an important strategic player in shaping the Indo-Pacific region, best evidenced by its Belt and Road Initiative (BRI). China has also created new institutions and ad-hoc forums in Asia, such as the Asian Infrastructure Investment Bank (AIIB) and the Belt and Road Forum for International Cooperation, expanding its strategic horizon westward. China's broader geostrategic objectives are illustrated by its growing presence in Africa, the China-Pakistan Economic Corridor and Gwadar port deal, economic influence over Maldives, and the Hambantota port in Sri Lanka, where a Chinese state-owned enterprise gained a 99-year lease as compensation for a bad loan. Although China's economic and development engagements are not always motivated by geostrategic rationales, China has steadily increased its political influence in the Indo-Pacific region.

The current economic confrontation between the United States and China has also caused shifts and disruptions in regional supply chains. It has also compelled Chinese companies to relocate their export operations and to some extent their manufacturing bases from China to other regional states, consequently accelerating the expansion of Chinese presence in regional economies.

Recommendations

1. Jointly Define Indo-Pacific Objectives

- **The fundamental objective of the Indo-Pacific concept should be to maintain a rules-based international order.** However, this does not mean that current rules and norms must be fixed. Rather, rules and norms can and should be altered over time to reflect changing realities. If rules do not exist for certain issues, then they should be created in a transparent manner. This process of rule-making sustains the current international order as much as the principles themselves. In adapting existing rules, Japan and the United States should emphasize two core principles: 1) peaceful resolution of disputes through dialogue and 2) avoidance of unilateral action to alter the status quo.
- **Given their different strategic objectives, priorities, and tools, it is unreasonable to synthesize every aspect of strategy.** Yet, to avoid unnecessary and unacknowledged inconsistencies in Japanese and American policies, Tokyo and Washington should identify common objectives with overlapping geographic scopes, and should coordinate their policies to clarify any inconsistencies while respecting differing policy emphases. The allies should define and prioritize their basic common objectives and develop action plans, particularly in maritime security, infrastructure development, and digital platforms.

2. Prioritize and Standardize Hard and Soft Infrastructure

- **Infrastructure development is the key economic driver in the Indo-Pacific.** Although the region is becoming the world's economic engine, its potential cannot be fully utilized if infrastructure shortages persist. Considering that Asia requires \$1.7 trillion per year for infrastructure investment to maintain its economic growth, infrastructure development in the Indo-Pacific region should be a top policy priority.
- **The allies should promote the standardization of high-quality infrastructure.** Traditional hard infrastructure—roads, ports, airports, and railways—is currently the most important factor for enhancing connectivity in the Indo-Pacific. However, economic and political sustainability depends on the quality of the infrastructure, including attention to maintenance needs, durability, environmental considerations, and labor rights. The quality of infrastructure thus needs to be protected and standardized, first by the United States, Japan, and like-minded states such as Australia, and then among an expanded group of other states.
- **Improvement of so-called “soft” (or digital) infrastructure is just as important as hard infrastructure in the Indo-Pacific.** Rapid changes in technologies, such as 3D printing, artificial intelligence (AI), the Internet of Things (IOTs), cloud technology, and financial technology (FinTech), are driving major societal changes. The allies should invest and promote open digital infrastructure, especially in Southeast Asia. Currently, most Southeast Asian countries lack such infrastructure, but China is actively engaged and investing. To ensure the openness of digital infrastructure, the United States and Japan should concentrate

and invest in this region, particularly in collaboration with other technological leaders, including Singapore and South Korea.

3. Enhance Quadrilateral Information Sharing and Capacity Building

- **Quadrilateral cooperation among Japan, the United States, Australia, and India has the potential to form a core Indo-Pacific institution.** However, coordination is still in a rudimentary phase and will likely remain so in the near future. Therefore, all four countries should nurture the framework over time while also remaining open to new members and agendas. It is important that major democratic players, such as South Korea and various ASEAN members, do not feel excluded from this group, so the Quad should explore their potential participation through bilateral and multilateral dialogues. Members should also create a mechanism for policy coordination with other existing regional institutions, such as ASEAN, while institutionalizing the lines of communication with external powers, such as France, the United Kingdom, and Germany.
- **The Quad members should prioritize three core issues on their agenda: maritime security, hard infrastructure development, and soft infrastructure development.** The key benefits that the Quad members can provide in these areas are information sharing and capacity-building programs. Maritime domain awareness is a critical capability in the Indo-Pacific region, so members should work together to build monitoring systems and extend assistance to regional states, particularly Vietnam and the Philippines.

4. Update and Strengthen the East Asia Summit

- **ASEAN centrality and unity are an important principle not only for nurturing regionalism, but also for reassuring Southeast Asia that it will not be politically marginalized.** With this in mind, the appropriate focal institution for nurturing Indo-Pacific regionalism is the East Asia Summit (EAS), which is the only summit-level forum that includes heads of state from the entire region. EAS is now in a transition period as the Kuala Lumpur Declaration issued on the occasion of its 10th anniversary aims to improve its strategic relevance. ASEAN also released its “Outlook on the Indo-Pacific” that envisages ASEAN centrality as an underlying principle for promoting cooperation in the Indo-Pacific.
- **To strengthen the EAS’s functionality in the Indo-Pacific, regional states should consider several reforms.** First, the East Asia Summit could be renamed the Indo-Pacific Summit to reflect the growing relevance and importance of the Indian Ocean region. In discussion with the ASEAN member states, Japan and the United States should also promote inclusion of infrastructure development (including digital infrastructure) as a priority area in addition to ASEAN connectivity. Furthermore, the EAS should discuss potential rules and norms that member states can agree upon in the broader Indo-Pacific region.

5. Enhance Ad-hoc Issue-based Cooperation with External States

- **Ad-hoc cooperative frameworks are increasingly important due to the growing presence of external actors in the Indo-Pacific region.** Japan and other regional leaders should invite like-minded states, such as the United States, Australia, India, South Korea, and ASEAN member states, to engage in ad-hoc bilateral and multilateral cooperation with extra-regional actors that share core principles, including the United Kingdom, France, and Germany.
- This networked cooperative framework can provide a platform for like-minded external states to flexibly cooperate with each other in particular issue areas, such as joint military exercises, capacity building of maritime law enforcement, and search and rescue. In conducting such ad-hoc coordination, it will be critical that all parties maintain transparency on their activities to avoid creating unnecessary suspicions within the region.

6. Facilitate Track 1.5 Dialogues and Private Sector Cooperation

- **Various countries have different conceptual frameworks for the Indo-Pacific, which could produce confusion, inefficiency, and redundancy in cooperative activities in the Indo-Pacific.** To prevent this, Japan and the United States should establish an Indo-Pacific research consortium, a track-1.5 dialogue modeled on Indonesia's High-Level Dialogue on Indo-Pacific Cooperation. This dialogue should seek to sharpen the concept of a free and open Indo-Pacific, identify potential areas of cooperation among the regional states, resolve conceptual differences, and manage conflicts of interest among regional states.
- **It is also important that the private sector take a more active role in enhancing cooperation within the Indo-Pacific region.** Japan and the United States should create training and educational programs to facilitate skill transfer on issues ranging from contracting arrangements to maintenance processes to cyber security for digital infrastructure. The private sector—particularly the information technology and communication industries—can play a valuable role in facilitating these types of programs in the Indo-Pacific region.

7. Achieve a Legally Binding CoC and Joint Monitoring Mechanism in the South China Sea

- **The 2016 South China Sea Arbitration Award and ongoing negotiations over the South China Sea Code of Conduct (CoC) have not prevented regional states, particularly China,** from conducting unilateral actions in the South China Sea. Beijing has rapidly militarized seven artificial islands in the Spratlys and continues to contest other countries' lawful activities in their own exclusive economic zones. Sporadic responses, such as joint maritime patrols and freedom of navigation operations, have largely failed to change Chinese behavior. This undermines the importance and credibility of international law as well as ASEAN's willingness to form a unified diplomatic stance on the South China Sea. Regional

players in the Indo-Pacific should support ongoing ASEAN-China negotiations on the South China Sea CoC, and insist that the CoC be legally-binding based on the 1982 United Nations Convention on the Law of the Sea (UNCLOS). The CoC should include the principles of peaceful resolution of conflicts, crisis prevention, and crisis management mechanisms.

- **In order to deter actions that undermine international rules and norms, the United States and Japan, in collaboration with Australia and ASEAN’s littoral states, should help create a joint monitoring mechanism for the South China Sea.** Such an initiative could highlight violations of international law by any and all claimant states, including China. Tokyo and Washington should also seek to coordinate policies with other key players and to shape international public opinion by increasing the visibility of the situation. This could force China to respect its legal commitments and facilitate the provision of diplomatic, economic, and military assistance from external actors if China proves unwilling to follow the rules.

8. Cultivate Resilience Against Influence Operations

- **In recent years, democratic governments around the world have struggled to manage foreign influence operations.** Authoritarian states have used their political, economic, and societal influence to shape messages in social media, culture, think tanks, and academia. This type of “sharp power” has become an important tool to influence, distract, and manipulate key political decisions, including elections. Sharp power is therefore a serious risk to the “free and open” Indo-Pacific.
- **In order to develop effective tools to counter sharp power and maintain free and resilient societies, Japan and the United States should support efforts to bolster resilience in democracies.** Standardization of data privacy and information protection laws is critical to this effort. Regional standardization under the General Data Protection Regulation framework should be discussed, particularly in the area of new technologies, including cybersecurity and digital infrastructure (e.g., 5G networks). The allies and should lead efforts to rally democracies to develop and refine criteria to manage foreign influence, including foreign funding of politicians, bureaucrats, private sectors, think tanks, and academics across the Indo-Pacific region.