

ISSN 0219-3213

2019 no. 12

Trends in  
Southeast Asia

FREE AND OPEN INDO-PACIFIC  
STRATEGY OUTLOOK

DAVID ARASE

**ISEAS** YUSOF ISHAK  
INSTITUTE

# Trends in Southeast Asia

The **ISEAS – Yusof Ishak Institute** (formerly Institute of Southeast Asian Studies) is an autonomous organization established in 1968. It is a regional centre dedicated to the study of socio-political, security, and economic trends and developments in Southeast Asia and its wider geostrategic and economic environment. The Institute's research programmes are grouped under Regional Economic Studies (RES), Regional Strategic and Political Studies (RSPS), and Regional Social and Cultural Studies (RSCS). The Institute is also home to the ASEAN Studies Centre (ASC), the Temasek History Research Centre (THRC) and the Singapore APEC Study Centre.

**ISEAS Publishing**, an established academic press, has issued more than 2,000 books and journals. It is the largest scholarly publisher of research about Southeast Asia from within the region. ISEAS Publishing works with many other academic and trade publishers and distributors to disseminate important research and analyses from and about Southeast Asia to the rest of the world.

2019 no. 12

Trends in  
Southeast Asia

FREE AND OPEN INDO-PACIFIC  
STRATEGY OUTLOOK

DAVID ARASE

**ISEAS** YUSOF ISHAK  
INSTITUTE

Published by: ISEAS Publishing  
30 Heng Mui Keng Terrace  
Singapore 119614  
publish@iseas.edu.sg  
<http://bookshop.iseas.edu.sg>

© 2019 ISEAS – Yusof Ishak Institute, Singapore

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form, or by any means, electronic, mechanical, photocopying, recording or otherwise, without prior permission.

The author is wholly responsible for the views expressed in this book which do not necessarily reflect those of the publisher.

---

### **ISEAS Library Cataloguing-in-Publication Data**

---

Names: Arase, David.

Title: Free and Open Indo-Pacific Strategy outlook / David Arase.

Description: Singapore : ISEAS – Yusof Ishak Institute, September 2019. |

Series: Trends in Southeast Asia, ISSN 0219-3213 ; TRS12/19 | Includes bibliographical references.

Identifiers: ISBN 9789814881135 (paperback) | ISBN 9789814881142 (pdf)

Subjects: LCSH: Geopolitics—Indo-Pacific Region. | Indo-Pacific Region—Strategic aspects. | International relations.

Classification: LCC DS501 I59T no. 12(2019)

---

Typeset by Superskill Graphics Pte Ltd

Printed in Singapore by Markono Print Media Pte Ltd

## FOREWORD

The economic, political, strategic and cultural dynamism in Southeast Asia has gained added relevance in recent years with the spectacular rise of giant economies in East and South Asia. This has drawn greater attention to the region and to the enhanced role it now plays in international relations and global economics.

The sustained effort made by Southeast Asian nations since 1967 towards a peaceful and gradual integration of their economies has had indubitable success, and perhaps as a consequence of this, most of these countries are undergoing deep political and social changes domestically and are constructing innovative solutions to meet new international challenges. Big Power tensions continue to be played out in the neighbourhood despite the tradition of neutrality exercised by the Association of Southeast Asian Nations (ASEAN).

The **Trends in Southeast Asia** series acts as a platform for serious analyses by selected authors who are experts in their fields. It is aimed at encouraging policymakers and scholars to contemplate the diversity and dynamism of this exciting region.

### *THE EDITORS*

Series Chairman:

Choi Shing Kwok

Series Editor:

Ooi Kee Beng

Editorial Committee:

Su-Ann Oh

Daljit Singh

Francis E. Hutchinson

Benjamin Loh



# Free and Open Indo-Pacific Strategy Outlook

By David Arase

## EXECUTIVE SUMMARY

- The United States launched a new Free and Open Indo-Pacific (FOIP) strategy in late 2017 after reluctantly concluding that its patient effort to engage and socialize China to the rules-based order since 1972 had failed. China’s behaviour since 2009 convinced the United States that China is a revisionist power seeking to impose an authoritarian model of governance in Asia which, if successful, would end the rules-based order in the Indo-Pacific as well as endanger US security and vital trade interests.
- The new US FOIP strategy initiative seeks to engage like-minded nations in economic, security (both traditional and non-traditional), and political governance partnerships to construct a collaborative and scalable network of relations that will be able to respond flexibly to meet a wide range of stakeholder needs and regional contingencies across the Indo-Pacific region.
- The United States occupies a peak organizing role in this network and works with a hierarchy of partners distributed throughout the vast Indo-Pacific to meet the economic, security, and governance capacity needs of network members at any level. The rules-based order is the “operating system” of this network approach, and so the network itself sustains the rules-based order for its members as a collective good. FOIP is more like a club that generates rules-based order benefits for its members and as such has little in common with Cold War bloc politics and containment strategy.
- Bearing in mind that FOIP is only in its start-up phase and is likely to gather momentum going forward; that the elements of this network strategy are already in place; and that the United States and its main FOIP partners together have considerable material, organizational, and soft power resources, one may say that its prospects for long-term sustainability and success are not bad.





# Free and Open Indo-Pacific Strategy Outlook

By David Arase<sup>1</sup>

## INTRODUCTION

At the November 2017 APEC meeting in Da Nang, US President Donald Trump announced a new approach towards Asia with a slogan “Free and Open Indo-Pacific” (FOIP) that was repeated in the US National Security Strategy (NSS) of December 2017. The FOIP slogan had already been used by Japan to name its own strategic approach towards the Indo-Pacific<sup>2</sup> while Australia had used the term Indo-Pacific in its 2016 Defence White Paper<sup>3</sup> and 2017 Foreign Policy White Paper.<sup>4</sup> What, if anything, US FOIP meant in terms of a coherent policy strategy became relatively clear only in late 2018.

As explained below, FOIP seeks to engage like-minded nations in the now-integrated Indian Ocean and Asia-Pacific regional complex. The strategy is to construct a collaborative and scalable network of partnerships with FOIP stakeholders that will be able to respond flexibly

---

<sup>1</sup> David Arase is Resident Professor of International Politics, the John Hopkins University–Nanjing University Center for Chinese and American Studies, Nanjing, China. He was Visiting Senior Fellow at the ISEAS – Yusof Ishak Institute, Singapore from 1 July to 8 August 2019.

<sup>2</sup> “Towards Free and Open Indo-Pacific”, Ministry of Foreign Affairs of Japan, June 2019, <https://www.mofa.go.jp/files/000407643.pdf>.

<sup>3</sup> “2016 Defence White Paper”, Department of Defence, Government of Australia, <http://www.defence.gov.au/WhitePaper/Docs/2016-Defence-White-Paper.pdf>.

<sup>4</sup> “2017 Foreign Policy White Paper”, Australian Government, <https://www.fpwhitepaper.gov.au>.

to meet a wide range of stakeholder needs and regional contingencies in the Indo-Pacific region (IPR).

The shared material interest among FOIP stakeholders is open and unhindered trade and investment flows between the United States and its advanced allies on the one hand and, on the other hand, developing countries in Southeast Asia and South Asia that could drive global growth for the next two generations if they make it through the middle-income trap. To make this a reality, both the advanced West and developing Asia have a vital stake in maintaining open trade and investment relations with each other.

This FOIP strategy marks a new era in US Asia policy. From 1972 to 2017, one could characterize US strategy towards Asia as one of “China engagement”. After informal relations with China began under Nixon based on shared but narrow anti-Soviet interests, the United States worked patiently to broaden friendly cooperative relations with China in order to win its trust and socialize it to the “rules-based order” (RBO).

Today, however, the United States has reluctantly concluded that the China engagement strategy has failed, and that China is a confirmed dissatisfied rising power that seeks to coercively institute its own model of narrowly self-interested regional governance that, if successful, could end the RBO in the IPR. The US National Security Strategy (NSS) published in December 2017 gives the following assessment of China’s strategic ambitions relative to the RBO today:

China is using economic inducements and penalties, influence operations, and implied military threats to persuade other states to heed its political and security agenda. China’s infrastructure investments and trade strategies reinforce its geopolitical aspirations. Its efforts to build and militarize outposts in the South China Sea endanger the free flow of trade, threaten the sovereignty of other nations, and undermine regional stability. China has mounted a rapid military modernization campaign designed to limit U.S. access to the region and provide China a freer hand there. China presents its ambitions as mutually beneficial, but Chinese dominance risks diminishing the sovereignty of many states in the Indo-Pacific. States throughout the region are calling

for sustained U.S. leadership in a collective response that upholds a regional order respectful of sovereignty and independence.<sup>5</sup>

Thus, the United States seems to believe that China's strategic ambition is to limit outside access to the IPR by making the region overly dependent on China for development in order to harvest for itself the region's growth. Though US FOIP will cooperate with China where specific interests coincide, it anticipates China working to subvert the RBO. For this reason, the United States is now focused on engaging like-minded nations both inside and outside the IPR in order to preserve at least for themselves the RBO in the IPR.

## **FOIP ROLLOUT**

Trump's November 2017 FOIP speech was followed by a working level meeting of the Indo-Pacific "Quad" (United States, Japan, India and Australia) at the November 2017 ASEAN Summits. This meeting revived the so-called Quadrilateral Strategic Dialogue (QSD) first convened but then quickly abandoned in 2007 due to Chinese objections. The Quad has an interest-based as well as a values-based concern to cooperatively preserve the RBO through informal diplomatic consultations.

The December 2017 NSS focused on strategic threats posed by near-peer states China and Russia and pointed to the IPR as the new regional priority. China was singled out for attempting to deny the United States a lawful right to patrol and transit the critically important South China Sea, without which the United States would be unable to secure its own and its allies' trade and economic security in the Indo-Pacific.

Trump took action to revise the imbalanced terms of economic engagement with China in March 2018 when he threatened tariffs on Chinese imports unless China implemented reciprocal market access

---

<sup>5</sup> "National Security Strategy of the United States of America", December 2017, p. 46, <https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf>.

and intellectual property protections for US firms. Trade talks were soon begun but led nowhere, and so the United States levied a 25 per cent tariff on US\$34 billion of Chinese imports in July. This began a tariff war that has since escalated and spread into technology, investment, and financial areas to now threaten the two giant economies with decoupling.

Worth noting is that, with each side losing access to its single largest overseas market in a decoupling scenario, access to growing IPR markets would assume even greater strategic importance for both the United States and China.

### *A Whole of Government Effort*

A State Department briefing on FOIP in April 2018 referenced the interagency process that was planning and operationalizing the strategy. It explained that FOIP revolved around such ideas as freedom from coercion and freedom of choice, respect for lawful sovereign rights; open international sea and air lanes; open infrastructure connectivity; free, open, and reciprocal trade and investment access; and strategic partnerships that span and integrate the Indian Ocean and Asia-Pacific regions under a “rules-based order” that sustained these ideas in practice.<sup>6</sup>

This was followed in July 2018 by secretary of state Mike Pompeo who gave a speech announcing a whole-of-government economic dimension in FOIP to catalyse partnerships with other donors and private sector actors in development projects in the Indo-Pacific. The areas of digital economy (Digital Connectivity and Cybersecurity Partnership),<sup>7</sup> infrastructure (Infrastructure Transaction and Assistance Network),<sup>8</sup>

---

<sup>6</sup> “Briefing on the Indo-Pacific Strategy”, US Department of State, 2 April 2018, <https://www.state.gov/r/pa/prs/ps/2018/04/280134.htm>.

<sup>7</sup> “Digital Connectivity and Cybersecurity Partnership”, US Trade and Development Agency, [https://ustda.gov/sites/default/files/DCCP%20Brief%202.26.19%20v3\\_0.pdf](https://ustda.gov/sites/default/files/DCCP%20Brief%202.26.19%20v3_0.pdf).

<sup>8</sup> “The Infrastructure Transaction and Assistance Network”, [https://build.export.gov/build/idcplg?IdcService=DOWNLOAD\\_PUBLIC\\_FILE&RevisionSelectionMethod=Latest&dDocName=eg\\_ip\\_127502](https://build.export.gov/build/idcplg?IdcService=DOWNLOAD_PUBLIC_FILE&RevisionSelectionMethod=Latest&dDocName=eg_ip_127502).

and energy (Asia EDGE (Enhancing Development and Growth through Energy))<sup>9</sup> were targeted.

The new Indo-Pacific strategic focus began making a mark on legislation in August 2018 when Congress passed the National Defense Authorization Act of 2019 that contained new provisions requiring that Congress be promptly informed of Chinese actions further militarizing the South China Sea.<sup>10</sup> The US Congress followed this with the Better Utilization of Investment Leading to Development (BUILD) Act in October 2018 that transformed an overseas investment insurance agency into the US International Development Finance Corporation (IDFC) with initial funding of US\$60 billion for its first five years of operation.<sup>11</sup> The new IDFC is authorized to finance exports, make project equity investments, and issue loans as well as investment risk insurance. The IDFC's role would be to mobilize private capital through public-private partnerships targeting sustainable digital, energy, and trade infrastructure projects.<sup>12</sup>

In October and November 2018, Vice President Mike Pence gave major speeches on US-China relations leaving no doubt that China was a strategic competitor that threatened US security and vital US interests

---

<sup>9</sup> “Asia EDGE—Enhancing Development and Growth Through Energy”, [https://build.export.gov/build/idcplg?IdcService=DOWNLOAD\\_PUBLIC\\_FILE&RevisionSelectionMethod=Latest&dDocName=eg\\_ip\\_128819](https://build.export.gov/build/idcplg?IdcService=DOWNLOAD_PUBLIC_FILE&RevisionSelectionMethod=Latest&dDocName=eg_ip_128819).

<sup>10</sup> Ankit Panda, “US 2019 Defense Bill Calls for Public Reporting on China’s Militarization Activities in the South China Sea”, *The Diplomat*, 3 August 2018, <https://thediplomat.com/2018/08/us-2019-defense-bill-calls-for-public-reporting-on-chinas-militarization-activities-in-the-south-china-sea/>.

<sup>11</sup> Section 2463, BUILD Act of 2018, 115th Congress (2017–18), <https://www.congress.gov/bill/115th-congress/senate-bill/2463/text>.

<sup>12</sup> “The BUILD Act Has Passed—What’s Next?”, *Critical Questions*, CSIS, 12 October 2018, <https://www.csis.org/analysis/build-act-has-passed-whats-next>; George Ingram, “How the BUILD Act advances development”, *Brookings*, 10 July 2018, <https://www.brookings.edu/blog/future-development/2018/07/10/how-the-build-act-advances-development/>.

in the IPR.<sup>13</sup> In his speech to APEC, Pence also announced a US\$400 million Indo-Pacific Transparency Initiative to fund the promotion of good governance practices among developing country partners in the IPR.

The new FOIP strategy was not explained with Cold War hostility towards China. Pence called for better relations with China based on fairness, reciprocity, and respect for sovereignty. Defense Secretary James Mattis at the 2018 Shangri-La Dialogue, while denouncing Chinese activities that threaten the RBO in the South China Sea and elsewhere, also expressed the desire to cooperate with China where parallel interests made this possible.<sup>14</sup> The dominant theme, however, was US resolve to defend the RBO.

In December 2018, Congress passed the Asia Reassurance Initiative (ARIA) Act giving further evidence of bipartisan Congressional support for FOIP. This provided US\$1.5 billion to fund whole of government FOIP policy making and implementation by the executive branch with a requirement to report annually to Congress on progress being made on a broad range of Congressionally mandated Indo-Pacific concerns and goals.<sup>15</sup>

---

<sup>13</sup> “Vice President Mike Pence’s Remarks on the Administration’s Policy Towards China”, Hudson Institute, 4 October 2018, <https://www.hudson.org/events/1610-vice-president-mike-pence-s-remarks-on-the-administration-s-policy-towards-china102018>; “Prepared Remarks for Vice President Pence at the East Asia Summit Plenary Session”, Suntec City, Singapore, 15 November 2018, <https://www.whitehouse.gov/briefings-statements/prepared-remarks-vice-president-pence-east-asia-summit-plenary-session/>; “Remarks by Vice President Pence at the 2018 APEC CEO Summit, Port Moresby, Papua New Guinea”, 16 November 2018, <https://www.whitehouse.gov/briefings-statements/remarks-vice-president-pence-2018-apec-ceo-summit-port-moresby-papua-new-guinea/>.

<sup>14</sup> “Remarks by Secretary Mattis at Plenary Session of the 2018 Shangri-La Dialogue”, 2 June 2018, <https://www.defense.gov/Newsroom/Transcripts/Transcript/Article/1538599/remarks-by-secretary-mattis-at-plenary-session-of-the-2018-shangri-la-dialogue/>.

<sup>15</sup> Section 2736, The Asia Reassurance Initiative Act of 2018. 115th Congress (2017–18), <https://www.congress.gov/bill/115th-congress/senate-bill/2736/text>.

In sum, the year 2018 marked the start of a whole of government effort to develop the new FOIP initiative which, unless China has a change of heart and decides to support the RBO, is likely to characterize US Asia policy for decades to come as an expression of deeply held US values and compelling material interest. To understand why this is so, FOIP must be viewed in historical perspective.

## FOIP IN HISTORICAL PERSPECTIVE

The American commitment to free trade dates from the Boston Tea Party (1773), a protest against British restraints on American trade (British monopolization and taxation of tea trade with China in this instance) that triggered escalating American colonial conflict with British authorities that culminated in the American Revolutionary War (1775–83).<sup>16</sup>

American concern to defend open navigation led to the First Barbary War (1801–5), the first overseas naval conflict waged by the United States, in this case to protect American commerce in the Mediterranean Sea from North African state-sponsored piracy and hostage-taking.<sup>17</sup>

### *Open Door Principles*

Free trade and freedom of navigation concerns characterized fundamental US policy in Asia, which was first expressed in the Open Door Notes of 1899 and 1900. The United States circulated these diplomatic notes to other powers stating that it expected them to respect the sovereignty and territorial integrity of China; and to give equal trade access and treatment to all powers under customary law within their respective treaty ports.

The United States introduced the progressive idea of a global rules-based international order when President Woodrow Wilson advocated the League of Nations collective security system whereby the rights of

---

<sup>16</sup> “Boston Tea Party”, *Encyclopedia Britannica* (online ed.), <https://www.britannica.com/event/Boston-Tea-Party>.

<sup>17</sup> “First Barbary War”, *Encyclopedia Britannica* (online ed.), <https://www.britannica.com/event/First-Barbary-War>.



states could be secured and conflicts could be peacefully resolved based on the sovereign equality of nation-states under the international rule of law, a principle that has become a global norm.<sup>18</sup>

The United States applied this RBO approach in Asia when it hosted the Washington Naval Conference (1921–22). This conference produced legally binding major power treaties that limited naval armaments in the Asia-Pacific; guaranteed the Open Door principles in China; and caused powers to renounce any further colonial acquisitions in Asia.<sup>19</sup>

The onset of the Great Depression and Imperial Japan’s desperation to maintain its industrial development in the face of declining trade led to militarism and Japan’s imperialist effort to construct an exclusive “Greater East Asia Co-Prosperty Sphere” to sequester markets and resources needed to support Japan’s continuing industrial rise. Japan’s imperialist programme violated China’s sovereignty and territorial integrity—as well as US Open Door and free trade principles—to produce the Pacific War (1941–45) that led to Japan’s defeat.

As World War II was drawing to a close, the United States orchestrated the UN and the Bretton Woods institutions (IMF, World Bank, and WTO) to globalize free trade under the RBO. The UN “peace through law” approach to international order attracted universal membership, but communist states spurned the Bretton Woods institutions due to ideological hostility towards private property rights, individual liberties, and legal limitations to state power—fundamental precepts upon which liberal market economies rest.

After the war, the United States anticipated having the Republic of China (ruled by the KMT) as America’s main ally supporting the RBO in Asia. But as fate would have it, the Communist Party of China (CPC)

---

<sup>18</sup> “Declaration of the High-level Meeting of the General Assembly on the Rule of Law at the National and International Levels”, UN General Assembly, A/67/L.1 (adopted 19 September 2012), [https://www.un.org/ga/search/view\\_doc.asp?symbol=A/67/L.1](https://www.un.org/ga/search/view_doc.asp?symbol=A/67/L.1).

<sup>19</sup> “Washington Naval Conference 1921–22”, *Encyclopedia Britannica* (online ed.), <https://www.britannica.com/event/Washington-Conference-1921-1922>.

subsequently waged and won a civil war against the KMT to establish the People's Republic of China (PRC) in 1949. Soon thereafter, communist North Korean forces invaded non-communist South Korea to spark the Korean War (1950–53), which ushered in the Cold War era in Asia.

Having “lost” China to communism, the United States turned to Japan and other market-oriented allies and friends to form alliances and support free trade under the RBO in Asia. The US policy of Cold War “containment” meant defence of the liberal trading system and its members from external aggression and domestic subversion by communist actors.

### *The Era of China Engagement 1972–2017*

Containment of communist China effectively ended in 1972 when US President Richard Nixon visited China to begin a new era of China engagement. Mao Zedong needed US strategic support and cooperation as China struggled both to recover from the Cultural Revolution and to meet a Soviet threat of armed aggression created by sharp Sino-Soviet rivalry for leadership of international communism, and unresolved border disputes.

Meanwhile, Nixon believed that by strategically engaging and assisting China he could reduce regional tensions; work to dissolve China's isolation and bitter ideological hostility toward the outside world;<sup>20</sup> isolate and weaken the Soviet Union; and gain China's assistance in ending the Vietnam War.

The Nixon visit created provisional anti-Soviet alignment between erstwhile ideological enemies which developed rather quickly into normalized diplomatic relations in 1979. After the death of Mao in 1976, leadership passed to the strategically nimble Deng Xiaoping who looked

---

<sup>20</sup> Richard M. Nixon, “Asia After Viet Nam”, *Foreign Affairs* (October 1967), pp. 111–25.

to modernize China through economic exchange with the West. Thus, began China's reform and opening up agenda that imported badly needed capital, technology, and market institutions, but also inevitably opened China to political and cultural influences from the liberal West.

Despite the brutal suppression of pro-democracy petitioners at Tiananmen Square and the end of the Cold War with the Soviet Union in 1989, US engagement with communist-ruled China persisted. The United States wanted access to the developing China market and believed that economic liberalization would, if not democratize the CPC, at least socialize it to the RBO. Deng pragmatically decided to “hide plans and bide time” (*tao guang yang hui* 韬光养晦) as the United States continued to help China integrate into the free trade order and modernize its economy under a strict Leninist one-party dictatorship.

### *China Grows Assertive, 2008–12*

The year 2008 marked the Beijing Olympics celebration of China's successful modernization as well as the Global Financial Crisis (2008–9). This was immediately followed by Eurozone troubles that developed into a crisis (2010–11). Meanwhile, China with its marketized but still party-state managed economy was able to maintain strong growth using monetary stimulus and by 2010 China surpassed Japan in current GDP to become the largest Asian economy and the second largest national economy in the world.

This apparent crisis of Western capitalism and precipitous decline of US power contrasted with China's brilliant economic progress since the dark days of 1972. The prospect of surpassing US GDP within a generation may help to explain China's turn towards assertiveness in demanding great power rights and prerogatives as Asia's once and future suzerain power.

In 2009, China began unilaterally enforcing maritime governance rights in disputed sea zones and demanding a handover of disputed land features in the East and South China Seas. Hillary Clinton's efforts at the 2010 ARF meeting to mediate these disputes was angrily denounced by China, and President Barack Obama's “strategic pivot” in 2011 intended

to deter Chinese RBO revisionism only caused China to accuse the United States of “meddling” in Asia and trying to “contain” China.

As if to demonstrate the futility of curbing China’s ambitions, in early 2012 China sent a large fleet of fishing vessels supported by coast guard and naval vessels to forcibly occupy Scarborough Shoal/Huangyandao in the South China Sea. This success was followed by a similar but less fruitful campaign directed against Japanese administered islands in the East China Sea in the summer of 2012.

### *Xi Jinping and the Chinese Dream Agenda*

It was difficult for the United States to assess the meaning of Chinese assertiveness until Xi Jinping became general secretary of the CPC in November 2012 and made the Chinese Dream and the great rejuvenation of the Chinese peoples the theme of a new era in the history of the CPC and China.

In essence, after standing up under Mao (1949–76) and getting rich but keeping low in the Deng era (1978–2012), it was time for China under CPC rule to regain a position of strength and dominance under Xi, who asserted that by 2049, the 100th anniversary of CPC victory in 1949, China will have rectified the century of humiliations that followed the First Opium War (1839–41), and will have reclaimed China’s place at centre stage in world affairs.

When he met President Barack Obama in the summer of 2013, Xi explained the “new model of great power relations” that he proposed to govern US-China relations in the era of China’s rise to great power status. According to this concept, China’s core interests reside in Asia while US core interests reside in the West. As great powers, the United States and China must maintain equal status and mutual respect for each other’s core interests; properly handle inevitable differences; and continue win-win cooperation at all costs to avoid the Thucydides trap of great-power war.

The logical implication was that the United States had to show respect and accommodate China’s core interests in Asia—however China chose to define these. For example, since 2010 the Chinese were thinking that

the South China Sea and other disputed territories should be included in its “core interests”, and by 2015 the National Security Law passed by the National People’s Congress finally made it official.<sup>21</sup>

At the same time, China had long called on the United States to “abandon Cold War thinking”—code language for withdrawing from Asian alliances and bases dating from that era. China’s bullying of US treaty allies Japan and the Philippines in 2010–12 just before Xi pitched the new type of great power relations idea strongly suggested that in order to maintain peaceful cooperative relations with China and avoid the Thucydides trap the United States should now step aside and cede to China the governance of Asian international relations.<sup>22</sup>

Xi next announced the Belt and Road Initiative (BRI) in fall 2013 at a central work forum on diplomacy towards the periphery.<sup>23</sup> Chinese financing and Chinese state-owned enterprises (SOEs) would construct corridors of land and maritime economic connectivity radiating out from China to every corner of Eurasia and the surrounding regions of Africa

---

<sup>21</sup> Edward Wong, “Chinese Military Seeks to Extend Its Naval Power”, *New York Times*, 23 April 2010, <https://www.nytimes.com/2010/04/24/world/asia/24navy.html?module=inline>; Edward Wong, “Security Law Suggests a Broadening of China’s ‘Core Interests’”, *New York Times*, 2 July 2015, [https://www.nytimes.com/2015/07/03/world/asia/security-law-suggests-a-broadening-of-chinas-core-interests.html?\\_r=0](https://www.nytimes.com/2015/07/03/world/asia/security-law-suggests-a-broadening-of-chinas-core-interests.html?_r=0).

<sup>22</sup> Jane Perlez, “China’s ‘New Type’ of Ties Fails to Sway Obama”, *New York Times*, 9 November 2014, <https://www.nytimes.com/2014/11/10/world/asia/chinas-new-type-of-ties-fails-to-sway-obama.html>; Cheng Li and Lucy Xu, “Chinese Enthusiasm and American Cynicism over the ‘New Type of Great Power Relations’”, *Brookings*, 4 December 2014, <https://www.brookings.edu/opinions/chinese-enthusiasm-and-american-cynicism-over-the-new-type-of-great-power-relations/>; Jinghan Zeng, “Constructing a ‘New Type of Great Power Relations’: The State of Debate in China (1998–2014)”, *British Journal of Politics and International Relations* 18, no. 2 (2016): 422–42, <https://doi.org/10.1177/1369148115620991>.

<sup>23</sup> Timothy Heath, “Diplomacy Work Forum: Xi Steps Up Efforts to Shape a China-Centered Regional Order”, *China Brief* 13, no. 22 (7 November 2013), <https://jamestown.org/program/diplomacy-work-forum-xi-steps-up-efforts-to-shape-a-china-centered-regional-order/>.

and Oceania. Its strategic aims were to cultivate new overseas markets and critical import sources to sustain China's continuing rise through a Chinese-orchestrated BRI connectivity network.<sup>24</sup>

Along with BRI, Xi announced a concept of regional governance called the community of common (or shared) destiny (*mingyun gongtongti* 命运共同体) to be constituted from a BRI community of states to be linked to China's economy and drawn into China's economic orbit. Beginning with economic governance, China's regional governance would extend into political and strategic areas to create a harmonious order of "combined destiny" centred on China.<sup>25</sup>

Xi next announced a new security concept for Asia at the Conference on Interaction and Cooperation in Asia (CICA) summit meeting in 2014.<sup>26</sup> The key principles were that Asian security concerned only Asian states; military alliances play no role; disputes are to be managed solely by the directly involved disputants (i.e., no international tribunals); and shared development takes precedence over everything else.

As for who intended to manage strategic affairs in Asia, events in 2015 including a huge military parade staged in Beijing;<sup>27</sup> an artificial island construction campaign in the South China Sea;<sup>28</sup> and the construction of

---

<sup>24</sup> National Development and Reform Council of China, "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road", 28 March 2015, [http://en.ndrc.gov.cn/newsrelease/201503/t20150330\\_669367.html](http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html).

<sup>25</sup> Heath, "Diplomacy Work Forum"; David Arase, "China's Two Silk Roads: Implications for Southeast Asia", in *The Third ASEAN Reader*, compiled by Ooi Kee Beng et al. (Singapore: ISEAS – Yusof Ishak Institute, 2015), Ch 79.

<sup>26</sup> Xi Jinping, "Remarks at the Fourth Summit of the Conference on Interaction and Confidence Building Measures in Asia", 21 May 2014, [http://www.china.org.cn/world/2014-05/28/content\\_32511846.htm](http://www.china.org.cn/world/2014-05/28/content_32511846.htm).

<sup>27</sup> "The World's Next Superpower Announces Itself with an Epic Parade", *Time Magazine*, 3 September 2015, <https://time.com/4021131/china-parade-beijing-military-world-war/>.

<sup>28</sup> Andrew Erickson and Kevin Bond, "China's Island Building Campaign Could Hint Toward Further Expansions in Indian Ocean", *USNI News*, 17 September 2015, <https://news.usni.org/2015/09/17/essay-chinas-island-building-campaign-could-hint-toward-further-expansions-in-indian-ocean/>.

a second aircraft carrier<sup>29</sup> left no doubt that China intended to play this role.

## **THE UNITED STATES ENDS CHINA ENGAGEMENT AND BEGINS FOIP**

By this time, China's assertiveness under Xi raised doubts in the United States about the success of US engagement strategy but the US community of China experts who spent careers devoted to China engagement mostly remained focused on nurturing cooperative relations with China.<sup>30</sup> But opinion in the wider US foreign policy community regarding China engagement turned sceptical due to the CPC's increasingly intolerant ideological grip on all aspects of domestic thought and behaviour; intensifying party-state efforts to speed the development of Chinese enterprises able to replace Western firms in high value-added sectors first inside China and then in global markets;<sup>31</sup> rapid construction of militarized artificial islands in the South China Sea to enforce China's excessive maritime governance claims there; and its defiant rejection of the 2016 finding by the Permanent Court of Arbitration (PCA) in a case brought by the Philippines' to clarify its own exclusive economic zone (EEZ) claims relative to China's conflicting claims.

The PCA examined China's claim that it had a historical right to govern the South China Sea and found that, inter alia, China's nine-dash line territorial claim; artificial island construction; and its sovereignty enforcement activities all lacked a legal basis under maritime governance codified by the UN Convention on the Law of the Sea (UNCLOS).

---

<sup>29</sup> "China May Be Building First Indigenous Carrier", *IHS Jane's* 360, 27 September 2015, <https://web.archive.org/web/20150930023447/http://www.janes.com/article/54833/china-may-be-building-first-indigenous-carrier>.

<sup>30</sup> Harry Harding, "Has US China Policy Failed?", *Washington Quarterly* 38, no. 3 (Fall 2015): 95–122.

<sup>31</sup> Lorand Laskai, "Why Does Everyone Hate 'Made in China 2025'?", *Net Politic*, 28 March 2018, <https://www.cfr.org/blog/why-does-everyone-hate-made-china-2025>.

China, which had signed and ratified UNCLOS, not only rejected the PCA finding; it rejected international jurisdiction in matters of Chinese sovereignty claims.<sup>32</sup> China's unilateral and coercive efforts to elbow aside RBO governance norms in the strategically vital South China Sea led the wider US foreign policy community to suspect that engagement strategy had failed and that a new approach was needed.<sup>33</sup>

### *The Advent of Donald Trump*

The timing of this reassessment of China in the wider US foreign policy community coincided with the election of Donald Trump in 2016. Upon taking office in 2017, Trump initially attempted to personally reassure and engage Xi to resolve key concerns at the Mar-a-Lago informal summit in early April 2017.<sup>34</sup> However, the follow-up talks on trade and strategic differences produced no indication of Chinese willingness to ease US concerns regarding China's revisionist ambitions, which may explain why the December 2017 NSS essentially stated that China cannot be trusted to respect the RBO. Thus, FOIP is the new strategic line taken under Trump after the United States decided that the forty-five-year-old China engagement strategy had not worked.

---

<sup>32</sup> "China's Xi Jinping Rejects Any Action Based on International Court's South China Sea Ruling", *South China Morning Post*, 12 July 2016, <https://www.scmp.com/news/china/diplomacy-defence/article/1988990/chinas-xi-jinping-rejects-any-action-based>; "China's Reaction to Hague Ruling Could Have Negative Impact on Other Multilateral Processes", *Brookings*, 18 July 2016, <https://www.brookings.edu/opinions/chinas-reaction-to-hague-ruling-could-have-negative-impact-on-other-multilateral-processes/>.

<sup>33</sup> James Fallows, "The Great Leap Backwards", *The Atlantic* (December 2016), <https://www.theatlantic.com/magazine/archive/2016/12/chinas-great-leap-backward/505817/>; Kurt Campbell and Ely Ratner, "How American Foreign Policy Got China Wrong", *Foreign Affairs* (March/April 2018), <https://www.foreignaffairs.com/articles/china/2018-02-13/china-reckoning>.

<sup>34</sup> Michael D. Swaine, "The US-China Mar-A-Lago Summit: The Culmination of a Trump Negotiating Strategy?", *The Diplomat*, 3 April 2017, <https://thediplomat.com/2017/04/the-us-china-mar-a-lago-summit-the-culmination-of-a-trump-negotiating-strategy/>.



Trump had campaigned on a “Make America Great Again” platform that called for domestic reindustrialization to revive the US middle class with more equitable and sustainable trade and alliance relations to free up resources for his domestic agenda. During his campaign, Trump pointed to China as the cleverest exploiter of US naivete in foreign relations using the bilateral trade imbalance as proof, but he did not express Cold War ideological hostility.

In view of state-assisted BRI designs to capture Indo-Pacific markets and the Made in China industrial policy strategy that directly targeted US high-tech industries at the core of US global competitiveness<sup>35</sup>—not to mention China’s roles in the Korean peninsula and the South China Sea—Trump attempted to communicate his concerns directly to Xi at Mar-a-Lago, but China’s intransigence in subsequent negotiations led Trump to take a more confrontational approach, first of all in trade to revise the imbalanced terms of US-China engagement beginning in 2018.

## **BASIC ASPECTS OF THE FOIP STRATEGY**

### *FOIP Principles and Purposes*

Today’s RBO rests on principles and norms such as the sovereign equality and territorial integrity of all states; the peaceful resolution of disputes; free, fair, and reciprocal trade access; and open and transparent dealings; all in accordance with the international rule of law.

The fundamental US material interest is to maintain normative and physical free trade access in the IPR under the RBO as a hedge or insurance policy against the risk that China will try to use its growing power to dominate the region and arbitrarily limit Western access to vitally important sea lanes of communication and developing IPR markets.

The US FOIP effort is organized into three pillars that will have to be coordinated by the National Security Council. One pillar is security

---

<sup>35</sup> Laskai, “Why Does Everyone Hate ‘Made in China 2025’?”.

in which the traditional and non-traditional security capabilities of the United States will be used to assist and strengthen partners. Another pillar is economic, which intends to blend trade, investment, and development assistance to catalyse private sector participation in sustainable digital, energy, and trade infrastructure projects. The third pillar is governance which relates to improved state capacity and governance practices in partner countries.

FOIP is designed to preserve the ability of the United States and other RBO stakeholders to exercise their lawful rights and freedoms in the IPR. It is not meant to contain or quarantine China. Peaceful competition with China for influence and market opportunities is expected to continue. But as has always been the case in a liberal trading order, one must guard against any state or non-state actor that will deny others their lawful right to freely transit and trade in the IPR.

### *Collaborative and Scalable Network Design*

In June 2019 the Department of Defense issued the “Indo-Pacific Strategy Report: Preparedness, Partnerships, and Promoting a Networked Region”.<sup>36</sup> The report purportedly reflects the broader interagency planning process in the executive branch and describes a flexible network architecture of US partnerships with other RBO stakeholders to meet a wide variety of stakeholder needs from the very local to a macro-regional scale. This design seems well adapted to the vast size and diverse membership of the IPR, and it can be applied in principle not only in traditional and non-traditional security areas, but also in economic development and political governance areas as well.

### *Partnerships*

Analytically speaking, the strategy relies on diplomacy to build stronger and more extensive partnerships with a wide variety of countries across

---

<sup>36</sup> “Indo-Pacific Strategy Report”, US Department of Defense, 1 June 2019, <https://media.defense.gov/2019/Jul/01/2002152311/-1/-1/1/DEPARTMENT-OF-DEFENSE-INDO-PACIFIC-STRATEGY-REPORT-2019.PDF>.

the IPR. Partnerships are not treaty-based, nor are they intended to be permanent commitments.<sup>37</sup> FOIP partnerships will be formed by mutual agreement to produce RBO-based cooperation to yield a tangible benefit to both sides. Through such partnerships, relationships of trust and habits of cooperation are formed that reinforce the RBO and become valuable assets for both parties. As partnerships proliferate within a community, a network of relations is formed to provide a basis for communication and collective action.

It is in the nature of networks that once a critical degree of membership inclusion, coverage, and connectivity is reached, the value of network membership levels up and new members are easily attracted. The United States already has a global network of relationships that includes the IPR, and it has a capacity to act in all three strategic pillars. As the peak network organizer in the IPR, the US task would be to identify and engage like-minded partners with capacities and locations that will meet the threshold of network membership, coverage, and connectivity needed to ensure its success.<sup>38</sup>

The Indo-Pacific strategy report describes a hierarchy of US partners in this network. Japan and Australia are at the top of the hierarchy not only because they are main US treaty allies. Each is centrally located in their respective maritime regions of East Asia and Oceania, and each plays a central strategic, economic, and political role in their home regions. And each brings its own extensive network of partnerships to add further value to the US-organized FOIP network.

---

<sup>37</sup> Katie Lange, “National Defense Strategy: Alliances and Partnerships”, US Department of Defense, 8 October 2018, <https://www.defense.gov/explore/story/Article/1656016/national-defense-strategy-alliances-and-partnerships/>; “Partnerships: Projecting Stability Through Cooperation”, North Atlantic Treaty Organization, [https://www.nato.int/cps/en/natohq/topics\\_84336.htm](https://www.nato.int/cps/en/natohq/topics_84336.htm).

<sup>38</sup> Richard Fontaine, Dr Patrick Cronin, Dr. Mira Rapp-Hooper, and Harry Krejsa, *Networking Asian Security: An Integrated Approach to Order in the Pacific*, Center for a New American Security, June 2017, <https://www.cnas.org/publications/reports/networking-asian-security>.

Next are large and geo-strategically important countries such as India that want to benefit from partnership with the United States and its allies to maintain the RBO so long as this does not undermine India's strategic autonomy or overly antagonize China. In other respects, India is the South Asian counterpart of Japan and Australia as major powers in their respective home regions within the wider IPR. Together with the United States, these three powers constitute the so-called Quad, but nothing in this networked approach requires network partners including the Quad powers to act in unison or as a bloc.

Smaller countries with more localized concerns and capabilities amenable to partnership cooperation with the United States or its main partners in one or more FOIP pillars are needed in key subregions and strategic localities to ensure inclusive membership, comprehensive connectivity, and secure access throughout the IPR.

The purpose of a networked approach is not to rule the region, but to maintain a strong and flexible network of relations that preserves for its diverse members the benefits of RBO connectivity. Network partners may associate with non-members, and IPR countries may choose to remain outside this network.

To organize and develop this network, the role of the United States is indispensable because only it has the capacity and incentive to do this task. Though a group of small stakeholders may know that a worthwhile benefit can be gained if they organize a cooperative venture, as individuals they may lack the information, resources, and confidence to invest in an uncertain enterprise with as yet unknown features that could end in failure. Consequently, nothing can get organized.

As an actor that already has a network of relations across the IPR and is capable of action across the region in economic, security, and political affairs, the United States sees only a marginal cost and a vital perceived benefit—continuing open access to the IPR for itself and its allies—in organizing a network of reliable partners across the IPR in association with other Quad partners.

### *Scalable Network*

The United States as a top-tier global power can work with external RBO stakeholders in Europe, for example, as well as with its Quad regional

power partners to engage localized third and fourth tier actors to address needs and contingencies at a variety of levels, e.g., disaster relief for a typhoon in parts of the Philippines; assistance with Lower Mekong region water scarcity issues; tsunami warning systems in the IPR; or a global disease epidemic.

At the same time, network partners can work on issues at levels of particular interest to them and appeal to the United States and other partners for assistance. Partnership relations of this sort only adds to the value of the entire network, with network connectivity within and outside the IPR maintained mostly by top-tier partners as a collective good.

Examples of this collaborative scalable network approach in the area of trade and development suggest the viability of this approach. For example, Japan and India are reportedly working with Sri Lanka to develop a commercially viable port in Colombo to serve Sri Lankan, Indian, Japanese, and other RBO stakeholder commercial operators in the mid-Indian Ocean.<sup>39</sup> In Papua New Guinea, the United States, Japan, and Australia development banks are jointly financing a liquefied natural gas (LNG) plant as the first of a number of joint infrastructure projects in the Pacific Islands.<sup>40</sup>

In the area of maritime security, after UN-authorized counterpiracy action in the seas around the Horn of Africa, the US 5th Fleet headquarters in Bahrain organized CTF 151, a multinational antipiracy effort in 2009 which continues today.<sup>41</sup> Ever since the Indian Ocean tsunami, the United

---

<sup>39</sup>“China Faces New Competition as Japan, India Eye Sri Lanka Port”, *Bloomberg*, 21 May 2019, <https://www.bloomberg.com/news/articles/2019-05-21/japan-india-in-deal-at-belt-and-road-colombo-port-nikkei>.

<sup>40</sup>“Japan, US and Australia begin own ‘Belt and Road’ in South Pacific”, *Nikkei Asian Review*, 25 June 2019, <https://asia.nikkei.com/Politics/International-relations/Japan-US-and-Australia-begin-own-Belt-and-Road-in-South-Pacific>.

<sup>41</sup> Andrew Poulin, “How the World Overpowered Piracy in the Horn of Africa”, *International Policy Digest*, 16 January 2016, <https://intpolicydigest.org/2016/01/16/how-the-world-overpowered-piracy-in-the-horn-of-africa/>; CTF-151, Combined Maritime Forces website, <https://combinedmaritimeforces.com/ctf-151-counter-piracy/>.

States and Japan have collaborated to provide tsunami early warning for the entire Indo-Pacific region. And numerous other such examples can be cited.

In the area of political governance, without navigational freedom in the global commons there is no practical basis for free trade. The United States now partners with other stakeholders to exercise the freedom of navigation right in international waters in the South China Sea. A notable recent example was a joint naval exercise involving warships from the United States, Japan, India, and the Philippines in May 2019.<sup>42</sup>

This hierarchically organized, multidimensional, and scalable networked architecture differs fundamentally from the static block architecture of treaty-based economic and defence communities that characterized the Cold War. FOIP is thus intended to deal quickly and flexibly with contingencies of any scale in the IPR. It can accommodate cooperation with China but will not rely on it for success. It does not force IPR countries to choose sides; instead, it gives them choices. The ability to maintain sovereignty and to freely choose with whom to associate is what FOIP is designed to preserve.

## **MUTUAL INTEREST AS THE BASIS FOR PARTNERSHIP**

### *What's at Stake for the United States?*

Some 70 per cent of world trade passes through the IPR and assuming continuing peace and global openness under the RBO, it has the world's best growth prospects for as far into the future as one can see. And due to trade war with China, US access to the rest of the IPR is more important than ever. The IPR absorbed 30 per cent of US exports and supplied

---

<sup>42</sup> Ankit Panda, "US, India, Japan, Philippine Navies Demonstrate Joint Presence in South China Sea", *The Diplomat*, 11 May 2019, <https://thediplomat.com/2019/05/us-india-japan-philippine-navies-demonstrate-joint-presence-in-south-china-sea/>.

44.5 per cent of US imports in 2018.<sup>43</sup> Cumulative US foreign direct investment (FDI) in the IPR in 2017 was US\$941.2 billion (compared to only US\$307.7 billion cumulative direct investment by China).<sup>44</sup> There is little reason to believe that the United States would just walk away from its heavy investment in the present economy and future growth prospects of the IPR.

### *What's at Stake for the IPR?*

In 2018, the United States purchased US\$2.54 trillion in IPR exports, compared to US\$823 billion bought by China in 2017. In 2017, the flow of US direct investment into the IPR was US\$49.5 billion compared with US\$38 billion by China. In addition, US subsidiaries directly employed 5.13 million in the IPR in 2016, and US multinationals operate global value chains that have knitted the IPR together and helped to drive its growth. Meanwhile, US educational and research cooperation has spread science, technology, the rise of new industries, and innovation in the region.

US security treaty relationships, defence partnerships, and presence in the Korean peninsula and Taiwan Strait have been part of the landscape for so long that they can be taken for granted, but it bears repeating that they have provided a stable environment for growth, and US weapon of mass destruction (WMD) non-proliferation efforts have allowed the region to focus on more productive enterprises. The United States has also provided energy security by ensuring the steady flow of oil out of the Persian Gulf. And in such disaster contingencies as the Indian Ocean tsunami, Typhoon Haiyan, or the Fukushima nuclear plant disaster, the US military provided valuable disaster relief and assistance, as well as help with terrorist threats as seen most recently in Marawi, Mindanao.

---

<sup>43</sup> <https://www.census.gov/foreign-trade/statistics/highlights/index.html>.

<sup>44</sup> "International Data: Direct Investment and MNE", US Bureau of Economic Analysis, <https://apps.bea.gov/iTable/iTable.cfm?isuri=1&reqid=2&step=1#isuri=1&reqid=2&step=1>.

### *Overcoming the Middle-Income Trap*

The projected linear rise of Indo-Pacific GDP out to 2050 assumes that the developing IPR countries will overcome the “middle-income trap”. The Asian Development Bank published a study in 2011 examining this assumption. It concluded that for Asia’s steep growth curve to be maintained, three interrelated conditions were necessary. First, individual states need to enact correct economic policies. Next, the global economy needs to remain open allowing Asia’s developing countries to freely trade with the rest of the world. Finally, there needs to be effective regional cooperation to deal with unforeseen shocks and to ensure the first two conditions.<sup>45</sup>

It is worth noting that China has not yet overcome the middle-income trap, and that BRI is supposed to help ensure that China does so by giving it privileged access to export markets to sell everything from low-end consumer goods to high-tech industrial goods and equipment. Meanwhile, developing IPR economies are struggling to establish these same industries at home and have difficulty competing with Chinese imports. It is worth remembering that open trade and investment connectivity with the advanced Western economies helped Korea and Taiwan to develop manufacturing industries and overcome the middle-income trap. So IPR countries that wish to follow their example may wish to ensure continuing open economic relations with the advanced Western economies.

## **THE ROLE OF REGIONAL ASSOCIATIONS**

Regional associations inside and outside the IPR will be relevant to FOIP to the extent they achieve a consensus to support the RBO, but legally chartered regional blocs are not the essential building blocks of a networked order. Thus, for example, the EU in principle may support the

---

<sup>45</sup> “Realizing the Asian Century”, Asian Development Bank, 2011, <https://www.adb.org/sites/default/files/publication/28608/asia2050-executive-summary.pdf>.



RBO but more relevant to FOIP is whether individual members are able and willing to form supportive partnerships as they see fit.

ASEAN has issued the ASEAN Outlook on the Indo-Pacific expressing its centrality and autonomy in the IPR. In this regard, ASEAN may best benefit from balanced connectivity and cooperation with China under BRI as well as with the advanced Western economies under RBO terms. In political and security affairs, the same principle of balanced relations would seem optimal. With a correspondingly greater degree of agency, ASEAN would give its members a wider range of choice and a better ability to manage their collective and individual interests.

### *Assessing Power Resources*

On the one hand, there is little doubt that the CPC party-state excels at marshalling the human and material resources of China to serve its long-term strategic purposes. On the other hand, in a recent ASEAN opinion survey, China enjoyed the least trust among included major powers.<sup>46</sup> Leaving aside such qualitative assessments of China's leadership prospects and looking only at objective measures of capability, how can one assess FOIP prospects?

The Lowy Institute recently issued an Asia Power Index report that assessed the relative political influence of major Indo-Pacific states in 2019.<sup>47</sup> It found that the United States topped the list at 84.5 with China not far behind at 75.9. The report also assessed US FOIP partners Japan (42.5), India (41.0), South Korea (32.7), and Australia (31.3) whose power scores summed up to 147.5. Though democracies normally are less strategic and state-driven than authoritarian systems, and alliance strength is always less than the sum of its members' capabilities, nevertheless, the sum of the US and its FOIP partners' scores is 232.0,

---

<sup>46</sup> "The State of Southeast Asia: 2019 Survey Report", ISEAS – Yusof Ishak Institute, Singapore, 2019, pp. 26–30, [https://www.iseas.edu.sg/images/pdf/TheStateofSEASurveyReport\\_2019.pdf](https://www.iseas.edu.sg/images/pdf/TheStateofSEASurveyReport_2019.pdf).

<sup>47</sup> "Asia Power Index 2019", Lowy Institute, <https://power.lowyinstitute.org>.

which indicates quite a long-term power advantage over China, who lacks major power allies in the IPR.

Current dollar GDP figures tell a similar story. In 2018 the US figure was US\$20.5 trillion while that of China was US\$13.6 trillion. The corresponding figures for other FOIP partners were as follows: Japan: US\$5.0 trillion; India: US\$2.7 trillion; South Korea: US\$1.6 trillion; and Australia: US\$1.4 trillion. These listed FOIP partners account for US\$31.2 trillion of Indo-Pacific GDP, which is 2.3 times the GDP of China.

Western financial resources flowing to developing Asia (official and private sector sources) from OECD countries provided US\$124.7 billion in 2016; and the EU, World Bank, and the ADB provided an additional US\$19.7 billion in development finance for a grand total of US\$144.4 billion extended under the RBO.<sup>48</sup> In comparison, in 2016 China lent and invested US\$105.8 billion—a lesser amount—to BRI countries spread across Europe, Asia, Africa, Latin America, and Oceania.<sup>49</sup> This suggests that with more strategic coordination, RBO stakeholders can be more impactful in Asia without increasing their current effort. It is also worth noting that since 2016, China’s BRI lending and investment has been falling. Derek Scissors at the American Enterprise Institute (AEI), who closely tracks China’s outbound lending and investment, has reported that, “China’s investment and construction around the world plunged in the first half of 2019 and is unlikely to return to 2016–2017 levels for the foreseeable future.”<sup>50</sup>

---

<sup>48</sup> *Geographical Distribution of Financial Flows to Developing Countries: Disbursements, Commitments, Country Indicators* (Paris: OECD, Development Assistance Committee, 2018).

<sup>49</sup> Cecilia Joy Perez and Derek Scissors, “Be Wary of Spending on the Belt and Road”, AEI, November 2018, <https://www.aei.org/wp-content/uploads/2018/11/Updated-BRI-Report.pdf/>.

<sup>50</sup> Derek Scissors, “China’s Global Business Footprint Shrinks”, AEI, July 2019, <https://www.aei.org/wp-content/uploads/2019/07/Chinas-Global-Business-Footprint-Shrinks.pdf>.

The fundamental cause is a dollar shortage at Chinese banks and China’s disappearing current account surplus. The current account balance is estimated to start trending negatively from 2019 due to demographic change, rising consumption, falling saving rate, sluggish export demand, slowing growth, and continuing need for domestic investment.<sup>51</sup> This raises questions regarding the financial sustainability of the BRI project in coming years.

Finally, if one looks at military capabilities across the entire IPR in terms of the quality of alliance relationships, base and access infrastructure, and force posture, one might also see a favourable situation for the United States and its partners.<sup>52</sup> The Quad network of strategic cooperation and mutually accessible base infrastructure provides secure and open economic connectivity as well as capacity in a variety of traditional and non-traditional areas throughout the IPR.

As the United States organizes FOIP partnerships and focuses on channelling resources more strategically in the next few years, the balance of material resources does not seem to put the United States at a disadvantage.

## **PROSPECTS FOR SUCCESS**

The success of FOIP will turn on the ability of the United States and its top-tier strategic partners to organize a robust network of sustainable partnerships across the IPR. The ability to engage partners and build relationships of trust will be critical, as will be the ability to knit these partnerships into a collaborative and scalable network that can respond

---

<sup>51</sup> “China Is Going to Need More Foreign Money as Its Trade Surplus Dries Up, Morgan Stanley Says”, *CNBC.com*, 13 February 2019, <https://www.cnbc.com/2019/02/13/china-economy-morgan-stanley-predicts-chinas-account-deficit-in-2019.html>.

<sup>52</sup> “Asia: Assessing the Global Operating Environment”, Heritage Foundation, 4 October 2018, <https://www.heritage.org/military-strength/assessing-the-global-operating-environment/asia>.

to various contingencies and maintain trade connectivity at affordable cost. The goal of FOIP is relatively modest and intuitively easy to understand. Success only requires RBO stakeholders to form a network of mutually supportive partnership relations to sustain RBO relations among themselves and in cooperation with others who may wish to join.

**ISEAS**

**PUBLISHING**

30 Heng Mui Keng Terrace  
Singapore 119614  
<http://bookshop.iseas.edu.sg>

TRS12/19s

ISBN 978-981-4881-13-5



9 789814 881135