

The United States' Free and Open Indo-Pacific Strategy: Challenges for India and Japan¹

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Executive Summary

The Donald Trump administration in the United States (US) has expanded its articulation of a 'Free and Open Indo-Pacific' (FOIP) region by announcing strategic investments and economic cooperation. India and Japan are fundamental to the realisation of the US vision of the region. For India and Japan, however, a deeper commitment to the US vision would depend on several factors. These include the prospects of the FOIP becoming a security-oriented strategy to counter China, as opposed to a regional connectivity programme; avoiding the legitimacy issues encountered by China's Belt and Road Initiative (BRI); and acquiring an inclusive character.

The BRI has been inviting considerable criticism for pushing countries into debt traps and extracting strategic concessions for infrastructure funds. Coupled with developments like the revival of the 'Quad' Dialogue between Australia, India, Japan and the US, the FOIP has the possibility of becoming a security-centric anti-China initiative. This would be to the discomfort of India and Japan, which would hesitate to take sides. Both countries would also wish for greater economic legitimacy and vision of a broader regional economic order from the FOIP, as opposed to it being an initiative for expanding US commercial presence in the region. Notwithstanding announcements of regional infrastructure investments and cooperation efforts, India's repeated emphasis on an 'inclusive' FOIP, Japan's decision to selectively engage with the BRI and their respective geopolitical approaches to the region and strategies towards China, will decide their commitment to the FOIP. However, staying engaged in the FOIP can give both an opportunity of enhancing geo-political and geo-economic contribution through an agenda of regional connectivity.

A Free and Open Indo-Pacific

Since the initial articulation by United States (US) President Donald Trump at the Asia-Pacific Economic Cooperation (APEC) Chief Executive Officers Summit in November 2017, the concept of a Free and Open Indo-Pacific (FOIP) has gathered substance.² In July 2018, the Trump administration signalled its commitment to engage in deeper economic engagement in the Indo-Pacific region.³ It strives to embark on new strategic investment initiatives as

¹ An earlier and shorter version of this paper was published by the East West Center, Washington DC and is available at <https://www.eastwestcenter.org/publications/the-free-and-open-indo-pacific-strategy-and-uncertainties-india-japan>. Accessed on 20 November 2018.

² 'Remarks by President Trump at APEC CEO Summit, Da Nang, Vietnam', 10 November 2017; <https://www.whitehouse.gov/briefings-statements/remarks-president-trump-apec-ceo-summit-da-nang-vietnam/>. Accessed on 20 November 2018.

³ 'President Donald Trump's Administration is Advancing a Free and Open Indo-Pacific', 30 July 2018. <https://www.whitehouse.gov/briefings-statements/president-donald-j-trumps-administration-advancing-free-open-indo-pacific/>. Accessed on 20 November 2018.

well as initiate a new range of bilateral economic cooperation efforts with Japan, India, Australia and Mongolia.

The latest US announcement provides greater clarity on the direction the Trump administration aims to pursue on the Indo-Pacific, which was missing in its previous remarks in November 2017. Nonetheless, from the collective perspectives of India and Japan – two major stakeholders in the Indo-Pacific – some uncertainties remain unaddressed. The first of these is the rationale of the Trump administration’s FOIP. It is not clear whether the FOIP is ultimately aimed at focusing exclusively on economic development; or is designed primarily to develop into a security-oriented strategy, aiming to control China, in both the near and distant future. The second is the FOIP’s relationship with other infrastructure development and regional connectivity initiatives, most notably the China-led Belt and Road initiative (BRI). While the US announced that the FOIP will strengthen support for important regional institutions including the Association of Southeast Asian Nations, APEC, the Lower Mekong Initiative and the Indian-Ocean Rim Association,⁴ it is unclear whether it will aim to compete with the BRI or try to complement it by establishing a more inclusive Indo-Pacific economic architecture. The third issue pertains to the long-term sustainability of the FOIP. Up to now, Trump’s foreign and trade policies have fluctuated, and possibilities remain that Trump’s “America First” policy would discourage other Indo-Pacific countries from cooperating with the FOIP. This paper takes a closer look at these impending issues that are of considerable significance for both India and Japan.

Regional Strategic Reorganisation

For both India and Japan, it is important to consider whether participation in the FOIP would lead to a strategic reorganisation of the region which constitutes a stronger security relationship among likeminded states that aim to control other countries, including China. Reflection on the possibility is unavoidable given the progress of the BRI. To be sure, given the scope and the number of countries involved, the BRI has the potential to establish a new global economic centre of gravity in the Indo-Pacific region with its mega cross-border physical and digital infrastructure projects. However, the initiative also carries geopolitical implications which may eventually alter the balance of power and destabilise the region. A growing number of countries, including the US and France, have thus expressed concerns over China’s ambitions and warned Beijing of becoming a “strategic competitor” or a “new hegemony” that would rewrite the existing global order. Nations such as Indonesia, Myanmar, Pakistan, Nepal⁵ and, more recently, Malaysia have begun turning down projects, citing the risk of ceding their sovereignty and autonomy to China through debt traps and strategic dependency. At the same time, many countries have been disinclined to being seen as taking sides between Beijing and Washington.

Meanwhile, there has been a push to establish a stronger security framework to maintain maritime order in the Indo-Pacific region. This includes the formal inclusion of Japan into the India-US Malabar exercise in 2015 as well as the revival of the Australia-India-Japan-US Quadrilateral Strategic Dialogue in 2017, which was held after 10 years of interruption. The

⁴ Ibid.

⁵ ‘Pakistan, Nepal, Myanmar back away from Chinese projects’, 4 December 2017. <https://www.voanews.com/a/three-countries-withdraw-from-chinese-projects/4148094.html>. Accessed on 20 November 2018.

inclusion of India and Pakistan into the Shanghai Cooperation Organization in 2017, which focuses on combating the so-called ‘Three Evil Forces’ – terrorism, separatism and extremism – is another indication that there is a growing need to take security conditions into account along the route in Central Asia and Afghanistan to ensure success of the BRI’s implementation.

These situations give the US incentives to take a more security-oriented strategy, including a hardline approach, towards China. The possibility of the FOIP aiming to achieve such an objective cannot be overlooked. However, it is important that the US avoids placing itself into a security dilemma and not compete with the BRI by transforming the FOIP into a strategy that heavily focuses on security. Washington needs to refrain from implementing a security-focused framework that would necessitate countries such as India and Japan to take a more firm muscular stance against China which would, in return, give Beijing incentives to securitize its own initiative by, for example, militarizing overseas commercial ports. In order to avoid such possibilities, the FOIP should remain a development-focused initiative, which aims, among others, to promote sustainable infrastructure development in the region.

Furthermore, the FOIP and other notable regional connectivity initiatives such as the Asia-Africa Growth Corridor, the Bangladesh-China-India-Myanmar Economic Corridor, the International North-South Transport Corridor and the Russia-led Eurasian Economic Union need to provide new visions for a multidimensional regional connectivity framework that offers alternatives to the recipient countries with an aim to complement, rather than compete, against the BRI. For its part, China needs to assure the international community that the funding and implementation of the BRI are based upon international standards and rules, including fair and open competition and cooperation without imposing unmanageable debt obligations on recipient countries that may eventually endanger their national security.

Economic Legitimacy and Vision

In terms of announcements at least, economic and commercial engagement appears central to the Trump administration’s vision of the Indo-Pacific. Apart from committing strategic investments worth US\$113.5 million (S\$156 million) in infrastructure development, energy security and digital connectivity, US agencies are looking to partner closely with Japan, India, Australia and Mongolia in various infrastructure projects to advance the FOIP.⁶ The commercial salience of the FOIP for the US is also evident from Trump choosing to articulate the notion – both in November 2017 as well as in July 2018 – at major business forums involving wide presence of US and regional industry leaders. The salience resonates among other key stakeholders of Indo-Pacific, such as Japan and Australia, which is evident from the trilateral partnership between the US, Japan and Australia to mobilise investments for regional projects.⁷

⁶ ‘President Donald Trump’s Administration is Advancing a Free and Open Indo-Pacific’, op cit.

⁷ ‘US-Japan-Australia announce trilateral partnership for Indo-Pacific infrastructure investment’, *OPIC*, 30 July 2018. <https://www.opic.gov/press-releases/2018/us-japan-australia-announce-trilateral-partnership-indo-pacific-infrastructure-investment>. Accessed on 20 November 2018.

Going by the experience of the BRI again, top-down investment commitments are not enough to get the FOIP its desired sanctity. The challenge for the FOIP is to avoid legitimacy problems that the BRI is suffering from. The BRI has been criticised for pushing several recipient countries (for example, Sri Lanka and Maldives) into long-term indebtedness; extracting concessions on 'strategic autonomy' from recipient countries in exchange for infrastructure funds; and the lack of sufficient transparency in financial terms of the investments, particularly the cost of funds.

Apart from addressing these concerns, the FOIP will also need to grow beyond its current programme of somewhat disparate infrastructure engagement with a few countries, to one that encompasses institutional trade and investment linkages for achieving a truly 'free and open' economic geography. There's no articulation of an economic architecture till now. The strategic investments by the US are largely intended to enhance greater market access of American exports in the Indo-Pacific region. Country partnerships like the one granting 'Strategic Trade Authorization Tier 1 status'⁸ to India, also appear to have a similar objective. Indeed the US emphasis on American development finance being the 'better option' for the Indo-Pacific region appears to be driven more by the objective of preventing countries from accepting Chinese funds, and increasing US business presence in the region, rather than promoting an inclusive regional development goal.⁹ The FOIP might fail to grow into a comprehensive economic construct unless it pushes an agenda for creating a cohesive regional economic order.

Sustainability and Inclusivity

Sustainability of the FOIP and the extent by which India and Japan remain committed to US efforts remain important issues. Both New Delhi and Tokyo have strived, together with Washington, to promote infrastructure development in the Indo-Pacific. In 2015, the three parties set up the Trilateral Infrastructure Working Group to identify possible collaborative efforts that can help strengthen regional connectivity. In 2017, India and Japan launched the India-Japan Act East Forum to enhance connectivity and promote developmental projects in Northeast India. Similarly, Tokyo and Washington have pursued a stronger relationship in infrastructure development, including the initiation of the Strategic Energy Partnership, the signing of a memorandum of understanding between the US Overseas Private Investment Corporation, the Japan Bank for International Cooperation and the Nippon Export and Investment Insurance. Furthermore, the four Quad countries – Australia, India, Japan, and the US – have been discussing the establishment of a joint regional infrastructure project as an alternative to the BRI as well as the need to further support the Asian Development Bank and the World Bank. These efforts would serve as essential pillars to the FOIP, and offer rationale for New Delhi and Tokyo to stay committed to the FOIP.

However, both countries are conscious about the importance of not committing themselves to any initiative that is construed as a distinct 'anti-China' posturing. India, particularly, has been cautious in this regard. It has stayed away from the latest US-Japan-Australia

⁸ 'President Donald Trump's Administration is Advancing a Free and Open Indo-Pacific', op cit.

⁹ 'Apec summit: Pence warns Indo-Pacific region against China's debt diplomacy, says US offers 'better option', *The Straits Times*, 17 November 2018; <https://www.straitstimes.com/world/united-states/pence-slams-china-says-us-offers-countries-better-option>. Accessed on 20 November 2018.

infrastructure partnership announced on 30 July 2018.¹⁰ Notwithstanding US pressure, it has not agreed to the elevation of Quad talks to Secretary-level consultations.¹¹ While concurring with the notion of the Indo-Pacific being ‘free and open’, India prefers the region being ‘inclusive’ and not being ‘a club of limited members’.¹²

Going Forward

Given the importance of creating a multidimensional regional connectivity framework in the Indo-Pacific region, it would be important for India and Japan to remain committed to US efforts. However, the extent by which they stay engaged in the FOIP would depend on the US’ emphasis on building it as a counter to China. Unlike the previous US administrations which had hoped for the rise of a stable, peaceful and prosperous China, Trump has explicitly condemned China and Russia as “revisionist powers” that would “challenge American power, influence, and interests, attempting to erode American security and prosperity.”¹³ Washington has recently sanctioned Beijing for its purchase of Russian-made Su-35S fighters and S-400 surface-to-air missile systems. The ongoing US-China trade war and China’s first-ever participation in Vostok in 2018 – Russia’s largest military exercise in decades – have decreased the sense of trust in the US-China relationship. Additionally, bilateral issues such as Trump’s dissatisfaction over trade imbalance with Japan and India, and the increasing number of rejections of Indian H-1B applicants by the Trump administration¹⁴ may also affect the level of cooperation by Tokyo and New Delhi over the FOIP.

The difference in Japan and India’s geopolitical approaches to the region, that is, Japan’s enduring reliance on its alliance with the US, and India’s emphasis on the FOIP’s inclusive character, would also affect their eventual support towards the FOIP. Much will also depend on how India and Japan balance their respective strategies towards China’s BRI. Japan has recently become, under certain conditions, more eager to cooperate with the BRI, whereas India remains opposed to it on both territorial sovereignty and operational issues. Uncertainties also remain surrounding the Trump administration’s regional policies, including the FOIP that would influence India and Japan’s participations.

Notwithstanding the challenges and hesitations, New Delhi and Tokyo should not waste the opportunity to seek further regional connectivity via the FOIP which would contribute, if

¹⁰ ‘India keeps off US-Japan-Oz bid to counter China’s BRI’, *Deccan Herald*, 5 August 2018. <https://www.deccanherald.com/national/delhi-averts-us-japan-oz-move-685706.html>. Accessed on 20 November 2018.

¹¹ ‘US planning two meetings of Quad nations in a year’, *Economic Times*, 13 September 2018. <https://economictimes.indiatimes.com/news/defence/us-planning-two-meetings-of-quad-nations-in-a-year/articleshow/65793787.cms>. Accessed on 20 November 2018.

¹² ‘India for inclusive Indo-Pacific Region: Modi’, *Business Standard*, 1 June 2018; https://www.business-standard.com/article/news-ians/india-for-inclusive-indo-pacific-region-modi-118060101287_1.html. Accessed on 20 November 2018.

¹³ ‘National Security Strategy of the United States of America’, December, 2017, p.2; <https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf>. Accessed on 20 November 2018.

¹⁴ According to the data released by the National Foundation for American Policy (NFAP), the number of petitions denied for Indian applicants for H-1B visas, increased by 42% during the 3rd to 4th quarter of 2017. <https://nfap.com/wp-content/uploads/2018/07/H-1B-Denial-and-RFE-Increase.NFAP-Policy-Brief.July-2018.pdf>. Accessed on 20 November 2018.

implemented wisely and cautiously, to the stability of the Indo-Pacific region. The FOIP provides a unique strategic framework to both countries for enhancing their larger geopolitical and geo-economic cooperation¹⁵ through a regional connectivity agenda.

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¹⁵ 'A Strategic Framework that works for Japan and India', *Japan Times*, 3 September 2018. <https://www.japantimes.co.jp/opinion/2018/09/03/commentary/japan-commentary/strategic-framework-works-japan-india/#.W5z4oIRVp->