

EU – Asia: challenges and future

Indo-Pacific: EU's Strategic Imperatives

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Executive summary

A common EU policy on the Indo-Pacific region has become urgent than ever. The Indo-Pacific is critical to the EU's long-term economic and geopolitical interests, including its continued prosperity. Positioned strategically at one end of the Eurasian axis, the EU is integral to the challenges and opportunities in the Indo-Pacific. With the Indo-Pacific emerging at the center of globalization, the EU must be part of the change and not be left behind.

Today, the Indo-Pacific is at a crossroads, even as its economic weight is increasing. Geopolitical fault lines are widening, as its "history problem" fosters competing and mutually reinforcing nationalisms, especially in Asia. Meanwhile, ensuring the safety of the maritime trade routes linking Europe with the Pacific, via the Indian Ocean region, has become more pressing.

U.S. President Joe Biden has been quick to undo many of his predecessor's policies, yet he has embraced the Trump administration's "free and open Indo-Pacific" policy. This is a recognition that a rules-based order in the Indo-Pacific has become critically important for international security. The fundamental choice in the Indo-Pacific is between a liberal, rules-based order and an illiberal, hegemonic order. Meanwhile, the publication of three major American reports or documents since November 2020 that relate to the Indo-Pacific or, more specifically, China has underscored the urgency of an actionable and durable U.S.-led approach to China as that country becomes more assertive, expansionist, and authoritarian.

Against this background, the EU needs to confidently step out on the Indo-Pacific stage to leverage its strengths. The EU needs to build diversified and enhanced partnerships in the Indo-Pacific, so as to balance the geopolitical and geo-economic risks and play an expanded role in the region. An expanded role also demands that the EU broaden its focus to include political elements in the Indo-Pacific, including maritime cooperation, institution building, and peace and security. Playing a greater role in regional organizations can also help the EU to enlarge its footprint in the Indo-Pacific.

A more engaged EU would be widely welcomed in the Indo-Pacific. In fact, without close and enduring partnerships that unite both ends of the Eurasian axis, a “free and open Indo-Pacific” will remain a mirage. The EU’s expanded role in the Indo-Pacific is thus indispensable. An Indo-Pacific free of the struggle for dominance by any single power, free of the baggage of history, and free of “might makes right” policies will be able to chart a more stable, prosperous, and cooperative future for itself.

Indo-Pacific: EU’s Strategic Imperatives

The vast Indo-Pacific region, which unites the Indian and Pacific oceans, has emerged as the world’s economic and geopolitical hub. This dynamic region is critical to the long-term economic and geopolitical interests of the European Union (EU). After spending years in shaping an Asian strategy around China, the EU and its member states must recalibrate their approach by focusing on building stronger partnerships with the important democracies of the Indo-Pacific. Not surprisingly, some EU member states have already taken the initiative in formulating national policies on the Indo-Pacific.

A recalibrated EU approach is necessitated by the fact that Europe’s more than two-decade-old policy of trade integration with China has worked more to Beijing’s advantage while shrinking the EU’s own role in the global value chains and weakening its external competitiveness. ¹ The EU’s major role in global supply chains is crucial to its own economic heft. Yet, such has been China’s gain at the expense of the EU that the period of trade integration with China has witnessed a steady erosion in the EU’s share in the global economy, besides the decline in its competitiveness in global value chains.

The immense dynamism of the Indo-Pacific only highlights the imperative for the EU to broaden its China-centered focus in that region. The Indo-Pacific is home to the world’s most populous nations, largest economies, and largest militaries. Two-thirds of the world trade moves through the Indo-Pacific. This region includes more than half of the Earth’s surface and two-thirds of the global population. The region’s important littoral states are linked by a common history of sea faring.

The Indo-Pacific is not just a global economic hub; it is also a geopolitical hotspot and the epicenter of Islamist terrorist violence. ² The important challenges in the Indo-Pacific extend from traditional security threats to non-traditional and emerging challenges. The Indo-Pacific, in fact, is the region most vulnerable to natural disasters and global warming. It is periodically battered by natural disasters to such an extent that it accounts for more than three-quarters of the world’s natural disasters.

Furthermore, the Indo-Pacific is on the frontlines of climate change. The region has multiple countries whose very future is imperiled by the global-warming-induced rise of the ocean levels. These states range from Papua New Guinea, Vanuatu, Solomon Islands, Kiribati, Marshall Islands and Tonga in the Pacific to the Indian Ocean archipelago of Maldives (the world’s flattest country) and Bangladesh, a largely deltaic country whose land area is less than half the size of Germany but with a population

more than double. If, in the future, some island-nations like Maldives and Vanuatu are submerged due to the rise of ocean levels, what would be the legal status of their exclusive economic zones (EEZs), including the mineral wealth in them? That remains an open question.

Meanwhile, threats to freedom of navigation in the Indo-Pacific have become more pronounced in recent years, underscoring the risks to European economic security. Sea-lane security has also emerged as a major concern because of the vulnerability of chokepoints, including the South China Sea and the Strait of Malacca (which is located between Singapore, Indonesia and Malaysia). It has become increasingly important for important outside players, including the EU, to forge strategic partnerships with key littoral states in the region to help safeguard freedom of navigation.

The EU, with its trade, investment and geopolitical interests in the Indo-Pacific, has a major stake in the region's stability, including in safeguarding freedom of navigation and ensuring that adverse regional developments do not impinge on the international maritime order or international security. This is a region where old and new security challenges converge. Non-traditional challenges — from environmental pollution and degradation of coastal ecosystems to economic mercantilism and debt diplomacy — parallel traditional security challenges, like threats to sea-lane security, in a region that is of central importance to global trade and energy flows. To aid efforts to deal with these challenges, the EU must initiate collaborative projects and build close strategic partnerships with Indo-Pacific countries, pursue counter-piracy efforts and energy cooperation, undertake joint environmental and maritime initiatives, and expand trade and economic-cooperation accords in the region.

The “Indo-Pacific” concept gains international currency

The increasing use of the phrase “Indo-Pacific,” instead of the older “Asia-Pacific” term, reflects the concerns in most capitals in the region and outside over the security of the maritime domain. “Asia-Pacific” and “Indo-Pacific” may cover the same large region, but the term “Indo-Pacific,” unlike “Asia-Pacific,” connotes a maritime dimension. After all, the term “Indo-Pacific” represents the fusion of two oceans — the Indian and the Pacific. The older term, “Asia-Pacific,” is actually not that old: It evolved as the Cold War was winding down. In large part, the “Asia-Pacific” term gained acceptance to help the U.S. balance its traditional focus on Europe with the need for a new emphasis on the economically rising Asia. The new emphasis led to the emergence of the Asia-Pacific Economic Cooperation (APEC) forum, which was founded just as the Berlin Wall collapsed.³

Today, the increasing use of the term “Indo-Pacific” is reinforced by the fact that the regional security competition is occurring largely in the maritime context. Underscoring the growing importance of the maritime domain, the oceans and the seas in the Indo-Pacific have become an arena of competition for resources and geopolitical influence. It now seems likely that future crises in the Indo-Pacific will be triggered at sea or at least settled at sea.

Against this background, “Indo-Pacific” has become the preferred term in the strategic discourse on the developments and challenges in this vast region. The changed terminology helps to underscore that the Indian and Pacific oceans form a combined strategic region where adverse developments in any of its sub-regions affect security and power equilibrium across the entire region — and beyond. The new challenges and opportunities in the region have only increased the salience of the term “Indo-Pacific.”

In fact, the term “Indo-Pacific” has become shorthand for a rules-based, liberal order. By contrast, the older phrase “Asia-Pacific” was seen as placing China too firmly at the center, with that country’s muscular rise raising the troubling specter of an illiberal, hegemonic order with Chinese characteristics.

As a concept, “Indo-Pacific” offers the geopolitical framework to foster growing strategic cooperation and collaboration among democracies — not just those in the region like the United States, Japan, India, Australia, Indonesia and others but also the ones located elsewhere, including Europe. With its position at one end of the Eurasian axis, the EU is integral to the challenges and opportunities in the Indo-Pacific. By employing the Indo-Pacific as their geopolitical framework, democratic powers can develop the appropriate maritime capabilities and partnerships to help advance regional stability and power equilibrium. To promote inclusivity, such collaboration and partnerships, however, should extend to non-democracies willing to abide by international rules and norms.

In the international relations literature, the name “Indo-Pacific” has been in use since the 1990s. In fact, the term acquired special relevance after the 2005 inaugural meeting of the East Asia Summit (EAS), an initiative that was really an Indo-Pacific forum because it included as its founding members India, Australia and New Zealand — countries that do not see themselves as part of East Asia. The United States and Russia were later brought into the EAS initiative, further enhancing its Indo-Pacific character.

The term “Indo-Pacific,” however, gained international currency after then-U.S. President Donald Trump’s administration unveiled its “free and open Indo-Pacific” strategy in 2017, its first year in office. To be sure, Trump’s predecessor, Barack Obama, also used the term “Indo-Pacific.” Obama’s secretary of state, Hillary Clinton, took to the term “Indo-Pacific” in a way that sought to promote it. Ms. Clinton referenced the “Indo-Pacific basin” in a 2010 speech in Hawaii and, then in 2011, she penned an essay in the *Foreign Policy* journal that said the U.S. was expanding its alliance with Australia to make it an “Indo-Pacific one.”⁴ After China began establishing its first overseas military base at Djibouti in 2016 and dispatching submarines to the Indian Ocean, where it has pursued a string of port-related projects, including a dual-purpose port in Gwadar, Pakistan, the shift to the term “Indo-Pacific” became inevitable for analytical correctness and policy application.

It was then-Japanese Prime Minister Shinzo Abe who originally developed the concept of a “free and open Indo-Pacific.” Abe, who had been pushing the term “Indo-Pacific” since 2007, defined his “free and open Indo-Pacific” vision in a speech in 2016.⁵ In Abe’s construct, the geographic “Indo Pacific” was fused with the ideational

“free and open.” The vision was centered on the principles of free trade and freedom of navigation, the rule of law, and the market economy. These are the very principles that came to define America’s own “free and open Indo-Pacific” strategy after Trump came to the White House. Rarely has the U.S. adopted a foreign-designed concept as the linchpin of its foreign policy.

America’s “free and open Indo-Pacific” strategy was unveiled by Trump in November 2017 in the Vietnamese beach resort of Da Nang while speaking at an APEC summit. The following month, the U.S. National Security Strategy report amplified the strategy’s objectives, including “free and open seaways, transparent infrastructure financing practices, unimpeded commerce, and the peaceful resolution of disputes.”⁶ Under the strategy, freedoms of navigation and overflight would be safeguarded, commerce and culture flows would stay unhindered, existing borders would not be disturbed, and nations would respect international rules and norms and also respect their neighbors as equals. The concept’s “free” part was to include keeping regional states free from external coercion.⁷ As then-U.S. Vice President Mike Pence put it in a 2018 speech, “Authoritarianism and aggression have no place in the Indo-Pacific.”⁸

The establishment of America’s Indo-Pacific strategy, significantly, was accompanied by the resurrection of the Quad, which had been lying dormant for nine years. After its revival, the Quad (a loose strategic coalition of the Indo-Pacific’s four leading democracies — the U.S., Australia, India and Japan) held its first meeting in the same month Washington unveiled its “free and open Indo-Pacific” strategy. Another important development was the renaming of the U.S. military’s Pacific Command as the Indo-Pacific Command, to help draw India into the heart of America’s Indo-Pacific strategy. It was in May 2018 that then-U.S. Defense Secretary James Mattis announced the renamed U.S. Indo-Pacific Command, describing the expanded theater as stretching “from Bollywood to Hollywood.”⁹

Originally set up in 2007, the Quad ran aground the following year after a new government in Australia pulled out of it, in a bid to propitiate China. After its resurrection, the Quad has been at the center of the U.S.-led “free and open Indo-Pacific” strategy. Jake Sullivan, after taking charge as U.S. President Joe Biden’s national security adviser, called the Quad “a foundation upon which to build substantial American policy in the Indo Pacific region.”¹⁰ This explains why the Quad held a meeting at the level of foreign ministers barely a month after Biden assumed office. Sullivan’s predecessor, Robert O’Brien, said recently that the Quad “may be the most important relationship we’ve established since NATO at a high level.”¹¹

Deepening strategic cooperation among the Quad members is central to America’s Indo-Pacific policy. In November 2020, Australia, Japan and the U.S. joined India for the Malabar naval war games in the Indian Ocean. This represented the first-ever military exercise involving all four members of the Quad. In fact, China sees the Quad as an emerging Asian version of NATO.

When Biden was elected president, there was uncertainty whether his administration would carry forward the “free and open Indo-Pacific” strategy. Even the term

“Indo-Pacific” was conspicuously absent in Biden’s presidential campaign statements and the 2020 Democratic Party Platform, which had a sub-section titled “Asia-Pacific.”¹² Biden, however, quickly embraced the “Indo-Pacific” term after his election victory. Yet, in calls with the leaders of Japan, South Korea, Australia and India after his win, Biden emphasized a “secure and prosperous Indo-Pacific” instead of a free and open Indo-Pacific. It was only after he was sworn in as president that Biden began speaking about a “free and open Indo-Pacific.”

This has helped to confirm two things. First, the term “Indo-Pacific” is now firmly established in the diplomatic and strategic lexicon. Second, a U.S.-led “free and open Indo-Pacific” policy is here to stay. However, it is likely that the Biden presidency, in seeking to recalibrate this policy, will introduce some nuanced changes, especially in defining priorities or the messaging.

A rules-based order in Indo-Pacific

The EU views the promotion of a rules-based international order as integral to its role as a global player. This is apparent from the EU Global Strategy of 2016 and from the European Council’s 18-month program until this year-end that was prepared for its German, Portuguese and Slovenian presidencies.¹³ Whether the world gets a truly rules-based order will be determined not in Europe, the Middle East or Africa, but in the Indo-Pacific region. For example, what is at stake in the East and South China Seas are not just some tiny islands or reefs but a rules-based regional order, freedom of navigation, access to maritime resources, and balanced and stable power dynamics.

Today, the fundamental choice in the Indo-Pacific is between a liberal, rules-based order and an illiberal, hegemonic order. As America’s national-security strategy report stated in December 2017, “A geopolitical competition between free and repressive visions of world order is taking place in the Indo-Pacific region.”¹⁴ In this light, it has become imperative for all players that have a stake in the region to find ways to underpin the rule of law, freedom of navigation, respect for territorial integrity and sovereignty, peaceful resolution of disputes, free markets, and free trade in the Indo-Pacific. These principles have come under a growing challenge in the region.

Indeed, the core strategic concerns in the Indo-Pacific center on the challenges to international law and international norms. In the case of the 1982 United Nations Convention on the Law of the Sea (UNCLOS), the challenges have included the unilateral interpretation of its provisions so as to assert maritime claims and the refusal to accept UNCLOS’s dispute-settlement mechanism. This was highlighted after the Philippines filed a South China Sea-related complaint against China in 2013 with the International Tribunal for the Law of the Sea (ITLOS). China, however, refused to participate in the arbitral proceedings that The Hague-based Permanent Court of Arbitration instituted on the advice of ITLOS. When the five-member international arbitral tribunal delivered its final decision in 2016 invalidating China’s territorial and maritime claims,¹⁵ Beijing poured scorn on the verdict, calling it “a farce” and “null and void” and saying the award deserved to be “dumped in garbage.”

In fact, since the tribunal's final decision, China, without incurring any international costs, has defiantly expanded its militarization of the South China Sea, including building naval bases on the real and artificial islands that it controls.

The harsh reality is that China's incremental encroachments have cumulatively altered the status quo in its favor in the South China Sea. China has consolidated its control over this strategic corridor between the Indian and Pacific Oceans, through which one-third of global maritime trade — worth almost \$5.5 trillion last year — passes. It is also asserting control over the region's natural resources, by bullying and coercing the other claimants seeking to explore for oil and gas in areas that are theirs under UNCLOS. Such coercion is imposing major economic costs on the other claimants by blocking their access to “an estimated \$2.5 trillion in unexploited hydrocarbon resources.”¹⁶ The implications of this coercion for European commercial interests became apparent when Chinese military threats forced the Spanish energy major Repsol in July 2017 and March 2018 to suspend offshore drilling in Vietnam.¹⁷ More ominously, China's development of forward operating bases on manmade islands means it can control large parts of the South China Sea. An emboldened China is now seeking to replicate its South China Sea model in the Himalayas and the East China Sea.

The twenty-first century was supposed to be a harbinger of a rules-based order where international law reigned supreme and defiance of norms carried costs. In fact, when the Cold War ended, some pundits romantically visualized the advent of an era in which geo-economics would dictate geopolitics — a thesis reminiscent of the nineteenth-century liberal belief that growing trade and economic interdependence would make war obsolete. The Indo-Pacific is a reminder that, despite a greater role for economic power in international relations and a stronger global aspiration for a rules-based order, the twenty-first century today fundamentally looks little different than the last century. In fact, even as the world is becoming integrated economically, it is getting more divided politically.

This dichotomy, best illustrated in the Indo-Pacific, is a further reminder that economics alone cannot fix geopolitics. With the world's center of gravity shifting to the Indo-Pacific, enforcing respect for international norms and rules there has become more pressing than ever. Building a stable balance of power that keeps the peace has also become vital in this sprawling region where geopolitical rivalries are sharpening. Compounding the multiple boundary, sovereignty and jurisdiction disputes in the Indo-Pacific is territorial and maritime revisionism. Heavy-handed use of economic and military power is injecting greater instability and tensions in the region and impeding a rules-based order.

The China challenge

Since the release of a European Commission strategy paper in 2019, the EU has been labeling China “a negotiating partner for cooperation,” an “economic competitor” in critical fields, such as the development of 5G networks, and a “systemic rival.”¹⁸ Such labeling underlines the challenge posed by China's muscular rise, including its

accelerating drive for greater geopolitical influence, market access, and control over vital resources like rare earth elements. Nowhere is the China challenge greater than in the Indo-Pacific region. In fact, it is China's push beyond its traditional sphere of interest toward the Indian Ocean region — the center of its Belt and Road Initiative — and its sharpening regional competition with democratic powers like Australia, India, Japan and the U.S. that has made the Indo-Pacific basin the framework for strategic thinking and planning in many capitals. It is in the Indo-Pacific that China's unremitting expansionism and heavy-handed use of military and economic power are most apparent. Such expansionism has not spared even one of the world's smallest countries, Bhutan, which has barely 800,000 citizens.

How to deal with the China challenge is at the core of the policy dilemmas that the U.S., the EU and regional powers in the Indo-Pacific face. That challenge is also at the center of the U.S.-led "free and open Indo-Pacific" strategy. It is Chinese expansionism that has catalyzed even distant powers in Europe to view a rules-based Indo-Pacific as central to international peace and security.

Historians will most likely view 2020 as a watershed year. Thanks to COVID-19, many countries learned hard lessons about China-dependent supply chains, and international attitudes toward Chinese President Xi Jinping's regime visibly changed. A Pew Research Center survey confirmed that global attitudes toward China have turned very negative, reaching historic highs last year in many countries.¹⁹ Still, as long as the costs of expansionism and increased authoritarianism remain manageable, Xi's regime is unlikely to change its course and, in fact, will seek to exploit electoral politics and polarization in major democracies. This means that the world's leading democracies must find ways to ensure that the costs for China do not remain manageable for long.

The bipartisan consensus in the U.S. on the China threat has sparked an intense debate on a long-term strategy to meet that threat. The urgency of an actionable and durable U.S.-led approach to China as that country becomes more assertive, expansionist, and authoritarian has led to the release of three major American reports or documents since November 2020 that relate to the Indo-Pacific or, more specifically, China. Two of the reports were modeled on the landmark contributions of George F. Kennan (the founding director of the U.S. State Department's Policy Planning Staff), whose famous "Long Telegram" of February 22, 1946,²⁰ and his "X" article, which he published anonymously in the *Foreign Affairs* journal in July 1947,²¹ helped institute a U.S.-led containment policy against the Soviet Union.

The first was a detailed U.S. State Department report in November 2020, just after the presidential election, on how to checkmate China's imperial ambitions to dominate the world. In the style of the "X" article, the report, *The Elements of the China Challenge*, highlighted the imperative to rein in China's expansionism.²² It included a section highlighting China's internal vulnerabilities.

Then came the unveiling in January 2021, just before Biden took over, of a holistic strategic approach to dealing with the Indo-Pacific challenges, including China, with the declassification of the Trump administration's *United States Strategic*

Framework for the Indo-Pacific. This major document — a cabinet memorandum laying out America’s “free and open Indo-Pacific” strategy in itemized form — was drafted in 2017 and endorsed by the president in February 2018. Released with only light redactions, the document outlines action items to support each element of the Indo-Pacific strategy.²³ The accompanying statement by the national security adviser emphasized that “the most consequential challenge to the interests of the United States, and those of our allies and partners, is the growing rivalry between free and repressive visions of the future.”²⁴

What explained the White House’s declassification of the “free and open Indo-Pacific” (FOIP) strategy’s objectives and action-plans days before Biden took office?

One explanation was to show that few in the U.S. could disagree with the aims and objectives of that strategy. The declassification also appeared designed to pressure the Biden administration to continue with the assumptions, interests, goals and actions as defined in the strategic framework. In addition to its enduring and nonpartisan quality, the policy document has underscored that the Biden administration inherited a coherent, comprehensive and realistic strategy on the Indo-Pacific and China. The document dispelled the myth that the Trump administration had no strategy. With its recognition that dealing with China with a clear-eyed approach required working with allies and partners, the document also shattered another myth — that the Trump administration pursued a go-it-alone approach. The strategic framework lays major emphasis on alliances and partnerships, including the Quad, which has gradually sharpened its edges since 2019.

In late January 2021, after Biden assumed the presidency, came a third report — a strategy paper on the Chinese threat written by a former senior government official with deep knowledge and experience on China. Washington and many capitals around the world were abuzz over this anonymously authored report, titled, *The Longer Telegram: Toward a New American China Strategy*, which was published by the Atlantic Council.²⁵

All the three reports/documents are based on some important common assumptions, including:

1. The critical importance of alliances and partnerships because the U.S., with its relative decline, cannot deal with the China threat or the Indo-Pacific challenges on its own, whatever be its strategy.
2. Prioritizing the reinvigoration and reinvention of alliances, including bringing in new partners and motivating old allies to act in concert with the U.S.
3. The linkage between China’s actions at home and abroad and the Chinese Communist Party’s viselike grip on power and the political culture that monopoly has helped foster.
4. Developing U.S. capabilities and concepts to limit China’s ability to coerce America’s allies and partners.
5. Exploiting China’s vulnerabilities to put discreet checks on the exercise of its power for expansionism or coercion.

There are also important differences between the three reports. For example, *The Elements of the China Challenge* focuses on the global threat posed by the Chinese Communist Party (CCP), but *The Longer Telegram* argues for a narrower focus on Xi, including capitalizing on the many enemies he has made within China and within the CCP itself. The third report, *The Strategic Framework for the Indo-Pacific*, with its focus on policy objectives and actions, makes no mention of Xi; nor does it suggest an ideological offensive against the CCP.

The Longer Telegram's implicit regime-change call and its anonymous author's apparent understanding of the intricacies of CCP politics rattled Beijing, with the Chinese foreign ministry accusing the author of "dark motives and cowardliness" in seeking to initiate "a new Cold War." The report's focus on Xi has also drawn sharp criticism from some international scholars because it assumes without any reasonable basis that China's next ruler would be more moderate and restrained than its current despot. As long as the CCP continues to monopolize power despite its gory excesses over the years — from the so-called Great Leap Forward and the Cultural Revolution to the Tiananmen Square massacre and the current Muslim gulag — Xi's successor could be no less repressive and expansionist.

The Elements of the China Challenge and *The Longer Telegram* identify China's internal vulnerabilities, from structural weaknesses to other fissures and fragilities, and suggest exploiting them. *The Strategic Framework for the Indo-Pacific*, by contrast, focuses on strategically countering the challenges from China without making any reference to its domestic vulnerabilities. *The Longer Telegram* is the sole report that recommends two things: defining a series of U.S. "red lines" against Beijing that, if crossed, would trigger a powerful American response; and finding ways to drive a wedge between Russia and China. After all, the bigger long-term threat to the free world is a powerful, rising and technologically sophisticated China, not a declining and disruptive Russia. U.S. sanctions policy, however, has forced Russia to pivot to China, turning two natural competitors into becoming close strategic partners.

Stemming the Chinese threat will require a coordinated, U.S.-led approach across the free world. For the West, China is a far more potent adversary than the Soviet Union ever was. In fact, thanks to the U.S. policy under successive presidents from Richard Nixon to Barack Obama to aid China's economic rise, China established itself at the center of global manufacturing value chains and became an export juggernaut with a dynamic technology sector. To be sure, China's globally integrated economy is a source of potential vulnerability, especially at a time when it has damaged its international reputation. This vulnerability may explain why China has embarked on plans to hoard mammoth state reserves of crude oil, strategic metals and farm goods under its new five-year plan, which began this year.

China's internationally integrated economy, however, also serves as a font of influence. European leaders long saw China largely as an opportunity to tap its huge market. Indeed, some in Europe even saw China's rise and growing international stature as a development that could help counterweigh U.S. dominance. Such an attitude and approach persisted even after Xi's actions made it clear that China was no longer biding its time and hiding

its strength but aggressively pursuing expansionism, as in the South China Sea, where it created and militarized artificial islands between 2013 and 2016. Xi's success in the South China Sea only emboldened him to try and replicate that model elsewhere.

Today, China may have edged out the U.S. as the EU's largest trading partner but Europe recognizes Beijing's growing challenge to the free world. That challenge has been underscored by China's predatory practices, use of industrial and export subsidies, market access barriers, heavy-handed diplomatic actions, human rights abuses, and push for dominance in technology and telecommunications sectors. The EU heads of state and government at the European Council, in adopting conclusions on relations with China in October 2020, stressed the "need to rebalance the economic relationship and achieve reciprocity," while expressing "serious concerns about the human rights situation in China, including developments in Hong Kong and the treatment of people belonging to minorities."²⁶ The European Commission's earlier warning in July 2020 to move away from "dependency on high-risk suppliers" was a not-so-subtle reference to Huawei. That the EU is beginning to take the China challenge seriously is apparent from its erection of some barriers to acquisitions and technology.

More needs to be done, especially if the bigger powers in the EU, including Germany and France, stand up for Europe's interests. More importantly, the EU's approach to China would benefit if a clear line were drawn between corporate interests and European interests. What may be good for European corporate giants may not mesh with Europe's own long-term interests or contribute to Europeans' welfare. The EU should also consider joining hands with likeminded states on reforming the World Trade Organization so as to ensure that free trade does not take the form of unfair trade.

China's strategy is to divide the democratic world in order to blunt international pressure and open more space for itself, especially at the expense of the West. In fact, China has long used its market power and Western corporate greed to get foreign businesses do its bidding. Wall Street remains its powerful ally. The Chinese market and Chinese investment exert a magnetic pull on other countries, which explains the EU's Comprehensive Agreement on Investment (CAI) with Beijing last year-end — "the most ambitious agreement that China has ever concluded with a third country," as an official announcement from the European Commission put it.²⁷ Weakening that magnetic pull is at the core of the China challenge.

The EU must place its economic ties with China at the core of a coherent, long-term political strategy. Ceding to China economically will further weaken the EU's industrial competitiveness and innovation capacities and undercut its political goals.

EU must expand its role in Indo-Pacific

The EU's long-term interests are inextricably linked to stability and security in the Indo-Pacific, a region of growing economic and demographic weight, political importance, and energy intensity. With new threats to shipping emerging, ensuring the safety of the maritime trade routes linking Europe with the Pacific, via the Indian

Ocean region, has become more pressing. Nearly a quarter of the global maritime trade passes through just one narrow channel between the Indian Ocean and the South China Sea — the Strait of Malacca. A disruption of shipping will mean a disruption of supply chains to and from Europe, with significant consequences for European economies.

Not only has the global economy's center of gravity shifted to the Indo-Pacific, but also that region is likely to determine international geopolitics, maritime order, and balance of power. In other words, developments in this region will help shape the new international order. European wealth thus is dependent on peace and stability in the Indo-Pacific. Yet, in no part of the world is the security situation so dynamic and in such flux as in the Indo-Pacific today. The geopolitical flux in the Indo-Pacific is being highlighted by several developments, extending from the Xi regime's aggressive expansionism to the sharpening U.S.-China rivalry.

In this light, a common EU policy on the Indo-Pacific has become imperative. Under Portugal's current European Council presidency, progress hopefully will be made in that direction. With the Indo-Pacific emerging at the center of globalization, the EU must be part of the change and not be left behind. The EU focus on the Indo-Pacific, however, must extend both beyond China and beyond trade and investment. Diversification of partnerships holds the key to Europe's ability to decrease its dependency on China. As smaller countries in the Indo-Pacific and elsewhere are realizing, unilateral dependencies on China are dangerous, because they arm Beijing with leverage that it likes to exercise.

The EU needs to build diversified and sturdier partnerships in the Indo-Pacific, so as to balance the geopolitical and geo-economic risks and play an expanded role in the region. An expanded role also demands that the EU focus on trade, investment, and development in the region be broadened to include political elements, including maritime cooperation, institution building, and peace and security. The Indo-Pacific, after all, symbolizes a widening gap between economics and politics. The region is integrating economically, as illustrated by the latest Regional Comprehensive Economic Partnership (RCEP) agreement to create the world's largest trading bloc. But the region's political diversity and divisions have been exacerbated by the absence of common political norms.

To enlarge its footprint in the Indo-Pacific, the EU must play a greater role in regional organizations there, including the ASEAN-centric forums whose membership extends beyond Southeast Asia. The EU is already present in the 27-member ASEAN Regional Forum (where it has its own seat), the Asia-Europe Meeting (ASEM) that brings together 53 partners, and ASEM's intergovernmental Asia-Europe Foundation (ASEF). The EU has been ASEAN's longstanding partner. The EU is also seeking membership or presence in other important multilateral forums in the Indo-Pacific, including the 18-nation ADMM+ (ASEAN Defense Ministers' Meeting-Plus) and the East Asia Summit (EAS), whose members range from the U.S. and New Zealand to India and Russia. This is the right approach.

It has become common for the Indo-Pacific powers to vouch for the “centrality” of the 10-member ASEAN, which represents a strategic region connecting the Pacific and Indian Oceans. But despite seeking to be in the driver’s seat on initiatives that extend beyond its sub-region, ASEAN usually needs instructions from back-seat drivers on how to proceed and where to go. The ASEAN-centric forums, while not tangibly contributing to building a rules-based order or reining in aggressive unilateralism, as by China, are seen by members, however, as offering valuable platforms for making progress toward an Indo-Pacific security, political and economic architecture.

The EU can aid the development of multilateralism in the Indo-Pacific by building closer interaction with regional institutions, like the Indian Ocean Rim Association (IORA), the Pacific Islands Forum (of which France is a dialogue partner), the Pacific Community (SPC), and the grouping known as Heads of Asian Coast Guard Agencies Meeting, or HACGAM, which provides opportunities for networking and information sharing among coast guards of its 22 member-states. The coast guards are on the frontlines of the maritime-security challenge in the Indo-Pacific, with these so-called “white hulls” dealing with both traditional problems like piracy and human and arms trafficking and non-traditional threats, such as territorial and maritime expansionism. With India’s quiet backing, France became the 23rd member of IORA in December 2020 — the first member without a mainland in the region.²⁸ The EU should also build closer links with other regional initiatives such as the Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia (ReCAAP), which now has 20 contracting parties, and the Secretariat of the Pacific Regional Environment Program (SPREP), which is an organization charged with protecting and sustainably managing the Pacific’s natural resources.

The EU needs to confidently step out on the Indo-Pacific stage to leverage its strengths for realizing foreign-policy goals, including by aiding security and development in the world’s most-dynamic region. Today, the Indo-Pacific is at a crossroads, even as its economic weight is increasing. Geopolitical fault lines are widening in the region. Its history problem — or how the past threatens to imperil its present and future — has spurred competing and mutually reinforcing nationalisms, especially in Asia. An Indo-Pacific free of the struggle for dominance by any single power, free of the baggage of history, and free of “might makes right” policies will be able to chart a more stable, prosperous, and cooperative future for itself.

The EU, given its own institutionalized framework of cooperation between member states, can serve as a guide in the Indo-Pacific on how to build similar cooperation in the Indo-Pacific. Indo-Pacific countries can learn from the political reconciliation between EU states that has helped tame history-related challenges, including over war memorials, textbooks and sovereignty disputes. Booming trade in the Indo-Pacific has failed to mute or moderate historical disputes, thus underscoring the fact that economic interdependence by itself cannot deliver regional stability unless rival states undertake genuine efforts to mend their political relations.

The EU, as a force for sustainable development and environment protection, can, through a proactive regional role, potentially make a difference to the challenges

in the Indo-Pacific, where rapid economic growth and breakneck urbanization have imposed growing costs on the natural environment. Much of the Indo-Pacific, in addition to its growing political, environmental and natural-resource challenges, has made the mistake of overemphasizing GDP growth to the exclusion of other indices of development, such as socioeconomic equity, grassroots empowerment, biodiversity, and gender equality. As a result, in large parts of the Indo-Pacific, inequality is growing, discontent is rising, and environmental degradation is becoming a serious problem.

But such is the global interconnectedness that the China-caused environmental degradation on the world's highest plateau, Tibet, for example, has a bearing on climatic patterns across the Northern Hemisphere, including Europe.²⁹ The EU can serve as a role model on environmental security and resource sustainability in the Indo-Pacific, including on climate-friendly urban development and transport, biodiversity protection, and sustainable economic development. Building cooperation on climate action is integral to the EU's broader "Connecting Europe and Asia" strategy.³⁰

Recognizing the pivotal importance of this region, the EU's Foreign Affairs Council began discussions last year on drawing up a shared Indo-Pacific strategy. The Council, for example, sought suggestions from Japan, which developed the "free and open Indo-Pacific" concept. Japanese Foreign Minister Toshimitsu Motegi, after addressing the Council via videoconference in January 2021, said the EU foreign ministers "expressed understanding and support for the importance of ensuring a rules-based international order in the Indo-Pacific." A rules-based order in the Indo-Pacific is critically important for international security.

The EU member states, in fact, have started embracing the notion that a rules-based Indo-Pacific order is central to international peace and security. France was the first European state to develop an Indo-Pacific strategy. Unveiled in 2018, the strategy says a stable, law-based, multipolar global order hinges on the Indo-Pacific region.³¹ French President Emmanuel Macron adopted the "Indo-Pacific" concept soon after Chinese Foreign Minister Wang Yi mocked it as an "attention-grabbing idea" that will "dissipate like ocean foam." Paris has defined the Indo-Pacific as a "priority" for France, which has territories there that extend from Reunion in the Indian Ocean to New Caledonia in the South Pacific. According to France, 93% of its exclusive economic zone (EEZ) is located in the Indian and Pacific Oceans. France last year appointed an ambassador for the Indo-Pacific.

Germany, while holding the European Council presidency until last year end, sought to contribute to the building of the EU's Indo-Pacific strategy by releasing its own policy guidelines for the region. The 72-page Indo-Pacific policy guidelines, among other things, call for measures to ensure that rules prevail over a "might-makes-right" approach in the region. As the document puts it, "it is not the law of the strong that must prevail, but the strength of the law."³² The document also recommends closing "ranks with democracies and partners with shared values in the region."

The Netherlands then followed the example of France and Germany by publishing its own Indo-Pacific strategy paper, which said developments in the Indo-Pacific will

have “direct consequences for our prosperity and security.”³³ The paper declared, “The Netherlands believes that it is desirable for the European Union to develop its own vision of the Indo-Pacific.” Significantly, the Dutch paper recommended that “the EU must express itself more often and more strongly on developments in the South China Sea that violate the United Nations Convention on the Law of the Sea.”

To be sure, the South China Sea is a highly strategic corridor connecting the Indian and Pacific Oceans. In fact, the single biggest challenge to the U.S.-led “free and open Indo-Pacific” policy relates specifically to China’s unchecked expansionism in the South China Sea. How can the Indo-Pacific be free and open if its most-important sea corridor is neither fully free nor fully open? The international arbitral tribunal, while rejecting in 2016 Beijing’s sovereignty claims in the South China Sea, held that China’s island-building program has caused “devastating and long-lasting damage to the marine environment,” including destruction of biologically diverse coral reefs.³⁴

In the coming years, European nations are likely to increasingly work with likeminded states in the Indo-Pacific to help establish a constellation of mutually reinforcing strategic partnerships capable of providing stability and an equilibrium of power in the Indo-Pacific. Strategic cooperation is already shaping up. In 2019, the EU signed an agreement co-opting Vietnam in its crisis management operations.³⁵ Australia, France and India in September 2020 held their inaugural trilateral meeting at the level of senior officials. In 2019, France published an Indo-Pacific defense strategy paper calling for increased cooperation with the Indo-Pacific’s democratic powers. Japan, France and the U.S. are scheduled to hold joint military drills on land and sea for the first time in May 2021. EU’s work with partners in the ASEM framework, meanwhile, has been quietly contributing to the task of building regional multilateralism, pivoted on institutionalized, rules-based cooperation.

Make no mistake: A more engaged EU would be widely welcomed in the Indo-Pacific. In fact, without close and enduring partnerships that unite both ends of the Eurasian axis, a “free and open Indo-Pacific” will remain a mirage. The EU’s expanded role in the Indo-Pacific is thus indispensable.

Today, a rules-based and democracy-led order in the Indo-Pacific has become more important than ever to ensure global stability and power equilibrium. A constellation of likeminded states linked by interlocking strategic cooperation has become critical to help build such equilibrium. If the region’s democracies, from the Pacific region to Europe, leverage their growing strategic bonds to generate progress toward a broader concert of democracies, the vision of a rules-based Indo-Pacific free of coercion and expansionism may eventually be realized.

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