

A Shifting Regional Order in the Indo-Pacific?

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This policy outlook outlines the main dynamics of the evolving strategic landscape in the Indo-Pacific region and examines how regional states are responding to this shifting environment. The perception of declining US power and credibility coupled with China's growing ambitions and influence create great uncertainty for US regional allies, leading them to take initiative in the security and economic realms. Hence, in response to the US and China's attempts to reshape the regional order to their respective advantage, regional states - particularly US allies and partners - seek to strengthen their defence capabilities and foster intra-regional economic and security cooperation. The ultimate shape of the emerging regional order in the Indo-Pacific will be determined by the actions of both the US and China and the reactions of the regional states to these efforts.

Introduction

As the competition between the US and China intensifies, the Asia-Pacific region has come into the spotlight. Since the end of WWII, the [regional order](#) in the Asia-Pacific has been sustained through the US-led network of bilateral alliances and partnerships. While US allies and partners have contributed to American efforts to prevent the emergence of a regional hegemon that might challenge US economic and security interests, the US has provided security guarantees to these countries while supporting their economic development through foreign assistance and investments in infrastructure. However, a decisive transformation is on the way as the region has recently become the [centre](#) of the world economy and driver of global economic growth. Undoubtedly, China's economic ascendancy coupled with the military latency provided by these capabilities is having profound impacts on the regional order and strategic environment.

The US has already [defined](#) the region as "the single most consequential region for America's future." Importantly, the US has adopted a new terminology to define the region by replacing Asia-Pacific with Indo-Pacific and [announced](#) its strategy of "Free and Open Indo-Pacific". China has also set out to increase its influence in the region, particularly through infrastructure and development projects and coercive actions in the South and East China Seas. China's declared efforts to [modernise](#) its military and investments in emerging military technologies have demonstrated the extent of the shift in China's regional strategy from the previously held [idea](#) of keeping a low profile to becoming more assertive in regional issues.

In such a changing and evolving security environment where both the US and China are trying to reshape the regional order in their respective favour, how regional states adjust their policies and strategies appears to be the key to understanding the emerging regional order in Indo-Pacific. Particularly, the behaviours of US allies and partners, which have been central to the maintenance of the regional order for decades, may be decisive for the [future](#) of the region. Following the US path, Japan, Australia, and India have [adopted](#) the same terminology of Indo-Pacific and embraced the US vision for the region despite certain differences. Although the term implies different geographies for different states, the regional political order implied by this term [refers](#) to "rules-based order in Indo-Pacific" in response to China's perceived revisionism towards the liberal order. Although the US leadership seems to be welcomed by some of the important regional countries, certain issues create challenges for the emergence of a US-led consolidated bloc against China. Particularly, US regional allies perceive that the [reliability](#) of the US commitment to allies and partnerships has diminished thanks to the Trump administration's unpredictable behaviour. Additionally, the [perception](#) that American power is waning also worries US regional allies as they may face the risk of countering

China on their own. Moreover, regional economic [interdependency](#) with China has grown in the last decades and China's Belt and Road Initiative (BRI) offers more tightening of economic relations, creating a dilemma for regional states.

The US Strategy: A Free and Open Indo-Pacific

The network of bilateral alliances that has constituted the backbone of the US Asia strategy is referred to as the '[hub and spokes](#)' system where the US stands as the hub while Japan, South Korea, the Philippines and Taiwan constitute the spokes. The system is [based](#) on mutual political, security and economic commitments between allies. Hence, the US has primarily been responsible for providing security for its allies in case of aggression while smaller allies are expected to bandwagon with the US, particularly when it comes to critical foreign policy decisions. This bilateral alliance system has provided the US with effective control over its allies and became the main mechanism for the US to maintain its interests in the region. As the core of the alliance system is grounded upon bilateral security arrangements, it shows profound [differences](#) from the US multilateral alliance system with Europe. [For Cha](#), the US alliance strategy for Asia has to do with the powerplay rationale which creates asymmetrical alliance relations, allowing the major party to prevent being entrapped in unwanted wars because of the potential adventurism of the non-democratic leaders in allied countries. More or less, the hub and spokes system has [maintained](#) its function, particularly since there has been no NATO-like security organisation in the region.

With the Obama administration and its [Pivot to Asia policy](#), the US started to shift its focus to the Asia-Pacific by attempting to engage more in the region mainly through political and economic means. As the balance of power in the region has started to change with the rise of China, the Trump administration has made it clear that Asia is now the central focus of Washington's strategic outlook. This is supported by the Department of Defence's announcement that the region is the department's "[priority theatre](#)". In contrast to Obama administration's emphasis on the possibility of establishing stable and [constructive](#) relationships with China, the Trump administration has adopted direct confrontation with China, labelling it as a revisionist power and competitor challenging the American power and interests. As such, as part of its Free and Open Indo-Pacific strategy, the US has set out to promote the maintenance of the rules-based regional order, respect for sovereignty and free access to international water and airways. Japan, India and Australia have become the key regional states for the realisation of the US strategy. The four have developed new mechanisms to forge their security partnerships, par-

ticularly by [revitalising](#) the Quadrilateral Security Dialogue (Quad), an informal forum among like-minded regional countries that share a concern with the increasing assertiveness of China, for information exchange on security issues and joint military drills in 2017. Hence, the US seeks to give prominence to the Quad and its members as part of its new Indo-Pacific strategy.

The Trump administration's 2017 National Security Strategy [document](#) is helpful to understand how the US views the changing dynamics of the security landscape in the region. The document noted that "a geopolitical competition between free and repressive visions of world order is taking place in the Indo-Pacific region." The US interprets the Chinese efforts, including economic inducement and coercion and implicit and explicit military threats, as a challenge to the liberal order. Additionally, the US believes that China's investments and trade policies in the region are designed to foster its political ambitions rather than assist in the development of regional states. Moreover, the US regards China's military activities in the South China Sea as threatening the free flow of trade and its military modernisation process as a strategy to limit the US access to the region. The document also advances the idea that China's ambitions are dangerous for the sovereignty of regional states and the stability of the region. From the US perspective, the regional security landscape is further endangered by the North Korean regime's ambitions for cyber, nuclear, and ballistic missile programmes.

Against this backdrop, the overall grand strategy of the US to tackle the emerging challenges in the Indo-Pacific region is [grounded](#) upon increased cooperation between the US and its allies and partners. As such, the US has [revealed](#) its intention to redouble its commitment to established alliances and partnerships and expand relationships with new partners. The Departments of [Defence](#) and [State](#) released separate reports detailing the principles and implementation of the Indo-Pacific strategy, which can also be regarded as a reassurance to allies for the US commitment to the region. Currently, in the Indo-Pacific region, the US is the [number one](#) foreign direct investor and has been the [largest](#) contributor to foreign assistance to the tune of an accumulated to \$2 trillion since WWII. In 2018, two-way trade between the US and regional states [reached](#) \$1.9 trillion. Additionally, the five treaty allies of the US outside of NATO, namely Japan, South Korea, Australia, the Philippines and Thailand, are located in the region.

Chinese Strategy in the Asia-Pacific

For a long time, China has embraced the [idea](#) of "keeping a low profile" in their foreign policy orientation, an idea promoted by Deng Xiaoping during 1980s. Hence, China mainly concentrated on economic development and modernisation while paying due attention to not be engaged

in direct confrontation with its neighbours. As such, China has pursued actively its '[good neighbourhood policy](#)' in order to develop better relations with regional states. However, with its economic ascendancy, China has grown anxious to translate its economic power into regional and global influence and, particularly with the Xi Jinping era, these ambitions have begun to be materialised. Chinese President Xi Jinping's 2014 [statement](#) that "it is for the people of Asia to run the affairs of Asia, solve the problems of Asia and uphold the security of Asia" reveals the extent of China's ambitions to have more influence in regional affairs. According to [some analysts](#), this statement is considered to be akin to a "Chinese Monroe Doctrine" intended to keep the US out of the region and redesign the security architecture in its favour.

Hence, in parallel with its growing economy, China's self-assumed role for Asia-Pacific has dramatically changed as it has started taking coercive action and adopted a more [assertive](#) strategy. During this period, coercion of regional states through economic penalties, conditionalities, diplomatic sanctions and implicit and explicit military threats as well as economic inducements became the [central tenets](#) of China's strategic behaviour in the region. Additionally, China began a military [modernisation](#) process with the intent of increasing its power projection capabilities on land, sea and air. On territorial disputes, China has adopted a more aggressive stance. For instance, China [engaged](#) in a fierce dispute with Japan over the Diaoyu/Senkaku Islands in the East China Sea after the Japanese government claimed sovereignty over three of the disputed islands in 2012. China reacted to this move by [declaring](#) an Air Defense Identification Zone to protect against potential air threats around the islands and by frequently sending warplanes and vessels on patrol missions in the vicinity of the islands. These events risked the eruption of a military conflict between the two states as both sides intensified their military activities off the islands. China has also increased its [artificial](#) island-building efforts in the South China Sea, the most important of which is the Spratly Islands. The militarisation of these artificial islands is considered as enabling China's ambition to project significant power and control over the South China Sea. In the economic realm, China's Belt and Road Initiative (BRI) launched in 2013 has turned into a regional and global [strategic](#) plan. China has promised to invest in billions of dollars in infrastructure projects across the region, which has the potential to significantly increase China's regional [dominance](#), possibly allowing the formation of a China-led Asia that would undermine US interests and ultimately the US-led order. This is in addition to China's [establishment](#) of the Asian Infrastructure and Investment Bank in 2015, which is regarded as an alternative to the US-led financial institutions.

Chinese officials [perceive](#) the US Indo-Pacific strategy as designed to contain the rise of China and curb its potential. Hence, in contrast to other regional countries, China has eschewed the use of the term 'Indo-Pacific' and instead

continues to use Asia-Pacific. For China, the US military presence in the region and efforts to increase its capabilities pose a direct threat. In particular, the deployment of missile defence systems by US allies pose major [concerns](#) for China as these systems threaten to the credibility and deterrent effect of China's nuclear weapons. As such, China [reacted](#) harshly to the deployment of the Terminal High Altitude Area Defense (THAAD) system in South Korea in 2016 by resorting to diplomatic and economic coercion. Additionally, the US intention to deepen and expand alliances and partnerships within the framework of Indo-Pacific strategy has raised concerns in China as these efforts have the potential to contribute to the formation of counter-China bloc in the region and disrupt China's relations with neighbouring states. Moreover, US policy preferences in regional disputes involving China, such as the Taiwan issue, the Diaoyu/Senkaku Islands and the [South China Sea](#) are considered as menacing to China's national security as the US approach on these issues could risk encouraging regional countries to adopt an aggressive stance towards China. Some analysts [contend](#) that after a period of increasingly assertive foreign policy, China has recently adopted a policy of self-restraint and moderation, particularly since 2017, to mollify concerns of its neighbours. However, it is a stretch to claim that China's efforts have been or will be successful in reassuring regional states such as Japan, India and Australia.

Regional Responses

The intensifying competition between the US and China has put regional countries in a critical situation, requiring them to adjust their policies in accordance with the evolving security and economic landscape. In recent years, US allies and partners have developed strong economic relations with China, creating mutual interdependencies. China's BRI has the potential to deepen these ties, thereby making these states less willing to confront China directly and forego the benefits accrued from these relationships. However, China's ambitious military modernisation process, assertive territorial claims in East and South China Seas, the militarisation of artificial islands, economic coercion and implicit military threats have caused concerns for US allies and partners. In the face of growing Chinese challenges, more US engagement in the region is [considered](#) as critical. However, America's allies are also increasingly worried about the credibility and reliability of the US commitment and engagement in the region despite the repeated iterations of Washington thanks to certain policies and discourses of the Trump administration that ultimately [send](#) conflicting signals. Particularly, the Trump administration's decision to withdraw from [Trans-Pacific Partnership](#) (TPP) agreement has raised concerns about the reliability of the US on economic, political and security issues. The TPP was negotiated during the Obama presidency with eleven regional countries in order to create an EU like a single market. Although the TPP was never

presented as an effort to counter China, it constituted the [linchpin](#) of Obama's Asia strategy to curb China's economic influence. Trump's retreat from the TPP cast doubt over the US willingness to rigorously counter China in the region. Additionally, the Trump administration's overall [attitude](#) towards multilateralism, international institutions and organisations has further exacerbated the concerns of US allies and partners regarding the reliability of the US. President Trump's [questioning](#) of the values of the Defence Pact with Japan that require the US to help Japan attacked, and in return, allows for the US troop deployment in the country, only augmented the suspicions of US allies. Although the US continues to be the main partner of regional states, an increasingly assertive China and a growing perception of an unreliable and declining US is creating great uncertainty about the future. As a result, US allies and partners in the region seem to be opting for [hedging](#) strategies in order to diversify their strategic options and avoid antagonising both China and the US while developing their own capabilities and improving intra-regional cooperation.

Additionally, certain smaller regional states who receive relatively less US assistance, have opted for a closer [relationship](#) with China. In particular, they hope to benefit more from investment and infrastructure projects as part of the BRI. For instance, the relationship between China and Sri Lanka - an exemplary of China's "debt-trap diplomacy" in light of its handing over of the Hambantota [port](#) to China on a 99-year lease because of an inability to pay its debts - has recently deepened as the latter does not consider the US as a [benign](#) alternative to China. In a similar vein, [Nepal](#), [Laos](#) and [Cambodia](#) have invested in strengthening their ties with China and have backed China's BRI projects.

Japan

The rise of China and its growing influence in the region has caused concerns for Japan. The territorial [dispute](#) over the Senkaku/Diaoyu Islands with China, which was peaked in late 2012, has periodically caused strains in bilateral relations. Faced with China's predatory economics, Japan does not [want](#) China to dominate the Indo-Pacific and establish a regional order that is designed and governed by China. As such, Japan has remained [hesitant](#) about the BRI although it has not altogether refused the possibility of participation. Being a treaty ally of the US and having close defence and economic cooperation, Japan has embraced the US 'Free and Open Indo-Pacific' strategy and prefers the maintenance of US-led regional order. However, Japan has also become increasingly concerned about the US approach. The US under the Trump administration has not behaved as a dependable ally, leading Japan to consider other alternative mechanisms to protect its security in the face of potential aggression from China. Hence, Japan has begun seeking to improve its [defence](#) capabilities and normalise its Self-Defence Forces by relaxing constitutional constraints. Demonstrating its concern for self-sufficiency,



US President Donald Trump (L) is welcomed by Japanese Prime Minister Shinzo Abe (R) upon his arrival at the G20 Summit in Osaka, Japan on June 28, 2019. (Metin Aktas - Anadolu Agency)

the 2019 Japanese Defence Paper underscored the importance of national defence capabilities independent of the US by [noting](#) that "Japan's defence capability is the ultimate guarantor of its security and the clear representation of the unwavering will and ability of Japan as a peace-loving nation." Additionally, Japan has also sought to expand its defence partnerships with regional countries, most importantly with India. In the face of increasing challenges from China, the two have stepped up their efforts to deepen defence as well as economic cooperation, most notably by [signing](#) the 2015 India-Japan Joint Vision 2025. Recently, the two also [signed](#) a defence pact allowing them to exchange supplies and logistical support. Moreover, Japan views that certain policies of the Trump administration - particularly its economic protectionism and tariff impositions as part of the America First strategy - do not fit well with the US assumed role of the supporter and defender of the rules-based and multilateral liberal order. Hence, Japan has set out to play a [leadership](#) role for the promotion of the rules-based regional order by engaging more with the regional states and supporting economic and political initiatives. Exemplifying this, after the withdrawal of the US from TTP, Japan took the [initiative](#) and enabled the signing of a new deal with the remaining countries. Hence, it can be said that while Japan tries to maintain its good alliance relations with the US, it is also seeking to extend its partnerships with regional states and invest in its defence industry.

India

India also has valid reasons to be concerned with the growing influence of China in the region. In particular, China's increasing clout in South Asia, regarded as a [backyard](#) by India, has raised concerns among Indian decision-makers. For the same reason, India is worried that its maritime activities in the South China Sea might become limited and subjected to Chinese control. These are in addition to China's increasing [naval](#) activities and deployments in the region. Additionally, the two countries have an unsettled border dispute that periodically flares up, causing tensions

in bilateral relations, the last of which brought two countries to the edge of military confrontation in the Himalayan region after the [reported](#) killing of at least 20 Indian soldiers in clashes with Chinese forces in June. India is also concerned with China's close relations with Pakistan. The China-Pakistan Economic Corridor (CPEC) project, which is a critical component of the BRI, has drawn strong [opposition](#) from India. Accompanying Chinese projects in the region, such as the China-Malaysia Economic Corridor and the China-Sri Lanka Economic Corridor, has further added to India's sense of being encircled. Hence, since the launch of the BRI in 2013, India has remained suspicious and has [refused](#) to join.



US President Donald Trump (left) met with Indian Prime Minister Narendra Modi (right) at Hyderabad Palace in the capital, New Delhi on February 25, 2020. (Imtiyaz Khan - Anadolu Agency)

Due to strategic concerns, India is regarded as a natural [balancer](#) against China. Being one of the important partners of the US and a member of the Quad, India also [embraces](#) the US Indo-Pacific strategy. However, although India is seeking ways to prevent China from dominating the region, it tries to [avoid](#) directly challenging China and antagonising it. Hence, India takes great care to represent its own form of the Indo-Pacific strategy as one of economic development and connectivity, underlining the importance of international law, inclusiveness and regional multilateral forums. Reflecting this approach, Indian Prime Minister Modi [stated](#) that "India does not see the Indo-Pacific region as a strategy or as a club of limited members. Nor as a grouping that seeks to dominate. And by no means do we consider it as directed against any country." As such, by using an accommodative language, India intends to demonstrate that its policies are not designed to contain the rise of China. It is worth to note that although the US and India have converging interests on a number of issues, particularly when it comes to containing the rise of China, the latter also continues to eschew a formal alliance with the US in an effort to maintain its [strategic autonomy](#). Additionally, thanks to its [tradition](#) of non-alignment and prioritising economic development, India has slowed down the process of deepening its partnership with the US.

Australia

Australia had generally held a positive view of China since their bilateral relationships had provided the former with economic benefits. However, with China becoming more assertive in the region, the perception of China in Australia has changed dramatically, paving way for counter-China measures. Reports of China's [interference](#) in the domestic politics of Australia has further soured the relations, leading the latter to [adopt](#) a new law regarding foreign espionage and influence. As it officially [adopted](#) it in 2013, Australia was one of the first countries to embrace the Indo-Pacific strategy. China's growing [influence](#) in the Pacific Islands through investments and political engagements is regarded as a threat to its national interests.



Prime Minister of Australia Scott Morrison is welcomed by U.S. President Donald Trump at the White House in Washington, DC, on September 20, 2019. (Kyle Mazza - Anadolu Agency)

In response to increasing security challenges in the region, Australia has turned to its alliances. Historically, Australia has been [dependent](#) on the US for its security and protection owing to its small size and limited military capabilities. For nearly seventy years, the US has been the main security guarantor for Australia. Security cooperation between the two has recently [extended](#) through reiterated commitments, large-scale military drills and increased number of troop deployments to Australia. However, there are certain points of divergence between the US and Australia as the latter is cautious about being too [tough](#) on China when it comes to trade as well as China's activities in the South China Sea. Coupled with the perceptions of declining US power, Australia also seeks to develop its defence capabilities by increasing defence spending and buying advanced defence systems. Australian officials recently [announced](#) that they plan to increase defence spending by 40 per cent in the coming ten years and increase their strategic reach by purchasing long-range missiles. Additionally, Australia [extends](#) security cooperation with regional states, particularly Japan and India, by increasing the extent of military consultation and the number of joint military exercises. The Prime Ministers of Japan and Australia recently [announced](#) that they would be upgrading defence cooperation to a new level. Additionally, Australia has significantly improved its defence partnership with India by conducting joint military exercises, exchanging professionals and cooperating in the realm of defence technology.

The Future of the Regional Order

The Indo-Pacific has become an arena of contestation for competing visions of regional order as both the US and China set out to reshape regional security and economic structures to their respective advantages. Regarding the future of the regional order, some analysts suggest that the US will [maintain](#) its dominance in the region thanks to its unrivalled material capabilities, which is unlikely to be matched by China in the near future. Other analysts contend that the region might become [divided](#) between the two great powers' spheres of influence in both the economic and security realms. Hence, depending on alliance dynamics, economic ties and geographical realities, regional states may be compelled to side with one of the two powers over the other. Another approach [suggests](#) that the region could develop a dual character with the leadership of both the US and China being exerted in separate domains. Accordingly, regional powers might rely on China's lead for economic growth and prosperity while the US would maintain responsibility for regional security.

It is important to note that in order to be sustained, a regional order should be [institutionalised](#). This requires great efforts and bargains among the concerned parties to determine the main dynamics of the emerging order. Currently, the US and China's efforts appear to be lacking the necessary components to achieve cooperation among the actors in the face of problems associated with collective action, relative and absolute gains and the formation of a common identity and interests. For the US, its diminishing reliability as an ally, perceived declining power and retreat from shared values including democracy, rule of law and free-market economics are the main obstacles that stand in the way of its efforts. Additionally, the US Indo-Pacific strategy has put great emphasis on the security domain while being inadequate in offering an investment and infrastructure plan, which the region requires for economic development, as an alternative to China's BRI. For China, one of the main obstacles pertains to the question of how and through what mechanisms it will reassure regional states that its vision for the region will serve their respective interests. As China grows in power and increases in its latency to translate these economic capabilities into military ones, there are good reasons for regional countries to be worried. Hence, an institutionalised mechanism of self-restraint and moderation seems to be the key for China. Additionally, forming a common identity and consolidating the perception of common interests might be China's other major challenge given that its domestic characteristics and values contrast with the democratic values of the other major regional players. It should also be noted that the policy preferences of regional states that ally with the US might have a profound impact on the emerging regional order as these countries increase their investments in defence capabilities and attempt to extend intra-regional security and economic cooperation. Moreover, the behaviours of small and relatively weak regional states in the coming period might become the key to the evolving regional order as China's economic influence might shape their foreign policy orientation.