



CENTRE FOR AIR POWER STUDIES (CAPS)

Forum for National Security Studies (FNSS)

INDO-PACIFIC NEWSLETTER



A Monthly Newsletter on Security and Strategic Issues on Indo-Pacific Region from Centre for Air Power Studies

From the Editor's Desk

This month witnessed several important summits and defence exercises which were important for the Indo-Pacific dynamics playing out in the international arena. Malabar Exercise 23 happened from 11-15 August and a sea phase was held from 16-21 August which aimed at securing the Indo-Pacific region. The Reciprocal Access Agreement between Japan and Australia came into effect on 14 August. JASDF aircraft flew into RAAF Base Tindal for a bilateral exercise under the agreement from August 26-29, while Australian aircraft are slated to fly into Japan in early September to participate in Exercise Bushido Guardian.

The Camp David Summit was held on 18 August which with the US East Asian allies, US-Japan-ROK trilateral summit. All three nations agreed to act together to address regional challenges and threats impacting their mutual interests and security. On 25 August, CAPS and Institute for Security and Development Policy (ISDP) held a joint international seminar on 'India and South Korea in the Age of Indo-Pacific: Why Minilateralism Matters?'. The speakers in the seminar engaged in enriching discussions regarding India-South Korea cooperation and their Indo-Pacific strategies and convergences. Eminent speakers like General Anil Chauhan PVSM UYSM AVSM SM VSM, Chief of Defence Staff and Secretary East (MEA) gave their insightful remarks along with Ambassador of ROK to India and Ambassador of India to South Korea.

Jai Hind

Vol III, No 04, 11 Septeber 2023

CONTENTS

From the Editor's Desk
Opinion/ Review/ Expert View
Social Media Corner

PEEP-IN

How French President Macron's visit to Sri Lanka will usher in a new dynamism in Indo-Pacific

Read more about it at :-

<https://www.firstpost.com/opinion/how-french-president-macrons-visit-to-sri-lanka-will-usher-in-new-dynamism-in-indo-pacific-12954492.html>

QUOTE

The purpose of trilateral security cooperation of Japan-US-Korea is and will remain to promote and enhance peace and stability throughout the region

- Joe Biden, US President

Opinions/Review/Expert View

The U.S.-Japan-ROK Summit at Camp David: Strengthening Trilateral Security Cooperation

Source: Oktay Kucukdegirmenci, ISDP

<https://www.isdp.eu/the-u-s-japan-rok-summit-at-camp-david-strengthening-trilateral-security-cooperation/> 04

Septmeber 2023



The United States (U.S.) President Joe Biden hosted Japanese Prime Minister (PM) Fumio Kishida and Republic of Korea (ROK) President Yoon Suk Yeol at his Camp David retreat on August 18, 2023. It is important that this trilateral summit among the leaders of the U.S., Japan and Korea be held as an independent summit, and not on the sidelines of international meetings as in the past. In addition, the choice of Camp David was symbolic, as well as giving a clue about the purpose of the trilateral summit.

As U.S. State Department spokesman John Kirby put it, “Camp David has been a historic setting for summit meetings and for significant foreign policy conversations throughout the history of its existence.” Indeed, many important leaders have been hosted at Camp David, countless summits and meetings have been held, and American presidents have played a mediator role in the search for

reconciliation among countries with some bilateral conflicts. For example, in September 1978, then-American President Jimmy Carter hosted and played an intermediary role in the historic Camp David Accords, which started the peace process between Egypt and Palestine, between the then Egyptian President Anwar al-Sadat and Israel’s PM Menachem Begin. Further, in July 2000, Bill Clinton hosted the Camp David summit between then Israeli PM Ehud Barack and Palestinian President Yasser Arafat, although it failed.

Japan and Korea also have long had a number of bilateral conflicts, notably regarding wartime conscripted labor. However, at the beginning of this year, both PM Kishida and President Yoon expressed their desire to develop closer bilateral relations between the two countries, making the trilateral summit at Camp David even more meaningful.

United States (U.S.) President Joe Biden hosted Japanese Prime Minister (PM) Fumio Kishida and Republic of Korea (ROK) President Yoon Suk Yeol at his Camp David retreat on August 18, 2023.

Security on the Agenda

Although the trilateral summit was held around four main topics, including high-level trilateral consultations, strengthening security cooperation, broadening cooperation in the Indo-Pacific and deepening economic and technology cooperation, security-related issues constituted the main agenda.

To this end, the leaders have made a commitment to consult with each other in their governments to “coordinate their responses to regional challenges, provocations and threats that affect their collective interests and security.” Annual meetings

will be held among the Foreign Ministers, Defense Ministers, Commerce and Industry Ministers, and National Security Advisors of the three countries. The main purpose of all these meetings is to strengthen the trilateral relationship across domains. They decided that the three countries would launch an annual Assistant Secretary-led Indo-Pacific Dialogue, to pay attention on coordinating implementation of their respective Indo-Pacific approaches.

The three countries also committed to strengthening trilateral security cooperation, via increased trilateral defense exercises, advanced information sharing, and enhanced cooperation on ballistic missile defense, including against North Korea's missile threat. When it comes to Indo-Pacific, three countries "are committed to taking actions to defend peace and stability in the Indo-Pacific region, along with partners in the region. They aim to bolster existing regional architecture, such as ASEAN and the Pacific Islands Forum, and enhance our respective capacity building and humanitarian efforts through greater coordination, including through the Partners in the Blue Pacific, the Partnership for Global Infrastructure and Investment, and the Friends of the Mekong." Further, in this context, they will "establish a trilateral maritime mechanism to synchronize partner capacity building in Southeast Asia and Pacific Island countries, with a focus on Coast Guard and maritime law enforcement capacity building and maritime domain awareness."

Trilateral Strategic Dialogue involving the U.S., Japan and Australia, and AUKUS consisting of Australia, the United Kingdom and the United States and in which Japan shows its interest, and the U.S.-Japan-ROK trilateral partnership.

As can be understood from the 'Fact Sheet' published by the White House after the summit, it is seen that the three countries are discussing how they can develop tripartite security cooperation in Asia/Indo-Pacific under today's conditions, rather than solving the issues stemming from the historical problems between Korea and Japan.

Consequences for Indo-Pacific Security

No doubt, the summit will have important consequences for the Asia/Indo-Pacific regional order and regional relations. The most important result of Camp David is not only the strengthening of security cooperation and relations among the three countries, but it will also increase the importance of unilateral structures, especially in the Indo-Pacific visions of both the U.S. and Japan. This is because while the U.S. and Japan are dealing with their regional security policies, they give weight to unilateral structures as they cannot act in Asia/Indo-Pacific under a multilateral regional security organization. In this respect, the most important unilateral structures for the U.S. and Japan are the Quadrilateral Security Dialogue involving the U.S., Japan, India and Australia, the Trilateral Strategic Dialogue involving the U.S., Japan and Australia, and AUKUS consisting of Australia, the United Kingdom and the United States and in which Japan shows its interest, and the U.S.-Japan-ROK trilateral partnership. Most recently, another U.S. ally, the Philippines has been also added to a trilateral meeting with Japan.

An interesting feature of these minilateral structures is that with the exception of India, all the other countries are treaty allies with the U.S. India, on its part, is developing its relationship through partnership or cooperation due to its non-alliance and strategic autonomy policy. Therefore, all these minilateral structures have been established and supported by either the U.S. or Japan. Considering the fact that both countries support multilateralism in their regional policies, both the U.S. and Japan may envision these minilateral structures to transform into a multilateral security structure in the medium and long term.

Of course, such a structure will encircle and limit the People's Republic of China and its increasing regional and global power and influence. But the realization and success of such a multilateral security structure will be determined by whether India will participate in such a structure and especially whether ASEAN countries will choose sides in the competition between China and the U.S. However, what will determine whether or not, there will be a change in the position of India and ASEAN here, will be how China approaches India and ASEAN rather than what the U.S. and Japan will offer to India and ASEAN. However, the U.S. may choose to try to unite the treaty allies in these minilateral structures into a multilateral structure without India and ASEAN, and pave the way for bloc politics in the region. For this reason, the trilateral summit held at Camp David should not be seen as a simple trilateral summit among three countries as it may have important effects on the regional order in terms

U.S. has unilaterally undertaken the security of Japan in the treaty, there is no such commitment in the event of an attack or threat against the U.S. from the point of view of Japan.

of its medium and long-term results.

Rationale Behind U.S. Moves

Let's come to the importance of this summit for the U.S. Why does the U.S. want to develop trilateral security cooperation with Japan and Korea? The Treaty of Mutual Cooperation and Security between Japan and the U.S. signed in 1951 and revised in 1960 is actually a treaty that also includes Korea, because the Far East concept in the Treaty includes not only Japan but also Korea. Therefore, it can be deduced that in the treaty, Japan also has a security commitment to Korea. However, the point that creates a problem for the U.S. is that while the U.S. has a security commitment to Japan under the terms of the security treaty

(Article V), Japan does not have such a commitment. In other words, while the U.S. has unilaterally undertaken the security of Japan in the treaty, there is no such commitment in the event of an attack or threat against the U.S. from the point of view of Japan. Therefore, it can be interpreted that Japan has no commitment to Korea either. According to the treaty, the U.S. can request assistance from Japan in case of a threat or attack against it, but Japan has not undertaken to take responsibility to defend or protect the U.S. in the treaty. According to the conditions of the day, the Japanese will evaluate and either support or not depending on the situation.

It is certain that the American military is not in Japan only for Japan. It also exists for Korea. It exists to provide support and logistics to troops in Korea. If there are no

American troops in Japan, in the event of a possible conflict with North Korea or China on the Korean Peninsula, the closest geography where these troops can receive reinforcements and logistic support is the Philippines and islands such as Midway. Alliance partnership with Japan is critical to the U.S. and comes as an assurance even to its military presence in the broader East and Southeast Asian region.

Therefore, stationing the troops in Japan is indispensable for America. However, it seems that after more than 70 years of the Korean War, the U.S. does not want to take on Korea's defense responsibility alone and is therefore trying to develop trilateral security cooperation with Japan and Korea and desires to connect the two countries to each other with security commitments.

The China challenge for the US-Japan-South Korea trilateral

Source: Titli Basu | ORF

<https://www.orfonline.org/expert-speak/the-china-challenge-for-the-us-japan-south-korea-trilateral/> 02

September 2023



Will Camp David redefine Northeast Asian Security? It certainly encapsulates a definitive moment in the Northeast Asian strategic landscape. Yet, the key question remains: How consequential will the United States (US)–Japan–

South Korea Trilateral prove to be in upholding the rules-based regional order, and winning President Biden's 'competition between democracies and autocracies'?

While Beijing is upending the US-led regional order in East Asia and a China-Russia-North Korea alignment is taking shape, Washington on August 18 has managed to decisively demonstrate its firm resolve to maintain a favourable strategic edge by making its Asian alliance network more effective. Washington's desire for a robust trilateral security cooperation can be traced back to the 1969 Nixon-Sato Korea Clause. As the US–Japan–South Korea institutionalise their Trilateral across the leadership level including setting up an Indo-Pacific Dialogue, its success will be contingent on making it more resilient to domestic politics, specially the unresolved historical memory and perception politics between two of Washington's key East Asian allies.

While Japan's 2022 National Security Strategy (NSS) identifies Seoul as a 'highly important neighbouring country' with reference to regional security, South Korea's 2023 NSS underscores the urgency of bolstering cooperation with Tokyo on regional and global matters. It argues the case of 'normalising Korea-Japan relations' and further accelerating the momentum on the economic and security verticals. With the change of guard in South Korea, high-powered diplomacy is unfolding between Tokyo and Seoul. They have fully restored military intelligence-sharing under the General Security of Military Information Agreement (GSOMIA) and the trade war is cooling off with Japan restoring South

Korea to its list of preferred export destinations, and further advancing policy dialogue on export control. Nevertheless, domestic political constituencies, especially the progressive camp in South Korea remains sceptical about Japan. Similarly, balancing the factional politics within Japan's Liberal Democratic Party, especially the conservative plank, may pose a challenge to Kishida's efforts.

Meanwhile, the US–Japan–South Korea Trilateral certainly touched a nerve in Beijing with its reference to Taiwan in the Spirit of Camp David Statement. It is evident from China's critique, where Washington is accused of stoking a Cold War mentality with cliques including AUKUS, the US–Japan–South Korea and the Quad while China is projected to be pursuing solidarity and economic integration with the Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

While the US October 2022 National Security Strategy (NSS) maps Beijing as 'the only competitor with both the intent to reshape the international order and, increasingly, the economic, diplomatic, military, and technological power to advance that objective', Japan's December 2022 NSS identifies China as an 'unprecedented and the greatest strategic challenge' for Tokyo. Japan's strategic designs in rejecting the advent of a China-centric order is deeply embedded on its post-war alliance with the US. The NSS further beefs it up with a 'multi-layered network' among allies and like-minded countries including

Australia, India, South Korea, Europe, ASEAN, NATO on the one hand, and leveraging the trilateral frames like US–Japan–South Korea and US–Japan–Australia on the other.

Kishida has effectively designed the narrative of 'Ukraine today can be East Asia tomorrow' (with reference to flashpoints like Taiwan and the South and East China Seas) and succeeded in coalescing the two security theatres of Europe and Indo-Pacific. As Japan sits on the frontline of East Asian security, it has rewired its

Balancing the factional politics within Japan's Liberal Democratic Party, especially the conservative plank, may pose a challenge to Kishida's efforts.

NSS—getting counter-strike capabilities, doubling defence spending to 2 percent of GDP, and mainstreaming economic security. Tokyo's evolving character as a strategic actor will markedly determine the power balance in the Indo-Pacific.

While South Korea's 2023 NSS identifies North Korea as its top security priority, the domestic debate on China is more nuanced. As Seoul defines its ambition to be a Global Pivotal State, its goals align with Washington as it 'commits to joining hands with the international community to safeguard universal values, such as freedom, human rights, and the rule of law, and to uphold the international order based on rules and principles.' President Yoon Suk Yeol's NSS argues the case of cultivating a 'healthier and more mature relationship built on mutual respect and reciprocity' with Beijing, and advocates that Terminal High Altitude Area Defense (THAAD) deployment is a matter of security sovereignty. President Yoon has refused to inherit the 'Three Noes' that Beijing negotiated in 2017 with the previous Moon Jae-in administration encompassing (a) No additional THAAD systems

(b) No participation in American missile defence networks, and (c) No trilateral military alliance with Washington and Tokyo. This latest Trilateral dilutes the Three Noes arrangement.

While the Yoon administration recognises the vitality of Beijing in addressing the North Korean nuclear challenge as well as economic dependency, Seoul is undoubtedly doubling down on bolstering its alliance with Washington on the one hand and revisiting its Japan policy on the other. Beijing's economic coercion against Seoul has pushed President Yoon closer to Washington and Tokyo. China's unfavorability in South Korea scaled from 37 percent in 2015 to 77 percent in 2023. It has strengthened trilateral military cooperation with Washington and Tokyo; for instance, the joint naval missile defence exercise bringing together destroyers equipped with Aegis radar systems, held to counter missile threats emanating from North Korea, or the trilateral meeting between military chiefs in Hawaii in July.

As de-risking of high-tech supply chains are redefining the power balance, all three have joined forces in the Indo-Pacific Economic Framework (IPEF), and the Chip4 alliance pushed by the US as a 'democratic semiconductor supply chain'. At Camp David, the leaders mapped the significance of the Trilateral Economic Security Dialogue, and mainstreaming supply chain resilience, especially semiconductors and batteries, besides emphasising on technology

security and standards. Notably, the Trilateral initiated an Early Warning System pilot to deepen information sharing and policy coordination on future disruptions to supply chains and pre-empt policy solutions to economic coercion. In order to avert siphoning off of cutting-edge technologies illegally, these three powers will initiate exchanges

Japan's strategic designs in rejecting the advent of a China-centric order is deeply embedded on its post-war alliance with the US.

between the US Disruptive Technology Strike Force and its Japanese and South Korean counterparts to further enhance information-sharing across enforcement agencies.

However, maintaining stability in the semiconductor supply chain is proving to be one of the most complex challenges for policy planners as Washington is reportedly extending export waivers for Taiwanese and Korean chipmakers to avert global disruption. Leading businesses including Samsung Electronics, SK Hynix and TSMC lobbied hard with Washington since they have major production hubs in China. China hosts almost 40 percent of SK Hynix's DRAM production capacity. Re-engineering the chip ecosystem away from China would take some time. Nearly a third of global semiconductor

The Trilateral initiated an Early Warning System pilot to deepen information sharing and policy coordination on future disruptions to supply chains and pre-empt policy solutions to economic coercion.

sales comes from China. It outstripped Japan in chipmaking capacity, just after South Korea and Taiwan. In addition, while China remains the largest trading partner to Japan and South Korea, and even Taiwan, it remains the biggest source of imports for

the US.

Meanwhile, the Peninsula remains a fiercely contested theatre for the major powers, and

denuclearisation is unfolding as one of the most defining challenges in shaping Northeast regional security. As Pyongyang ‘pose[s] a grave threat’ to the Korean Peninsula, the Trilateral aims to operationalise sharing of missile warning data on Pyongyang in real-time, even as they deepen ballistic missile defence cooperation countering North Korea’s nuclear and missile threats. Meanwhile, they have already done a maritime ballistic missile defence warning test in August for the real-time sharing of missile warning data. Additionally, cyber security is also becoming centre stage in the policy discussions, and the Trilateral has established a working group to address North Korea’s cyber threats.

While competing geopolitical and geo-economic interests define the strategic choices of the major stakeholders in Northeast Asian security landscape, the future of the Trilateral will hinge on two factors: First, the impending US election next year and how alliances are weighed in the national security conversation by the top contenders; and second, will Tokyo and Seoul be in lockstep despite domestic variables, be it the emotive war-time history issues or the furore over the release of the Fukushima waters?

More intricate US coordination with its Australian counterparts before sealing its PNG deal might have weaved a favourable narrative.

Indo-Pacific strategy: Uniting all the players on the board

Source: Saba Sattar, *The Interpreter*

<https://www.lowyinstitute.org/the-interpreter/indo-pacific-strategy-uniting-all-players-board> 28 August 2023



An island in the Solomon Islands archipelago, a country that has been at the centre of geopolitical jostling in the region (Vicki Garside/Unsplash)

With US President Joe Biden expected “shortly” to visit Vietnam, it is increasingly evident that America needs a more unified strategy for the Indo-Pacific. The present approach is too piecemeal as the geostrategic chess match between the United States and China grows more intense.

The four pivotal sub-regions of the Indo-Pacific require a considered approach to recognise the diversity that encompasses Northeast Asia, Southeast Asia, South Asia, and the Pacific.

Northeast Asia has historically enjoyed stability and boasts advanced economies intertwined with a robust US presence in Japan and South Korea. Biden’s visit to Vietnam will put the spotlight on Southeast Asia, while the recent hosting of India’s Narendra Modi saw South Asia in focus.

Yet it is the Pacific, often underestimated, that is increasingly commanding attention. And for all the references to the Indo-Pacific as a whole, even in strategy documents, the US approach

often appears disjointed.

A sense of trepidation developed among Western powers following the April 2022 China-Solomon Islands security pact. This was compounded by the unsuccessful but still meaningful bid by China's Foreign Minister Wang Yi to strike a regional agreement granting access to critical domains, such as policing, cybersecurity, and maritime surveillance. After three decades of dormancy, the United States swiftly resurrected its embassy in Honiara.

Similarly, a calculated effort has unfolded in Papua New Guinea, where recent Chinese visits to Port Moresby have demonstrated Beijing's proactive regional engagement. Yet the United States has not been caught flatfooted in this instance, inking a 15-year Defence Cooperation Agreement with PNG, solidifying expanded access to dual-use infrastructure in a more overt manner.

Managing the local backlash, however, is the next step. The bilateral pact stirred demonstrations by academics and impassioned student activists in the country. The signing ceremony, held at a university, saw students rally for greater transparency – their calls amplified by concerns over “sovereignty” and “neutrality” and a clamour for the reversal of what was deemed Washington's “imperial expansion into Papua New Guinea”. The response was illustrative that the region will have its own view of geopolitical competition and the “partners of choice”.

For the partners themselves, they must deconflict various initiatives. The swift

move by the United States to secure the deal with PNG came as Australia was also in the throes of pursuing its own agreement with its immediate neighbour. Canberra has welcomed the US accord as another step to manage China's rising influence; however, it might inadvertently undermine Australia's efforts to solidify its own pact with PNG, thereby rankling policymakers in Canberra. Australia regularly boasts unparalleled and vigorous grassroots-level defensive initiatives with the Pacific Islands. More intricate US coordination with its Australian counterparts before sealing its PNG deal might have weaved a favourable narrative.

As the United States turns its gaze back towards Southeast Asia, recent developments in the Philippines have demonstrated promising potential – courtesy of Marcos Jr.'s proclivity for deeper connections. The imminent Biden visit to Vietnam, however, needs to go beyond

United States turns its gaze back towards Southeast Asia, recent developments in the Philippines have demonstrated promising potential – courtesy of Marcos Jr.'s proclivity for deeper connections.

a defence-centric lens. Collaborative efforts via multilateral forums, such as the Quad, which includes the United States, India, Japan, and Australia, could enhance an overall inclusive approach. India's remarkable strides in achieving fruitful cooperation with both Hanoi and Washington provide a productive avenue to fortify US-Vietnam relations, even though China's overall regional influence has grown significantly.

Lessons learned from PNG call for a balanced, regionally attuned, and comprehensive political approach. This moment also presents a golden opportunity for Washington to extend diplomatic prowess by offering its “good offices” as it

did with South Korea and Japan last week, to deftly mediate deep-rooted historical tensions among key regional players. Such a revamp would showcase a resolute and unified front – closely working with allies – and underscore a commitment to fostering stability and cooperation.

The Pacific’s ascension as a crucial theatre signals the need for a harmonised allied strategy. Being adaptive is crucial. By learning from recent lessons and fortifying its diplomacy across alliances rather than only between them, the United States can usher in an era of sustained cooperation that resonates far beyond its shores.

Beijing’s economic fragility and its implications for the Indo-Pacific

Source: Stephen Kuper, *Defence Connect*

<https://www.defenceconnect.com.au/geopolitics-and-policy/12704-beijing-s-economic-fragility-and-its-implications-for-the-indo-pacific> 01 September 2023



Since Nixon opened or rather reopened China in the 1970s, the ancient power has rapidly emerged as one of the world’s truly great economic and industrial powers despite the failure of Mao’s Cultural Revolution and poverty sweeping across the People’s Republic of China.

Characterised as the period of “Boluan

Fanzheng” or “Eliminating Chaos and Returning to Normal” by Mao’s pragmatic and reform-minded successor, Deng Xiaoping, in an attempt to “correct the mistakes of Cultural Revolution” through an opening and liberalisation of the Chinese economy, paving the way for the true beginning of the globalised economy.

Despite reassurances from Xi Jinping’s government about the enduring vitality and stability of the Chinese economy, the data and reality on the ground reveal a startlingly different picture, with major implications on the future prosperity, stability, and security of the Indo-Pacific and for Australia, in particular.

As Deng’s China rapidly began to industrialise and modernise beginning in the late 1970s, many nations began to peg their economic prosperity and stability to the rising power, Australia, least of all, doubled down, leveraging its vast mineral and resource wealth to transform China into one of the world’s major economic powers.

Seemingly unassailable in its economic and industrial ascendancy, China’s economic miracle avoided the Asian Financial Crisis and steadily positioned the nation to become the “factory of the world”, resulting in the hollowing out of many national industrial bases in favour of cheaper, “just in time” supply chains.

For Australia, it is the economic relationship that has ensured our record and history-beating recession-free run of economic growth, but now, Beijing’s near four-decade economic miracle appears to have run aground with major implications for the security, prosperity, and stability of the post-Second World War order.

Compounded by the lingering effects of the COVID-19 pandemic and the waves of ceaseless lockdowns, border restrictions, and impact on supply chains at home and abroad, coupled with

Beijing's attempts to coerce trading partners like Australia during the pandemic, served to shatter the once-alluring illusion that as China became wealthier and its leaders and people became more prosperous, they would become more liberal, democratic, and less autocratic.

As if caught in a fever dream, we now know that this is far from the reality of the economic, political, and strategic reality we now confront, presenting major challenges for both Australia and the Indo-Pacific.

Highlighting the potential impact of this, a number of economists and strategic policy analysts have begun to sound the alarm regarding the major implications of China's declining economic stability, domestic demographic challenges, and the future of the Indo-Pacific.

Leading the charge is ASPI senior fellow David Uren, who asks, Is China's economy about to go bust? Uren sets the scene, stating, "Australia is more exposed to a downturn in the Chinese economy than any other advanced country ... The spate of gloomy commentary about the Chinese economy in the Western media reflects real concerns, but markets are not behaving as if the world's second largest economy is on the cusp of its 'Lehmann Brothers moment'."

This mixed reality is expanded upon by The New York Times columnist Bret Stephens writing for The Australian Financial Review. In his piece, Seven ways the West can manage China's alarming fall, he explains, "the main challenge we will face from the People's Republic in the coming decade stems not from its rise but from

its decline – something that has been obvious for years and has become undeniable in the past year with the country's real estate market crash".

Managing Stagnation and Decline

As previously stated by Uren and now a well-established fact, Australia is perhaps the nation most dependent upon the continued economic prosperity and stability of China and will require sustained focus and commitment to overcome the inherent vulnerabilities we now face.

“The main challenge we will face from the People’s Republic in the coming decade stems not from its rise but from its decline – something that has been obvious for years and has become undeniable in the past year with the country’s real estate market crash”.

This reality, coupled with the structure of China's "political economy" under Xi Jinping, presents significant challenges, as explained by Uren, who, in quoting the president of the Peterson Institute for International Economics, Adam Posen, states, "China's political economy under Xi has

finally succumbed to a familiar pattern among autocratic regimes. They tend to start out on a 'no politics, no problem' compact that promises business as usual for those who keep their heads down. But by their second or, more commonly, third term in office, rulers increasingly disregard commercial concerns and pursue interventionist policies whenever it suits their short-term goals."

The vulnerability of this command-driven approach as embraced by Xi Jinping, particularly in recent years, also serves to reinforce two central points of Stephens' thesis, namely, don't think of China's misfortunes as our good fortune and don't assume the crisis will be short-lived.

In particular, Stephens explains, "A China that can buy less from the world, whether in the form of handbags from Italy, copper from Zambia

or grain from the United States, will inevitably constrain global growth. For US chipmaker Qualcomm, 64 per cent of its sales last year came from China; for German car maker Mercedes-Benz, 37 per cent of its retail car sales were made there. In 2021, Boeing forecast that China would account for about one in five of its wide-body plane deliveries over the next two decades. A truism that bears repeating is that there is only one economy: the global economy.

Unpacking this reality further, Stephens' adds, "Optimists think the crisis won't affect Western countries too badly because their exports to China account for a small share of their output. But the potential scale of the crisis is staggering. Real estate and its related sectors account for almost 30 per cent of China's gross domestic product, according to a 2020 paper by economists Ken Rogoff and Yuanchen Yang. It is heavily financed by the country's notoriously opaque US\$2.9 trillion (\$4.5 trillion) trust industry, which also appears to be tottering. And even if China averts a full-scale crisis, long-term growth will be sharply constrained by a working-age population that will fall by almost a quarter by 2050."

This combination of factors, coupled with the declining levels of domestic consumption and stability within China's domestic economy spells major trouble for Australia, which leverages its vast mineral and resource wealth to propel the modernisation and urbanisation of China's vast population.

However, for Uren, this isn't all doom and gloom, as he states, "China's vast economy, with its competitiveness in global manufacturing,

its leadership of most elements of the energy transition and the world's biggest population of middle-class consumers, has a resilience overlooked by some who risk schadenfreude in their forecasts of inevitable doom."

Uren adds, "Some of the global commentary has suggested that a downturn in China wouldn't matter much for the West because China is a relatively small source of demand for most nations, with notable exceptions like Australia. New York Times columnist and economic Nobel Prize-winner Paul Krugman says Chinese demand is only 1 per cent of GDP in the United States, adding that its economic woes may help bring down US inflation. For Australia, by contrast, exports to China represent almost 8 per cent of GDP. Only a handful of countries like Zambia, Chile and the United Arab Emirates have greater exposure. Australia's exposure to China has brought it two decades of rising living standards, despite weak domestic productivity."

A Declining Economy Makes Them Dangerous

This combination of factors only serves to make China increasingly unpredictable and

dangerous on the geopolitical stage as domestic factors push Xi Jinping and his cadre of high-party functionaries struggle to look externally to respond to the challenges facing the rising superpower.

Highlighting this is Paul Krugman of The Sydney Morning Herald, who states, "The basic point is that China, in various ways, suppresses private consumption, leaving the country with huge savings that need to be invested somehow. This wasn't too hard 15 or 20 years ago, when Chinese GDP could grow as

New York Times columnist and economic Nobel Prize-winner Paul Krugman says Chinese demand is only 1 per cent of GDP in the United States, adding that its economic woes may help bring down US inflation.

much as 10 per cent a year largely by catching up with Western technology: A rapidly growing economy can make good use of huge amounts of capital. But as China has grown richer, the scope for rapid productivity gains has narrowed, while the working-age population has stopped increasing and has begun to decline.”

For Australia, a nation that is incredibly dependent on China’s continued economic growth for everything, ranging from higher education and real estate, through to energy, raw resources, and agricultural produce, this spells major trouble for our own long-term economic prosperity and stability.

This is reinforced by Krugman who states, “The International Monetary Fund believes that over the medium term, China can expect a growth rate of less than 4 per cent. That’s not bad – it’s something like twice the growth most observers expect for the United States. But China is still trying to invest more than 40 per cent of GDP, which just isn’t possible given falling growth.”

Equally confronting for Beijing’s leaders is the fundamental structural and systemic design flaws inherent within the Chinese system and it’s hybrid command/market style economy, or as Deng Xiaoping used to say, “Socialism with Chinese characteristics” which has only retreated under Xi Jinping’s government.

Highlighting this is Peter Zeihan in his book, *The End of the World is Just the Beginning: Mapping the Collapse of Globalization*, where he states, “Chinese fascism has worked to this point, but between a collapse of domestic consumption

due to demographic aging, a loss of export markets due to deglobalisation, and an inability to protect the imports of energy and raw materials required to make it all work, China’s embracing of narcissistic nationalism risks spawning internal unrest that will consume the Communist Party.”

Ultimately this brings us back to the actions that Beijing may take in order to quell domestic political and economic challenges, with major concerns about China’s ambitions for Taiwan and the broader Indo-Pacific as a whole as the nation seeks to prop up its economic growth, while ensuring that its demographic cliff doesn’t trigger a domestic societal collapse.

Again, something highlighted by Krugman, who states, “Trying to reduce that superpower’s ability to do harm makes sense, even if it makes many people nervous. And the possibility that China may not be as much of a superpower as many expected doesn’t change that calculation.”

“If anything, China’s problems may reinforce the case for precautionary action. China’s rulers have long relied on economic achievement to give them legitimacy. Now they’re facing trouble on the home front, most immediately in the form of rapidly rising youth unemployment. How will they respond?” Krugman posits.

Final thoughts

Whether for ill or good, China’s ambitions and actions will shape the prospects of peace, prosperity, and stability in the Indo-Pacific more completely than any other nation, however, we in the developed world can’t be held to ransom by authoritarian and ethnic supremacist nations as

China’s problems may reinforce the case for precautionary action. China’s rulers have long relied on economic achievement to give them legitimacy.

Xi's China has increasingly become.

Helping China is mutually beneficial for nations like Australia, but it can't come at the expense of our values and principles. Nations like Australia and the United States by virtue of their position within the post-Second World War international order can go a long way to helping where possible and guiding where necessary.

There is a growing realisation that both the United States and allies like Australia will need to get the balance of its military and national capabilities just right, not just to support the US as part of a larger joint task force, but to ensure that the Australian Defence Force can continue to operate independently and complete its core mission reliably and responsively.

On the economic front, Australia will need to shake off the shackles of its tall poppy syndrome and embrace both the tried-and-true policies of success and the novel, in terms of policy, regulation, and technology to build a truly diversified, resilient and globally leading economy.

The folly of merging the Indo-Pacific and Europe

Ben Mohammed Soliman, FPRI

<https://www.fpri.org/article/2023/08/the-folly-of-merging-the-indo-pacific-and-europe/> 24 August 2023

In the wake of the Russian invasion of Ukraine, the United States has embarked upon an ambitious endeavor: containing its two most powerful rivals, China and Russia, at the same time. Central to this strategy is the imperative of garnering the

support and cooperation of allies and partners in Eurasia, as the underlying calculus driving this framework is predicated on Washington's growing perception of Europe and the Indo-Pacific as interconnected and interdependent geopolitical theaters, or in other words, one geopolitical theater. The objective is to bring together the political, military, economic, and technological capabilities of America's European and Asian allies with the aim of deterring China and Russia from undermining the liberal international order and tilting the geopolitical balance of power against the collective West.

America does not have the resources to pursue global primacy and contain China and Russia alone, simultaneously.

Viewing Europe and the Indo-Pacific as a single strategic theater presents potential risks to Washington's global standing. Merging the European and Indo-Pacific theaters would be a strategic mistake, as it diverts resources from allies who could be better utilized in their respective regions. This approach reflects the policy, intellectual, and bureaucratic challenge of prioritizing between Asia and Europe, especially considering America's finite resources and the ongoing shift of global power towards Asia. Pivotal states like India, Saudi Arabia, Turkey, Indonesia, and others oppose aligning fully with the United States under this approach, as it forces them to side with Washington when they would prefer to maintain their freedom of action. In due course, US strategy should shift toward prioritizing Asia by reinforcing Western Europe's defense commitment for its Eastern flank. This step is vital to boost US global efforts, especially in the Indo-Pacific, given America's resource limitations.

America's Strategic Scarcity

In economic and budgetary terms, the United States cannot afford to treat Europe and the Indo-Pacific as a single geopolitical theater. America is no longer the world's hegemon. During the height of the Cold War, the United States held a substantial economic advantage on the world stage by contributing 27 percent to the global gross domestic product (GDP), surpassing the combined share of the Soviet Union and China at 14 percent. Although GDP alone may not provide a comprehensive measure of economic strength, it remains a significant indicator nonetheless. However, the global landscape has since experienced a transformative hefty transformation. By 2020, the United States witnessed a relative decline, accounting for 16 percent of global GDP, while the combined economic clout of China and Russia surged to 22 percent.

America's declining share of global GDP is paralleled by its waning strategic dominance. A recent RAND report titled, "Inflection Point: How to Reverse the Erosion of U.S. and Allied Military Power and Influence," sheds light on a crucial aspect of this shift. It argues that the foundation of the US defense strategy in the post-Cold War period rested upon military forces that once held superiority across all domains compared to any potential adversary. However, this superiority has dissipated over time, as the United States and its allies no longer possess an exclusive hold on the technologies and capabilities that once granted them an overwhelming advantage against adversarial forces.

Merging the European and Indo-Pacific theaters would be a strategic mistake, as it diverts resources from allies who could be better utilized in their respective regions. Pivotal states in Asia, Africa, and the Middle East, actively reject considering Europe and the Indo-Pacific as a unified geopolitical theater.

The Pentagon's recent assurance that supporting Taiwan will not impinge on Ukraine's supplies is hardly convincing, given the prevailing reality that both nations are deeply engaged in a fierce competition for American backing and resources. Taiwan and Ukraine are direct rivals competing for access to the very same types of Western armaments. To further exacerbate matters, Taiwan's onerous backlog of orders, surpassing a colossal \$14 billion, encompasses critical contracts for indispensable weaponry, notably the Javelin missiles and Stingers—weapons that have already been abundantly supplied to Ukraine.

The profound shift in economic and military dynamics calls for a prudent reassessment of America's strategic priorities. It highlights the acute complexities of American military assistance to Taiwan and Ukraine, which in turn demands astute management to navigate this delicate and volatile geopolitical landscape. As nations vie for American support and compete for the same types of weapons, a careful approach is essential to avoid excessive commitments that might strain limited resources and jeopardize the nation's standing on the global stage.

The Primacy Trap

The United States seeks to instill a shared sense of purpose among its allies and partners, urging them to adopt a unified stance in dealing with the challenges posed by China and Russia. President Joe Biden, during his recent diplomatic visits to Japan and Australia, engaged in high-level consultations with these key allies, focused not

only on their ongoing response to Russia's illegal invasion of Ukraine, but also on formulating comprehensive strategies to effectively counter China's increasingly assertive economic and military maneuvers in the Indo-Pacific.

However, treating Europe and the Indo-Pacific as a singular, interconnected strategic theater poses a substantial threat to the global position of Washington in the emerging multipolar world order. This one interconnected theater strategy reflects America's effort to evade an unavoidable choice: prioritizing one strategic theater over the other based on shifting priorities and resource constraints. During both the Trump and Biden administrations, the United States shifted its focus to a single major war concept as a response to resource limitations. However, the foreign policy community in Washington continued to advocate for a two-theater approach and dismissed any discussions about prioritizing strategic theaters as accusations of isolationism.

The True Nature of NATO's Indo-Pacific Engagement

In June 2022, a notable event took place during the NATO summit in Madrid. The leaders of four Indo-Pacific partner nations—Australia, Japan, New Zealand, and Korea—joined their NATO counterparts. This raises questions about the rationale behind connecting Europe to the Indo-Pacific. The NATO summit in Vilnius, Lithuania, in July 2023 marked another meeting between these leaders.

What drives NATO's interest in reaching out to countries situated so far from Europe? What are the underlying reasons for establishing strategic

and military ties between these seemingly distant regions?

While acknowledging that the world faces complex security challenges that extend beyond regional boundaries, it remains essential to understand the motives behind forging such connections. Issues such as Russia's actions in Ukraine and China's growing assertiveness certainly contribute to the need for cooperation, but it is vital to assess whether this expansion truly serves the interests of all parties involved.

Moreover, it is worth considering the potential

unintended consequences of linking NATO and the Indo-Pacific. Could this move create tensions in Asia or entangle European countries in conflicts outside their traditional sphere of influence? Considering the limitations of resources, it is reasonable to question whether NATO should prioritize closer-to-home issues over stretching its focus across continents. Emerging challenges in cyber, space, and disruptive technologies also demand attention, but the alliance must carefully weigh the implications of extending its cooperation beyond Europe.

The response to these pertinent questions emerged from Tokyo, where a senior Japanese official revealed that NATO's engagement with Indo-Pacific partners, including Australia, New Zealand, South Korea, and Japan, serves a fundamental purpose: safeguarding an enduring and steadfast American commitment to Europe. The concerns of European NATO members regarding the potential shift of US focus to Asia are genuine, as they earnestly desire to avert such a scenario. In order to address this apprehension,

The decline of America's relative economic and military dominance further necessitates a reassessment of strategic priorities and avoiding excessive commitments that strain limited resources.

bolstering partnerships in the Indo-Pacific region assumes critical significance. This approach allows the United States, from a European perspective, to deftly strike a balance between its attentiveness to Europe and Asia, thereby effectively protecting Europe's vital interests.

The case for a tighter link between NATO and the Indo-Pacific is not very compelling. It seems that some Europeans may merely be paying lip service to the demands of Washington, given its support for Ukraine. The strategic intent of this concept in Europe may not be as clear-eyed as it appears. Perhaps, instead of binding itself to Europe, the United States should prioritize its much-needed pivot to Asia. This would necessitate a careful assessment of the implications and validity of forging such connections between these distant regions.

Pivotal States Reject the One Strategic Theater Approach

Currently, the United Kingdom, Japan, Australia, and many European countries align themselves with the US-led alliance to dually contain the Russia-China axis. The strategic manifestation of this approach is the geopolitical merging of the Indo-Pacific and Europe. From the BRICS (Brazil, Russia, India, China, and South Africa) to the G20, pivotal states, such as India, Saudi Arabia, Turkey, Indonesia, and others, actively reject considering Europe and the Indo-Pacific as a unified geopolitical stage. Swingstates play a major role at the emerging multipolar world order with their pivotal position in global supply chains, significant capital deployment, high-growth economies, robust military postures,

and a commitment to preventing a resurgence of a bipolar structure that might jeopardize their economic and military objectives. Their viewpoint was exemplified by India's Foreign Minister S. Jaishankar during the 17th edition of the GLOBSEC Bratislava Forum in Slovakia. In response to a question about India's position in the current US-China rivalry, he said, "Europe has to grow out of the mindset that Europe's problems are the world's problems, but the world's problems are not Europe's problems."

Obtaining more solid security commitments from Western European allies for Eastern Europe's flank is crucial to rectify this imbalance in the US global stance.

He furthermore stated, "There is currently a connection being drawn between China, India, and the events unfolding in Ukraine. However, it is important to recognize that the

circumstances involving China and India existed long before the situation in Ukraine arose."

Asia-First Strategy

The evolving global landscape prompts a timely reevaluation of America's role in Europe. Shifting priorities towards Asia raises questions about the extent of the US presence in Europe. Simultaneously addressing potential conflicts in both Asia and Europe necessitates astute resource management to avoid overextension of limited US resources. Enhancing European defense capabilities emerges as a cornerstone of US grand strategy, enabling Europe to contribute more effectively to its security while freeing vital resources for critical needs in Asia, and more importantly, it gives a firm message to pivotal states that the United States doesn't treat the Indo-Pacific and Europe as an interconnected theater.

Despite the ongoing Ukraine War, Western Europe still lacks adequate defense for its eastern NATO borders. European allies' commitments to

bolster eastern defenses have largely remained unfulfilled. With the addition of several hundred troops, the presence of Germany, France, Italy, and the Netherlands in NATO's eastern region has been strengthened. However, Western European troop increases in the East pale next to the United States' efforts. Since the start of the Russian invasion of Ukraine, the United States has added 20,000 troops to its presence in Europe and bolstered air, land, maritime, cyber, and space capabilities, with over 100,000 service members now stationed in Europe overall.

The Ukraine War has firmly reasserted the undeniable reality that the United States is the indispensable security guarantor of Europe. However, this position, born from the lack of stronger European resolve, affects the broader global standing of the United States in terms of resources and force posture. Therefore, obtaining more solid security commitments from Western European allies for Eastern Europe's flank is crucial to rectifying this imbalance in America's global stance. In simpler terms, fostering self-reliant European security ultimately bolsters US efforts in the Indo-Pacific.

Conclusion

In the face of resource constraints and a shifting global landscape, America's strategy of merging the Indo-Pacific and Europe into one interconnected theater presents significant risks. While the aim is to consolidate capabilities among allies and partners to counter the Russia-China axis and preserve the liberal international

order, this approach fails to prioritize effectively between two distinct strategic theaters. The decline of America's relative economic dominance further necessitates a reassessment of strategic priorities and avoiding excessive commitments that strain limited resources. Moreover, pivotal states such as India, Saudi Arabia, Turkey, and Indonesia reject the notion of treating Europe and the Indo-Pacific as a unified geopolitical stage, asserting the importance of prioritizing their own regional and economic interests. In Europe, the war in

The Ukraine War has firmly reasserted the undeniable reality that the United States is the indispensable security guarantor of Europe. However, this position, born from the lack of stronger European resolve, affects the broader global standing of the United States in terms of resources and force posture.

Ukraine reaffirmed the United States as Europe's security guarantor, but obtaining firmer security commitments from Western European allies is vital to America's global posture. Reinforcing European security amplifies US efforts in the Indo-Pacific. And this is the right approach for the United States to make strategic decisions that maintain its global standing in the emerging multipolar order.

Cherry-Picks of the Month

1. *Japan-Australia defense Cooperation Pact To Take Effect on Aug. 13* - <https://www.japantimes.co.jp/news/2023/08/08/japan/politics/japan-australia-defense-cooperation-pact-soon-to-take-effect/>
2. *US, Japan and South Korea agree to Expand Security Ties at Summit Amid China, North Korea Worries* - <https://apnews.com/article/camp-david-summit-biden-south-korea-japan-0bc36bb3705a3dc1b69dc8cd47b35dd3>
3. *India's Growing Strategic Footprint in the Indo-Pacific* - <https://www.orfonline.org/expert-speak/indias-growing-strategic-footprint-in-the-indo-pacific/>

4. India Seeks Bigger Role in Indo-Pacific as China Continues on Aggressive Path - <https://www.livemint.com/news/india/india-seeks-bigger-role-in-indo-pacific-as-china-continues-on-aggressive-path-1169151117880.html>

5. Pivotal States, Global South and India-South Korea Relations - https://www.researchgate.net/profile/Stephen-Nagy/publication/373425306_India-Japan-South_Korea_Middle_Power_Synergy_in_the_Indo-Pacific_in_Pivotal_States_Global_South_and_India-South_Korea_Relations/links/64eb01290453074fbd66e41/India-Japan-South-Korea-Middle-Power-Synergy-in-the-Indo-Pacific-in-Pivotal-States-Global-South-and-India-South-Korea-Relations.pdf#page=29

CAPS Experts- Infocus

1. Exploring Indo-Japan Collaboration on Semiconductors - <https://capsindia.org/exploring-indo-japan-collaboration-on-semiconductors/>



The Centre for Air Power Studies (CAPS) is an independent, non-profit think tank that undertakes and promotes policy-related research, study and discussion on defence and military issues, trends and developments in air power and space for civil and military purposes, as also related issues of national security. The Centre is headed by Air Marshal Anil Chopra, PVSM AVSM VM VSM (Retd).

Centre for Air Power Studies

P-284 Arjan Path, Subroto Park, New Delhi - 110010

Tel.: +91 - 11 - 25699131/32 Fax: +91 - 11 - 25682533

Email: capsnetdroff@gmail.com

Website: www.capsindia.org

Editorial Team: Air Commodore SP Singh VSM (Retd), Dr Joshy Paul, Ms Mahima Duggal, Ms Neha Mishra and Ms Simran Walia, Mr Gaurav Sen

Composed and Formatted by: Mr Rohit Singh, CAPS

Contact: +91 9716511091

Email: rohit_singh.1990@hotmail.com

Disclaimer: Information and data included in this newsletter is for educational non-commercial purposes only and has been carefully adapted, excerpted or edited from sources deemed reliable and accurate at the time of preparation. The Centre does not accept any liability for error therein. All copyrighted material belongs to respective owners and is provided only for purposes of wider dissemination.

Panel Discussions

1. The US-Japan-Republic of Korea trilateral summit

A conversation with Ambassador Emanuel, White House Indo-Pacific Coordinator Kurt Campbell, and NSC Senior Director for East Asia and Oceania Mira Rapp-Hooper - <https://www.brookings.edu/events/the-us-japan-republic-of-korea-trilateral-summit/>

2. Smooth Sailing in the Indo-Pacific, and strategic mapping in the Indian Ocean : ASPI Podcast: Policy, Guns & Money - <https://soundcloud.com/user-415599049/smooth-sailing-in-the-indo-pacific-and-strategic-mapping-in-the-indian-ocean>