



# OCCASIONAL PAPER

AUGUST 2017

120

## **Responding to China's Rise: Japan and India as Champions for the Rule of Law in the Indo-Pacific**

BRIAN LEE CROWLEY  
SHUVALOY MAJUMDAR  
DAVID McDONOUGH

ISBN : 978-81-935340-0-7

# **Responding to China's Rise: Japan and India as Champions for the Rule of Law in the Indo-Pacific**

**BRIAN LEE CROWLEY  
SHUVALOY MAJUMDAR  
DAVID McDONOUGH**

## ABOUT THE AUTHORS

**Brian Lee Crowley** has headed the Macdonald-Laurier Institute (MLI) in Ottawa since he helped found it in March of 2010, coming to the role after a long and distinguished record in the think-tank world. He was the founder of the Atlantic Institute for Market Studies (AIMS) in Halifax, the country's leading regional think-tank. He is a former Salvatori Fellow at the Heritage Foundation and a former Senior Fellow at the Galen Institute, both in Washington. In addition, he has advised think-tanks in Canada, the US, France, Britain, Brussels and Nigeria. From 2006 to 2008, Crowley was the Clifford Clark Visiting Economist with the federal Department of Finance. Crowley is a frequent commentator on political and economic issues across all media. He holds degrees from McGill and the London School of Economics, including a doctorate in political economy from the latter.

**Shuvaloy Majumdar** is a Munk Senior Fellow with the Macdonald-Laurier Institute. He brings experience in global affairs at its highest levels, and in the foreign policy issues formative to the last decade. In Ottawa, between 2011 and 2015, he served as the policy director to successive Canadian foreign ministers, as well as senior policy adviser to its minister for international development, assisting the prime minister and his cabinet to navigate key issues of international security and the global economy. Shuvaloy was based in Iraq and Afghanistan from 2006 to 2010, where he led the International Republican Institute (IRI), a Washington-based nonpartisan organisation chaired by US Senator John McCain dedicated to advancing democratic development.

**David McDonough** is Deputy Editor at the Macdonald-Laurier Institute, and a research fellow at Dalhousie University's Centre for the Study of Security and Development. He was previously Research Manager and Senior Editor at the Conference of Defence Associations Institute. He received a PhD in Political Science from Dalhousie University in 2011. He has published and edited widely on Canadian strategic policy and international security, including as editor of *Canada's National Security in the Post-9/11 World: Strategy, Interests, and Threats* (University of Toronto Press, 2012).

# Responding to China's Rise: Japan and India as Champions for the Rule of Law in the Indo-Pacific

## ABSTRACT

The Indo-Pacific region is experiencing profound geo-strategic re-alignments. Post-war norms are being challenged by a rising China that is unconstrained by the established legal, economic and diplomatic order. These changes come at a time of growing uncertainty over US commitments to both its regional allies and a liberal international trade regime. In the absence of American leadership, the only formidable and practical alternative is the emerging axis between India and Japan. Only these two democratic great powers have the strategic weight, economic heft and shared values and interests to counterbalance China's rise – whether by reigniting American interests in playing a more active and robust leadership role or, in its absence, providing the independent foundation for enduring liberalisation and prosperity in the region. Given America's uncertain commitment and priorities, this paper makes the case for a renewed bid for leadership by Japan and India in the Indo-Pacific.

*(This paper is co-published with the Macdonald-Laurier Institute in Ottawa, Canada, which has produced it separately in the organisation's own format. Due to each think tank's own style, some differences in wording and citation will be evident.)*

## INTRODUCTION

The United States has been engaged in the Indo-Pacific for decades, and it is time that like-minded powers, including Canada, take the political challenges of the region more seriously. The reason is simple enough: the Indo-Pacific has become the centre of gravity for global growth, yet it is also a region where post-war norms are increasingly being challenged, not least by a rising (and increasingly ambitious) China. Despite this, the US seems increasingly disinclined to maintain its traditional multilateralist leadership role in the region, as demonstrated by its repudiation of the Trans-Pacific Partnership (TPP) agreement. China is moving decisively to fill the leadership void.

In an ideal world, Washington should resolutely embrace a leadership role in the Indo-Pacific. But if US leadership continues to focus on strictly defined national interests or, worse, becomes largely absent, it becomes an urgent task for the region's proponents of the liberal order to find suitable alternatives. The international institutional architecture must be strengthened and reimaged, to ensure that a rising China is a "responsible stakeholder" (to use former World Bank President Robert Zoellick's phrase). In other words, what is needed is a policy of engagement, not of submission.

Canada's experience dealing with the US provides an important example for Indo-Pacific countries on the need for such rules and institutions. After all, Canada has also relied on multilateral institutions, such as the North Atlantic Treaty Organization (NATO) and North American Free Trade Agreement (NAFTA), to counterbalance some of the power that Washington would otherwise enjoy if Canada were to deal with them solely on an ad-hoc, bilateral basis. Canada does have extensive bilateral dealings with the US as well. Even here, however, Canada's relationship is governed by an array of agreements and institutions, such as the International Joint Commission, Smart Border Accord, Military Cooperation Committee and the North American Aerospace Defence

Command (NORAD) – illustrating that bilateral dealings can also be governed by institutions and the rule of law.

This paper makes the case that the only serious and practical alternative to American leadership in the Indo-Pacific is the emerging democratic axis between India and Japan. Only Japan and India have the strategic weight, economic heft and shared values and interests in a liberal world order to counterbalance prospects of Chinese strategic predominance. Their prospects for success would be even greater if such a powerful combination were buttressed by other like-minded democracies such as Australia, South Korea, key countries in the Association of Southeast Asian Nations (ASEAN), as well as Canada, given its interests in the region and close relationship with both India and Japan.

An Indo-Japanese axis may also have the salutary effect of reawakening US leadership ambitions in the region. After all, Washington has grown steadily more vocal in calling out allies and partners who are deemed to have failed to take up their fair share of the burden in maintaining global order. A Japan-India axis would go a long way in demonstrating that such countries are not shirking their responsibilities. Washington might well be coaxed into supporting such a coalition, given that its interests are closely aligned with those of Japan and India, especially in their view of China's rise. Japan is a staunch member of the Western alliance, while India has begun to shed its Cold War-era philosophy of non-alignment in favour of deeper cooperation with the West.

If America's willingness to counterbalance Chinese power becomes more equivocal, reducing the value of its security guarantee and leadership in the Indo-Pacific, Japan and India will have two critical tasks. The first is to bring home to the new US administration the hard interests that underpin its engagement in the Indo-Pacific. The second is to step in, if necessary, to fill – with like-minded Indo-Pacific nations – any leadership vacuum caused by US ambivalence.

## I. DANGERS OF A RISING CHINA

### Economic dominance

The importance of Deng Xiaoping in overseeing the transformation of China (excluding Taiwan) cannot be overstated; his policies unleashed economic development of an astounding scale and speed. Unlike post-USSR Russia, Deng's state-led economic reforms were *gradually* implemented and *managed* by a state apparatus eager to re-legitimise the rule of the Chinese Communist Party. As a result, the Chinese state and its ruling party exert *de facto* control over all economic decision-making.

Owing to the Dengist legacy, China's President Xi Jinping inherited the second largest economy in the world. His actions have also revealed even greater global ambitions. This is best illustrated by his Belt and Road Initiative (BRI), also known as One Belt One Road – a US \$1-trillion plan to create infrastructure across Central Asia and the Middle East (Silk Road Economic Belt) and across Southeast and South Asia (21st Century Maritime Silk Road). BRI represents an attempt to assert Chinese leadership in neighbouring regions and is grounded in economic necessity, given China's excess capacity and need for high economic growth rates.<sup>1</sup>

Another Xi Jinping initiative is China's Asian Infrastructure Investment Bank (AIIB). With initial capitalisation of US \$100 billion, the AIIB's expanding membership has turned the initiative into China's answer to the World Bank and the Asian Development Bank. The AIIB's membership has grown in earnest, with a stunning US \$3.1-billion capitalisation by former UK Prime Minister David Cameron, whose decision to join the bank unleashed a cascade of European applicants. As AIIB membership expands further in the future, China's share of the vote will likely decrease, though its capacity to coerce votes will remain strong.<sup>2</sup>

China has also ardently supported the Regional Comprehensive Economic Partnership (RCEP), a free trade agreement meant to lower tariff barriers among ASEAN countries and their partners. Beijing is currently

pushing hard to have a RCEP deal signed within this year, keen as it is to use the momentum caused by the TPP's collapse. Yet India and Japan's membership in RCEP provides an important bulwark against China's attempts to control the rules and institutions governing trade in the Indo-Pacific.

Earlier this year, President Xi showcased his trade ambitions – just days before President Donald Trump's inauguration – at the World Economic Forum at Davos, taking on the mantle as the leading international voice for openness to trade. In retrospect, this should be unsurprising. China has been the chief beneficiary of the post-war international economic system. But, like other large economic initiatives, including the BRI and the AIIB, it is also undoubtedly linked to China's growing geo-strategic ambitions: Beijing wants to impose its own rules on global trade.

### **Threats to regional security**

Even as China flexes its economic might in Asia, it has been unable to maintain its staggering growth of recent years. This creates a political challenge for Xi Jinping. Domestically, he has cracked down on Taiwan, Hong Kong and Tibet, and clamped down on religious minorities and political opponents. He has resorted to stoking nationalism to maintain his domestic constituency.<sup>3</sup> President Xi's behaviour towards his neighbours has been equally assertive. In its maritime dispute with Japan over the disputed Senkaku-Diaoyu islands, for example, China has sent naval and coast guard ships to patrol these islands on multiple occasions, and deployed them to Japanese territorial waters as well. China even unilaterally declared an expansive "air defence identification zone" over the East China Sea, requiring all aircraft to notify and respond to Chinese authorities, or else risk a military response.<sup>4</sup>

China continues to be largely uncooperative in applying pressure on North Korea, having frequently watered down United Nations (UN) resolutions and sanctions and shielded the regime from UN criticisms of its

atrocious human rights record. Indeed, it has only enabled Pyongyang's nuclear and ballistic missile ambitions by facilitating financial support – through its banking system – and supplying hardware.<sup>5</sup> What measures it has applied, such as curtailing coal shipments to North Korea, have been modest and short-lived.

Chinese military ambitions are most evident in the South China Sea – one of the most heavily used commercial waterways in the world, with nearly US\$4 trillion worth of trade flowing through it every year. It is noteworthy that 80 percent of China's energy supplies (and much of its overall trade) moves through the narrow Malacca Strait into the South China Sea, making it highly vulnerable to a potential blockade.<sup>6</sup>

Using its nine-dash line, China has claimed virtually all of the South China Sea, flouting all the rules established through international law and agreements on maritime boundaries and economic zones.<sup>7</sup> It has also pursued an unapologetic policy of establishing extensive “facts on the ground” – by dredging the surrounding waters to build artificial islands in the disputed Spratly Islands. Over 3,200 acres have been reclaimed since such activities largely ended in late 2015, compared to the paltry 50 acres reclaimed by other claimants.<sup>8</sup> Importantly, it has since moved on to construct airfields, port facilities and other infrastructure on these man-made islands.

Equally worrisome has been China's growing “civilianising” of its forces in the South China Sea, helping to disguise its military intentions. China's Coast Guard is now the largest in the world, working aggressively and in tandem with its Navy to assert China's sovereignty claims. Operating alongside them are the quasi-military forces of a maritime militia – “little blue men” in small, ostensibly civilian vessels, such as fishing trawlers, that can be used to harass other vessels.<sup>9</sup>

Indeed, Beijing increasingly has the military wherewithal to press its claims in the region, and potentially advance its interests further beyond.

In 2016 alone, it commissioned 18 ships of various types. Just this year, it launched its first indigenously-built aircraft carrier, with talk of needing up to six carriers overall.<sup>10</sup>

China's aggressive approach in its so-called "near seas" can be contrasted with a more cooperative attitude further abroad, including participating in anti-piracy operations and UN peace support missions. As China continues to rise, however, its interests abroad will only grow as a result – and with it likely the more strident, confrontational approach evident in the South China Sea today. Managing Chinese ambitions in this area is therefore the key test for nations that wish to preserve the liberal international order.

### **Economic and strategic ambitions align**

China is not a believer in the principles that drove parties of the TPP to the negotiation table – that the rules of international trade should be based on free markets, the rule of law and multilateral agreements. Even when it participates in multilateral institutions, China does so largely to expand its own geo-strategic influence, or to counter the institutional order and influence of perceived rivals. Where its own interests are at stake, China has preferred unilateral measures and eschewed the peaceful resolution of disputes. More broadly, it prefers dealing with neighbours on a bilateral basis, where Beijing is of the view that it will always be the more powerful party at the table.

The multilateralism that inspired the TPP was anathema to China because it allowed other countries to work together to create effective counterweights to China's power. Beyond trade, the TPP was to be the economic foundation of a burgeoning alliance capable of countering China's growing regional power. The point was not to oppose China's rise, but to create an institutional architecture magnifying the power of mostly democratic countries. It would have been the basis for concerted bargaining power to restrain Chinese ambitions, or to channel them to more beneficial avenues.

Tensions in the South China Sea could not have been better timed to remind other Pacific nations of what is at stake in the absence of such an architecture. ASEAN, the dominant multilateral body in Southeast Asia, has a membership that includes many of the countries involved in the South China Sea disputes and one could be forgiven for thinking that it would play an integral role in finding resolutions. Yet the group remains largely passive. Indeed, China has been systemically expanding its influence with its members, including the Philippines, Thailand and Malaysia, helping to 'divide' ASEAN and forestall a united front.<sup>11</sup>

Beijing has exerted all efforts to avoid having its claims in the South China Sea tested in legitimate international forums. So far, its main negotiating tactic seems to be either gunboat diplomacy or the forceful creation of "facts on the ground." To his credit, then Philippine President Benigno Aquino III challenged Beijing in its own game and took his country's claims to the Permanent Court of Arbitration (PCA) in The Hague, a body created by the international community to arbitrate precisely such disputes according to international law. The PCA's ruling, made on 12 July 2016, was what almost all disinterested observers already knew: that China's historic claims were farfetched, with no basis in international law, and constituted a violation of the UN Convention on the Law of the Sea (UNCLOS).

China vehemently rejected the Court's ruling, claiming that it lacked jurisdiction and that its findings were a "piece of waste paper."<sup>12</sup> The international community must now decide what to do: stand up for the rule of law or keep quiet in exchange for a piece of the short-term and high-risk economic action in China? ASEAN was notably silent on the result of this ruling, due largely to China's cajoling of its members. The Philippines, today under the presidency of Rodrigo Duterte, has begun to retreat from its legal victory under a carrot-and-stick campaign by Beijing. Even Canada has been noticeably silent in calling out China for its aggressive activities in the region.<sup>13</sup> Tellingly, a more forceful response was offered by India and

Japan, which urged parties to respect UNCLOS and avoid “unilateral action.”<sup>14</sup>

## II. LOOKING TO JAPAN AND INDIA FOR LEADERSHIP

With China's industrialisation, forays into globalisation and technological innovation, the country's economic interests have never been more globally engaged, and today they correlate directly to its more formidable military and strategic ambitions. China is no longer willing to hide its strength and bide its time, as Deng had recommended long ago. Instead, President Xi has consolidated control and shifted China's posture from strategic patience to seizing the strategic advantage. This time, Xi is rapidly developing China's economic, political and military arteries around the world, with Beijing as the beating heart of a rising and reinvigorated Middle Kingdom.

China's rise challenges all countries that prize the rule of law and the use of international institutions, rather than hard power alone, to settle disputes between nations. Crucial in that regard has been the United States, which has underpinned the post-war international order. Today, however, it can no longer be assumed that America's attention will not be diverted to other global contingences, nor that it will continue to carry the baton of leadership in the Indo-Pacific on its own. Instead, alternatives must be found, including the emerging axis between India and Japan – one that is fully capable of enticing a renewed US leadership role, but also able to ensure a liberal institutional order in its absence.

### **An ambivalent US**

Successive US administrations have found it difficult to focus on the Indo-Pacific on a sustained basis. A good case in point is former President Barack Obama's vaunted “pivot” or “rebalance,” which had many worthwhile goals (e.g., military rebalancing, new partnerships) but ultimately proved modest in its implementation and limited in terms of consequence and scope. American credibility was further undermined by Obama's failure to

enforce his own self-declared “red line” in Syria, which led many allies in the region to question the value of US security guarantees.

The current US administration has introduced an even higher level of anxiety. Following a spirited election in which both presidential nominees repudiated the TPP, it was unsurprising that one of President Donald Trump’s first acts was to withdraw the US from the deal. The decision caused great consternation among traditional allies such as Japan and Australia, while Canada’s Trudeau government failed to take any position on the deal itself. The TPP may well be resurrected under a new name. Washington could even find itself back at the negotiating table, especially if it receives concessions to American interests or finds its efforts to reach bilateral trade deals in the region stymied.

It was assumed before the new US administration took office that the leaders of China and the US would clash on a range of issues. Yet the results have so far been ambiguous. Trump’s tough rhetoric about China has dampened considerably as North Korea grew more belligerent on its nuclear ambitions. However, Trump’s early patience with Xi Jinping on North Korea has since degenerated into a war of words on the extent to which Chinese trade has helped to prop up Kim Jong-un’s rule. The US has also made it clear that it supports its Indo-Pacific allies and partners and rejects Chinese activities in the South China Sea. Secretary of State Rex Tillerson has urged all parties to immediately cease reclamation activities,<sup>15</sup> and the US Navy finally initiated freedom of navigation operations near the disputed Mischief Reef and Triton Island earlier in the year.

The Trump administration has only been in office for a little more than six months, and it is difficult to pass judgment on its long-term approach to strategic affairs. However, its dealings with the Indo-Pacific so far raise questions on how it will handle both China and US allies and partners – and ultimately, the future direction of American leadership in the region. US allies are surely examining ways to entice a renewed and more stable and sustainable US presence in the region, while also undoubtedly looking at other options.

## India and Japan

Fortunately, Trump came to power at a time when plans for the US-India military relationship are the most ambitious they have ever been, and in which Japanese Prime Minister Shinzo Abe has been empowered by his people to revisit some of the constitutional impediments around their country's military. Moreover, India and Japan have already established a basis for creating a profoundly important strategic partnership, motivated in large part by a shared concern over China's rise.

The emerging Japan-India axis, which includes key linkages to other regional democracies, is among the most important developments in the region – particularly for states concerned about a reduced American presence or who doubt Washington's capacity or willingness to provide a counterweight to Chinese predominance. Both countries have distinct but complementary interests in countering Chinese power. Japan has a long history of less-than-friendly relations with China – from tensions arising from its actions in the Second World War to its current ownership over the disputed Senkaku-Diaoyu islands. It also sits at a highly vulnerable geographic location along the first island chain around China and its so-called “near seas.” Despite Japan's reliance on sea lanes (including vulnerable energy shipments from the Middle East), it finds its own capacity for self-defence limited by its pacifist constitution, low defence budget and overreliance on its alliance with the US.

India, for its part, has a long history of competition with China amidst the buffer states in the Himalayas and has unresolved land border disputes with Beijing. This competition has grown even more fierce in Kashmir and Bhutan. The multi-faceted Sino-India rivalry can be seen in their competition over vital sea lanes traversing the Indian Ocean and the energy trade in the Middle East,<sup>16</sup> and extends eastward through India's ‘Act East’ policy to Southeast Asia. Just as China has deployed submarines to the Indian Ocean, New Delhi has responded in kind with naval deployments to Southeast Asia, including the South China Sea.<sup>17</sup> India has

also forged close strategic ties with the US, resulting in a Joint Strategic Vision that noted their shared interest in freedom of navigation and the peaceful resolution of disputes – a not so subtle counter to Chinese activities in its “near seas.”

Both countries’ geostrategic positions are complementary, with ongoing Sino-Indian territorial disputes helping to divert China’s attention and resources away from its maritime disputes with Japan, and vice versa.<sup>18</sup> So too is their approach to Southeast Asia. Like India, Japan is wary of Chinese influence in the region. As a result, Tokyo has directed increasing investment flows to ASEAN countries, making it an ideal partner for New Delhi as it pursues a more expansive strategic engagement with the region under its ‘Act East’ policy.

The long-term potential of this emerging axis between India and Japan becomes even clearer when looking at the underlying economics of both countries. India is Asia’s emerging high-growth economy and population behemoth. Not only is it the world’s second most populous country, its economic growth rate is now consistently higher than China’s, its economic statistics more reliable, and in recent elections, it has consolidated a political majority in both lower and upper houses of parliament, thus creating the political stability essential for continued deep reforms. The formalisation of its vast informal economy is occurring at stunning speed, creating the basis for a modern economy. Taken together, these initial steps are seismic and powerful.

Japan’s highly developed economy suitably complements India’s rapidly developing one. The world’s third-largest economy, Japan remains a technology, finance and business powerhouse whose economic energy has already been the powerful hand behind the rise of many an Asian tiger – and now seems to be helping to awaken the Indian elephant. Japanese know-how, companies and investments are a cornerstone of prosperity in almost every corner of Asia. Japan moved early into the high value-added sectors of research and development, finance and design, and into cutting-edge technologies like nanotechnology and biopharmaceuticals. Tokyo is,

along with New York and London, one of the world's three principal financial hubs where global capital is managed with unparalleled skill and speed.

Both Japan and India still face important economic challenges – from Japan's huge debt burdens to India's extreme poverty and protectionist instincts. Yet so too does China. Despite the pace of its economic success, Beijing now faces slowing economic growth and economic overcapacities. China's Potemkin infrastructure and real estate market, replete with gleaming but empty high-rises and ghost cities, does not make one sanguine on a positive outcome. This fact should make one question the stability of China's housing market and the state of China's banking sector. There is also the looming demographic crisis of China's ageing population and gross gender imbalance as a result of its state-enforced 'One Child' policy – a fact that could explain Xi Jinping's seemingly hurried effort to use the current window of opportunity to realise his 'China Dream'.<sup>19</sup>

Japan is now deploying its impressive business, diplomatic and political weight behind India. Its overseas direct investment to India has increased recently, averaging US\$5 billion annually for the past several years. India is also the largest recipient of Japanese overseas development assistance in South Asia,<sup>20</sup> helping to fund a variety of road, train, port and energy infrastructure projects. With the recent signing of a civil nuclear cooperation agreement, Japan has effectively embraced India's status as a nuclear power. Ultimately, the hope is that this support can "serve to offset India's economic need for China."<sup>21</sup>

This is a smart bet that is welcomed by Indian Prime Minister Narendra Modi. India and Japan are highly complementary in demographics, economic structure and outlook – Japan's ageing population to India's young, dynamic demographics; Japan's labour scarcity and capital abundance to India's extensive human capital; Japan's capacity for manufactured goods to India's natural resource abundance.<sup>22</sup> These factors will only strengthen the economic underpinnings of the Japan-India axis in the years ahead.

Also of note is how both countries are cooperating closely on the Delhi-Mumbai Industrial Corridor, a jointly-funded mega-project widely seen as providing the foundation for Modi's 'Make in India' push for industrial revival. This is only one project among many. Through Japan's Partnership for Quality Infrastructure initiative and India's Act East policy, billions of dollars in infrastructure development will link India's northeast to Southeast Asia – in what can be seen as a counter to China's 21st Century Maritime Silk Road.<sup>23</sup> It also could go potentially beyond this region into Africa under the recently announced Asia-Africa Growth Corridor. Indeed, Japan has promised to spend US\$200 billion on worldwide infrastructure development over the next five years.

An important signal for the multinational liberal order is Japan's refusal to accept that the TPP is dead, even with America's absence. Much depends on the willingness of the remaining 11 signatories of the TPP to fast-track the process for a new regional agreement – what is presently called TPP 11. Initial discussions have taken place in Chile and Canada,<sup>24</sup> and more meetings are expected soon. Tentative plans are for a new agreement to be signed at the APEC (Asia Pacific Economic Cooperation) Economic Leader's Summit in November.<sup>25</sup> By stimulating economic growth and enhancing investment opportunities, Japan sees the TPP 11 as a way to entice Washington to rejoin the trade agreement to fully capitalise on these economic and trading benefits.

India's possible participation in a new regional deal should not be discounted. After all, New Delhi has been eager to join APEC in recent years, which if finally approved would be a first step for India to take part in these trade negotiations. Of course, Indian bureaucrats have proven to be wary of trade deals requiring either lower tariffs or opening up protected sectors of its economy. A severe deficiency in articulating an international trade policy imperils India's ability to integrate into regional and global supply chains. Yet that could change, especially if Modi fully realises his vision of an economically-dynamic India "leading" in the Indo-Pacific.

### III. THE PATH TO LARGER REGIONAL COOPERATION AMONG THE LIKE-MINDED

A new strategic vision of what a well-managed Pacific region looks like is needed – one that can go toe-to-toe with China. In the absence of determined and committed American leadership, by far the best starting point for such a vision is a Japanese-Indian axis, which would have the strategic weight to counter Chinese ambitions, especially if joined and encouraged by market economies like Australia, South Korea and Canada.

A Japan-India axis could serve as an important reminder to policymakers in Washington that other countries are willing to take up more of the burden in maintaining liberal order in this region – an especially important factor for a superpower increasingly fixated on more equitable burden-sharing with its allies. The United States could yet choose to support the axis more modestly – perhaps in an offshore balancing role in which it can make itself felt if the balance between China and India-Japan ever tilts in Beijing's favour.

The Japanese were thinking about this long before President Trump's rise to power. In 2007, Prime Minister Abe's idea of a new coalition of democracies took shape in the Quadrilateral Security Dialogue or Quad, alongside the US, India, and Australia.<sup>26</sup> Both Japan and India provided the critical regional foundation for its concept. As Abe noted in his 2007 speech on the "Confluence of the Two Seas," the security of the Indian Ocean and Western Pacific are indivisible – and India and Japan are required to take the lead to ensure maritime security in this Indo-Pacific region.<sup>27</sup> Yet the Quad also proved short-lived, and was dissolved in 2008, due to Abe's resignation in 2007 and the disinclination on the part of a new Australian prime minister. Yet Abe continued to tout its benefits following his 2012 political comeback, and quickly introduced the concept of Asia's Democratic Security Diamond, "whereby Australia, India, Japan and the US state of Hawaii form a diamond to safeguard the maritime commons stretching from the Indian Ocean region to the western Pacific." Of particular concern was the prospect of the South China Sea becoming "Lake

Beijing.”<sup>28</sup> The concept proved too controversial in 2012, and was quietly dropped. Yet Japan retained a quadrilateral framework for security cooperation, and soon pushed to expand cooperation with India, Australia and the United States. Several security agreements were signed between Japan and India – from nuclear energy to defence technology and classified military intelligence – and both countries agreed to upgrade their relationship to a “special strategic and global partnership.”<sup>29</sup> Japan also signed agreements with the US and Australia, strengthening ties between key democracies in the region. It helped to establish a trilateral dialogue with India and Australia. The Quadrilateral Security Dialogue may not be officially revived yet, but it seems only a matter of time.

Japan is not just thinking about the India of today, but the India of tomorrow – a nation to be built up as the population and economic foundation stone of an Asia not under Chinese dominance. No one was surprised, then, when Prime Minister Modi chose a visit to Tokyo in 2014 as a venue for calling out China on its military build-up in the South China Sea, its heavy-handedness in Tibet, its territorial ambitions in northern India, and more: “Everywhere around us, we see an 18th-century expansionist mindset: encroaching in other countries, intruding in others’ waters, invading other countries and capturing territory.”<sup>30</sup> Two years later, India deployed a four-ship flotilla for the Malabar naval exercise with the US and Japan, which took place in the waters of the Philippines near the South China Sea. This represents a stark challenge to Russia and China’s belligerent subversion of international norms in their “island seizing” naval exercises in 2016.

The annual Malabar naval exercise remains the cornerstone of US, Indian and Japanese maritime cooperation in the Indo-Pacific, and in the past included countries like Australia and Singapore as guest participants. India even took the lead in having Japan join this exercise as a permanent participant in 2015. Bilaterally, both India and Japan undertake extensive maritime exercises, while expanding their military-to-military meetings and exchanges. One previously unexplored avenue of possible defence

cooperation can also be found in their growing discussion of possible military sales and defence technology transfers.

Australia, meanwhile, with a heightened awareness on the strategic and security challenge represented by China, has once again embraced the emerging Japan-India coalition – as shown in the India-Australia-Japan trilateral dialogue, which among its many points of discussion have been the issues raised by China's rise. Australia's participation is important because it makes clear that small democracies with Pacific interests need not choose between China and their traditional alliances. Australia has a bilateral trade deal with Beijing, but that does not mean Australians are naive about the need to protect their security interests or the dangers of becoming overly reliant on China.

A disciplined strategic patience on Beijing's part should not blind the international community to Chinese ambitions to shape an order beyond the postwar one. The postwar order has been underwritten by American power, bent not on conquest but on prosperity. Chinese power may appear discordant in its intent, participating in international peace operations and anti-piracy ventures multilaterally on one hand, while on the other, waging cyber warfare and acting aggressively through naval operations. The one theme running reliably and unmistakably through these actions and policies, however, is China's unapologetic and energetic pursuit of its national interests. So too must the democratic and market-based world aggressively advance their own national interests, in concert with one another.

These conversations could afford a basis to navigate the political challenges of the Far East and the Indian subcontinent. As a multipolar order continues to emerge, countries across the Indo-Pacific basin will need to move quickly to act on their interests. Increasingly, even those nations who are drawn into China's orbit understand the need for a rules-based international order that can, crucially, constrain even its most powerful members. However, such an order will not simply emerge; it will require the concerted efforts of nations to protect and sustain it, or else it will be lost, making it much harder to recreate.

## IV. CONCLUSION

The United States today remains the indispensable partner for the broader security architecture of the Indo-Pacific. Washington, however, only appears willing to act when it sees its interests directly engaged, which is a narrower approach than its traditional larger pursuit of grand multilateralism for the sake of preserving international institutions and protecting the interests of smaller but vital allies.

The international community must contemplate alternative structures to dealing with the rise of China to better integrate it as a responsible stakeholder in world order. In the absence of American leadership, the emerging alliance between the region's two democratic great powers, Japan and India, needs to be strengthened. Only such an axis, when joined with other like-minded states like South Korea and Canada, offers serious hope of effectively countering Chinese strategic predominance – whether by reigniting American interests in a leadership role or, in its absence, providing an independent foundation for multilateral institution-building in the region.

Yet such an axis would only be the first step. Equally important is to leverage this relationship to undertake more resolute institution-building as a way to assuage concerns from smaller countries when dealing with their larger neighbours. Canada provides an important lesson in that regard. By establishing institutional rules under NATO, NAFTA and NORAD, Canada has made the best of an objectively weak strategic, defence, trade and population position vis-à-vis its huge superpower neighbour to the south, the United States. In that sense, Canada understands the dilemmas faced by smaller Indo-Pacific countries that must deal with much larger neighbours, and benefits that could be achieved by situating that relationship on rules rather than raw power.

Lessons can and should be drawn in the importance of the rule of law and the value of bilateral and multilateral institutions in placing relationships between small/middle powers and great powers on a more

equal footing. The Canada-US relationship is not necessarily perfect, as evidenced by current efforts to renegotiate and update the terms of NAFTA. But it is better than the alternative, based on raw power – an alternative in which Canada would fare much more poorly, even with a friendly neighbour.

Unlike the situation in North America, however, many of the countries in East Asia do not enjoy a friendly relationship with Beijing, having felt the coercive edge of China's bilateral dealings – and those countries who have recently sought to leap on the Chinese bandwagon, including the Philippines, Thailand and Malaysia, may soon realise the limits of cooperation without underlying institutions and rules to minimise China's leverage in ad-hoc bilateral dealings. As China's Foreign Minister warned Singapore, "China is a big country and other countries are small countries, and that's just a fact."<sup>31</sup>

The emerging Japan-India alliance provides a bedrock for such multilateral institution-building. Unlike China, neither country is under any illusion that everyone must pay it court, and that makes them potentially more acceptable for countries increasingly wary of the implications of a China-centric regional order. Both countries are deeply concerned about China's behaviour and long-term ambitions, both are strongly committed to democracy, rule of law and the liberal world order, and both have the political, economic and strategic wherewithal (and shared interest) to balance China's rise. Both democratic great powers also have a robust alliance (in the case of Japan) and burgeoning alignment (in the case of India) with the United States. From Washington's perspective, this makes them ideal candidates to take on some of the burdens of leadership. From the perspective of Tokyo and New Delhi, however, it also offers a possible avenue to help reignite American interests in playing a more active and robust leadership role in the region. Yet even in its absence, a Japan-India axis provides the independent foundation for enduring liberalisation and prosperity in the Indo-Pacific. Given China's rapid rise and growing uncertainty about US leadership, the need to build such a foundation has never been more urgent. 

## ENDNOTES

1. Peter Cai, "Understanding China's Belt and Road Initiative," *Lowy Institute Analysis*, March 22, 2017, <https://www.lowyinstitute.org/publications/understanding-belt-and-road-initiative>.
2. The AIIB's assets are roughly half those of the World Bank and two-thirds of the Asian Development Bank. As the largest shareholder, China's voting share is currently near 28 percent of the AIIB (and more if one includes Hong Kong) – or more than 350 percent larger than the second largest shareholder, India, which has a voting share of 8 percent. In addition, the combined vote of the governments Beijing can cajole into sharing its priorities is over 40 percent. This aggregate percent of Vote at AIIB totals 43.6 and includes: China 27.5; Hong Kong (China) 0.9; Russia 6.2; Turkey 2.6; Pakistan 1.2; Iran 1.7; Cambodia 0.3; Kazakhstan 0.9; Laos 0.3; Burma (Myanmar) 0.5; Philippines 1.1; and, Uzbekistan 0.4. See <https://www.aiib.org/en/about-aiib/governance/members-of-bank/index.html>.
3. Shuvaloy Majumdar, "A Perilous China Pivot in Asia," *Inside Policy*, October 12, 2016, <http://www.macdonaldlaurier.ca/a-perilous-china-pivot-in-asia-shuvaloy-majumdar-in-inside-policy/>
4. David McDonough, 2013, "Obama's Pacific Pivot in US Grand Strategy: A Canadian Perspective," *Asian Security* 9, 3 (2013): 165-184.
5. Josh Meyer, "Failure to sanction China helped North Korea, former officials say," *Politico*, April 16, 2017, [www.politico.com/story/2017/04/north-korea-china-sanctions-237238](http://www.politico.com/story/2017/04/north-korea-china-sanctions-237238).
6. This possibility is called the China's "Malacca Dilemma," and is likely why China is so eager to develop the China-Pakistan Economic Corridor through to the Pakistani port of Gwadar, which would bypass this choke point. VidyaSagar Reddy. "Reinforcing China's Malacca Dilemma," Centre for International Maritime Security, September 15, 2016, [cimsec.org/reinforcing-chinas-malacca-dilemma/28117](http://cimsec.org/reinforcing-chinas-malacca-dilemma/28117).
7. Of course, China is not the only claimant to establish structures, undertake land reclamation or deploy civilians and military personnel. For example, Taiwan stations Coast Guard personnel at its occupied Itu Aba land feature, which already boasts a large runway and port facilities currently being upgraded. Malaysia has undertaken reclamation activities on its occupied Swallow Reef, which is also home to a Malaysian naval presence; Philippines plans on upgrading its naval station and paving its airstrip at Thitu Island; and Vietnam has undertaken land reclamation activities on some of its own occupied land features, such as Southwest Cay, while expanding its presence on several islands. See Michael Gold, "Taiwan considers permanent armed ships for disputed South China Sea island," *Reuters*, October 16, 2014, [uk.reuters.com/article/uk-taiwan-southchinasea-idukkc0i509o20141016](http://uk.reuters.com/article/uk-taiwan-southchinasea-idukkc0i509o20141016); "Vietnam expanding South China Sea runway: US think tank," *Reuters*, November 18, 2016, [www.reuters.com/article/us-southchinasea-vietnam-idUSKBN13C2TH](http://www.reuters.com/article/us-southchinasea-vietnam-idUSKBN13C2TH); "Philippines to strengthen military facilities in South China Sea," *Reuters*, March 17, 2017, [uk.reuters.com/article/uk-philippines-southchinasea-idUKKBN16O0TK](http://uk.reuters.com/article/uk-philippines-southchinasea-idUKKBN16O0TK).

8. United States, Office of the Secretary of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2016* (Department of Defense, April 26, 2016), <https://www.defense.gov/Portals/1/Documents/pubs/2016%20China%20Military%20Power%20Report.pdf>.
9. Simon Tisdall, "Little blue men: the maritime militias pushing China's claims," *The Guardian*, May 16, 2016. <https://www.theguardian.com/world/2016/may/16/little-blue-men-the-maritime-militias-pushing-chinas-claims-in-south-china-sea>.
10. Ronald Rourke, "China Naval Modernization: Implications for US Navy Capabilities - Background and Issues for Congress." *Congressional Research Service*, May 12, 2017, <https://fas.org/sgp/crs/row/RL33153.pdf>.
11. This puts into perspective any declarations about possible breakthroughs in the ASEAN-China dialogue around a Code of Conduct for the South China Sea. China may have declared reaching such an agreement but this would not be the first time it has proven premature – only for China to use the respite to solidify and expand its position. See Richard Javad Heydarian, "Asean-China Code of Conduct: Never-ending negotiations," *Straits Times*, March 9, 2017, [www.straitstimes.com/opinion/asean-china-code-of-conduct-never-ending-negotiations](http://www.straitstimes.com/opinion/asean-china-code-of-conduct-never-ending-negotiations).
12. Tim Daiss, "China Closes Part Of South China Sea, Holds War Games, After Disappointing Court Ruling," *Forbes*, July 18, 2016, <https://www.forbes.com/sites/timdaiss/2016/07/18/china-closes-part-of-south-china-sea-holds-war-games-after-disappointing-court-ruling/#5cead02336dc>.
13. Eric Lerhe, "Why is Canada Giving China a Free Pass?" *Inside Policy*, July 4, 2017, [www.macdonaldlaurier.ca/why-is-canada-giving-china-a-free-pass-eric-lerhe-for-inside-policy/](http://www.macdonaldlaurier.ca/why-is-canada-giving-china-a-free-pass-eric-lerhe-for-inside-policy/)
14. Mohan Malik, Mohan, "India's Response to the South China Sea Verdict," *The American Interest*, July 22, 2015, <https://www.the-american-interest.com/2016/07/22/indias-response-to-the-south-china-sea-verdict/>.
15. Nick Wadhams, "Tillerson 'Emphatic' About Need to Halt South China Sea Buildup," *Bloomberg*, May 4, 2017, <https://www.bloomberg.com/politics/articles/2017-05-04/tillerson-emphatic-about-need-to-halt-south-china-sea-buildup>.
16. KadiraPethiyagoda, "India's shifting role in the Middle East," Brookings Institution, April 28, 2017, <https://www.brookings.edu/blog/order-from-chaos/2017/04/28/indias-shifting-role-in-the-middle-east/>.
17. India will also have an expanded naval presence and upgraded infrastructure at its military base on the Andaman and Nicobar Island chain, overlooking the Strait of Malacca. Of note, Japan is helping to fund this infrastructure. See Ellen Barry, "As India Collaborates with Japan on Islands, It Looks to Check China," *New York Times*, March 11, 2016, [https://www.nytimes.com/2016/03/12/world/asia/india-japan-china-andaman-nicobar-islands.html?\\_r=1](https://www.nytimes.com/2016/03/12/world/asia/india-japan-china-andaman-nicobar-islands.html?_r=1); Sanjeev Miglani, "Inside - From remote outpost, India looks to check China's Indian Ocean thrust," *Reuters*, July 15, 2015, [in.reuters.com/article/india-andamans-military-insight-idINKCNOPO2NB20150715](http://in.reuters.com/article/india-andamans-military-insight-idINKCNOPO2NB20150715)

18. Thomas Lynch III and James Przystup, *India-Japan Strategic Cooperation and Implications for US Strategy in the Indo-Asia-Pacific Region*, Strategic Perspectives 24 (Institute for National Strategic Studies, 2017), [ndupress.ndu.edu/Portals/68/Documents/stratperspective/inss/Strategic-Perspectives-24.pdf?ver=2017-03-14-123654-447](http://ndupress.ndu.edu/Portals/68/Documents/stratperspective/inss/Strategic-Perspectives-24.pdf?ver=2017-03-14-123654-447).
19. James Kidd, "How China's ancient carrot-and-stick concept guides its rise, and why it has just 15 years to secure its place in the world," *South China Morning Post*, May 18, 2017, [www.scmp.com/magazines/post-magazine/long-reads/article/2094646/how-chinas-ancient-carrot-and-stick-concept](http://www.scmp.com/magazines/post-magazine/long-reads/article/2094646/how-chinas-ancient-carrot-and-stick-concept).
20. Darshana Baruah, "Toward Strategic Economic Cooperation Between India and Japan," *Carnegie India*, December 1, 2016, [carnegieindia.org/2016/12/01/toward-strategic-economic-cooperation-between-india-and-japan-pub-66326](http://carnegieindia.org/2016/12/01/toward-strategic-economic-cooperation-between-india-and-japan-pub-66326)
21. Lynch III and Przystup, *India-Japan Strategic Cooperation*, p. 13.
22. Nikhil Kapoor, "How far can India and Japan take their trade ties?" *Swarajya*, November 15, 2015, <https://swarajyamag.com/world/the-economic-relationship-between-india-and-japan>.
23. Baruah, "Toward Strategic Economic Cooperation."
24. Hugh Stephens, "The TPP lives on - and Canada should be part of it," *Globe and Mail*, May 25, 2017, <https://www.theglobeandmail.com/report-on-business/rob-commentary/the-tpp-lives-on-and-canada-should-be-part-of-it/article35117883/>.
25. Anthony Fensom, "New Life for the TPP?" *The Diplomat*, May 22, 2017, [thediplomat.com/2017/05/new-life-for-the-tpp/](http://thediplomat.com/2017/05/new-life-for-the-tpp/).
26. In some respects, this harkens back to an even older "core group" that briefly came together to deal with the 2004 tsunami that devastated Southeast Asia – a group that included the US, Japan, India, and Australia. See David McDonough, "Obama's Pacific Pivot in US Grand Strategy: A Canadian Perspective," *Asian Security* 9, 3 (2013): 165-184.
27. Shinzo Abe, "Confluence of the Two Seas," speech by H.E. Mr. Shinzo Abe, Prime Minister of Japan at the Parliament of the Republic of India, August 22, 2007, [www.mofa.go.jp/region/asia-paci/pmv0708/speech-2.html](http://www.mofa.go.jp/region/asia-paci/pmv0708/speech-2.html).
28. Suzuki Yoshikatsu, "Abe's Indo-Pacific 'Security Diamond' Begins to Shine," *Nippon*, February 8, 2016, [www.nippon.com/en/column/g00339/](http://www.nippon.com/en/column/g00339/).
29. Ibid.
30. Saptarishi Dutta, "What India's Narendra Modi Has Said About China," *Wall Street Journal*, May 14, 2015, <https://blogs.wsj.com/chinarealtime/2015/05/14/what-indias-narendra-modi-has-said-about-china/>.
31. Eric Lerhe, "The Asia-Pacific and the Royal Canadian Navy," *CGAI Policy Paper* (Canadian Global Affairs Institute, 2015), [www.cgai.ca/the\\_asia\\_pacific\\_and\\_the\\_royal\\_canadian\\_navy](http://www.cgai.ca/the_asia_pacific_and_the_royal_canadian_navy).



**Ideas • Forums • Leadership • Impact**

---

20, Rouse Avenue Institutional Area,  
New Delhi - 110 002, INDIA  
Ph. : +91-11-43520020, 30220020.  
Fax : +91-11-43520003, 23210773  
E-mail: [contactus@orfonline.org](mailto:contactus@orfonline.org)  
Website: [www.orfonline.org](http://www.orfonline.org)



**True North in  
Canadian public policy**

**MACDONALD-LAURIER INSTITUTE**

323 Chapel Street, Suite #300  
Ottawa, Ontario, K1N 7Z2 Canada  
Ph: +1-613.482.8327  
Email: [info@macdonaldlaurier.ca](mailto:info@macdonaldlaurier.ca)  
Website: [www.macdonaldlaurier.ca](http://www.macdonaldlaurier.ca)